

Management Skills

4th Edition



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ISBN 978-1-59271-342-4



University Publishing Solutions, LLC
302 Ryders Lane
East Brunswick, NJ 08816

www.upublishing.com

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Understanding Work Teams

After studying this chapter, you should be able to:

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

In this chapter we will turn our attention to a particular type of group, namely work teams. Approximately 80 percent of *Fortune* 500 companies now have half or more of their employees on teams. And 68 percent of small U.S. manufacturers are using teams in their production areas.¹ Thus, teams are increasingly becoming the primary means for organizing work in contemporary business firms.

WHY HAVE TEAMS BECOME SO POPULAR?

How do we explain the current popularity of teams? As organizations have restructured themselves to compete more effectively and efficiently, they have turned to teams as a better way to use employee talents. Management has found that teams are more flexible and responsive to changing events than are traditional departments or other forms of permanent groupings. Teams have the capability to quickly assemble, deploy, refocus, and disband. But don't overlook the motivational properties of teams. Consistent with our discussion of the role of employee involvement as a motivator, teams facilitate employee participation in operating decisions. So another

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explanation for the popularity of teams is that they are an effective means for management to democratize their organizations and increase employee motivation.

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

DIFFERENCES BETWEEN GROUPS AND TEAMS

Groups and teams are not the same thing. In this section, we define and clarify the difference between work groups and work teams.²

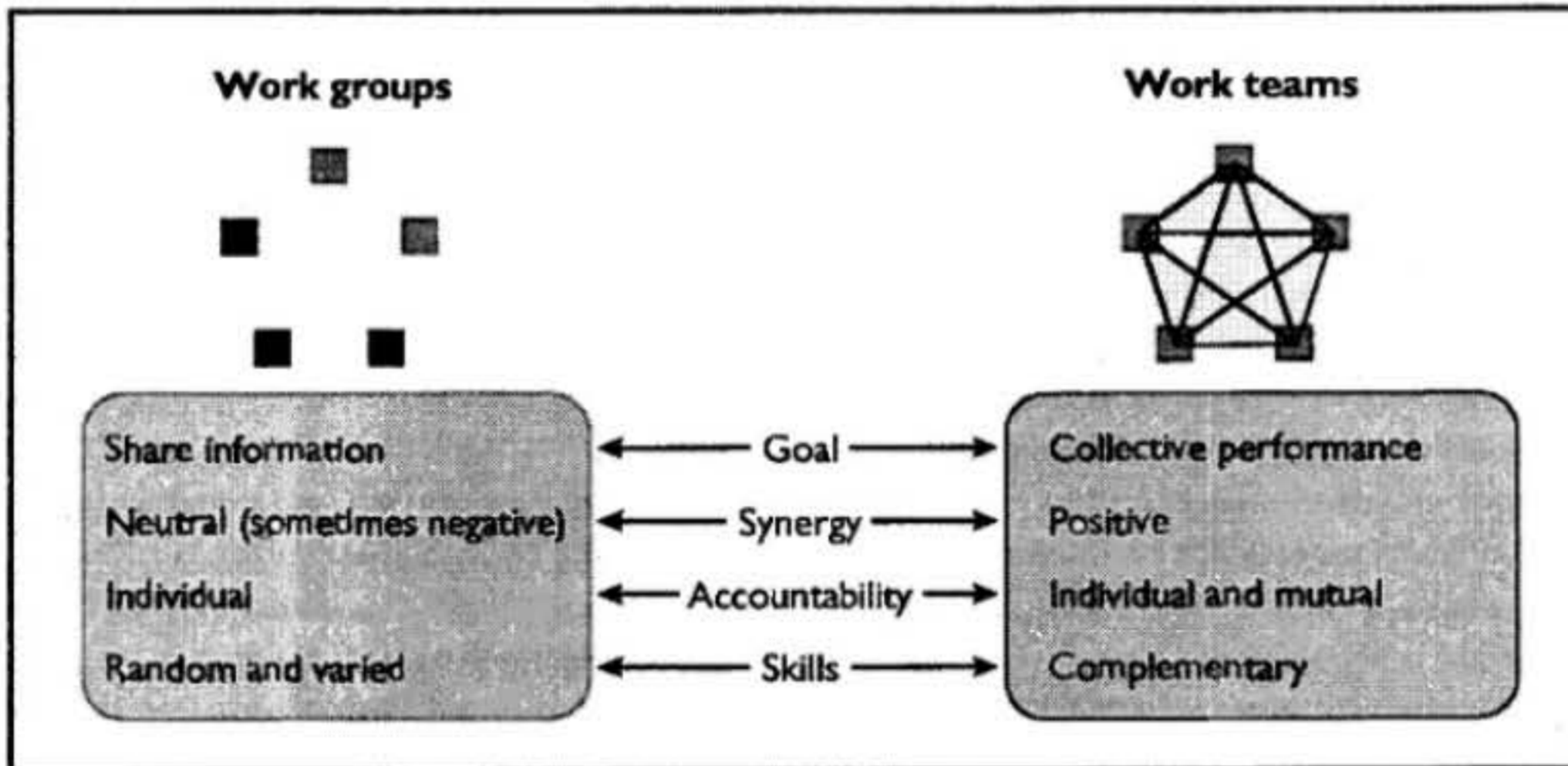
We defined a *group* as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. A **work group** is a group that interacts primarily to share information and to make decisions to help each member perform within his or her area of responsibility.

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

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

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

EXHIBIT 1 Comparing Work Groups and Work Teams



chapter, effective teams have certain common characteristics. If management hopes to gain increases in organizational performance through the use of teams, it needs to ensure that its teams possess these characteristics.

TYPES OF TEAMS

Teams can do a variety of things. They can make products, provide services, negotiate deals, coordinate projects, offer advice, and make decisions. In this section, we'll describe the four most common types of teams you're likely to find in an organization: *problem-solving teams*, *self-managed work teams*, *cross-functional teams*, and *virtual teams* (see Exhibit 2).

Problem-Solving Teams

Twenty years ago or so, teams were just beginning to grow in popularity, and most of those teams took similar form. They were typically composed of five to twelve hourly employees from the same department who met for a few hours each week to discuss ways of improving quality, efficiency, and the work environment. We call these **problem-solving teams**.

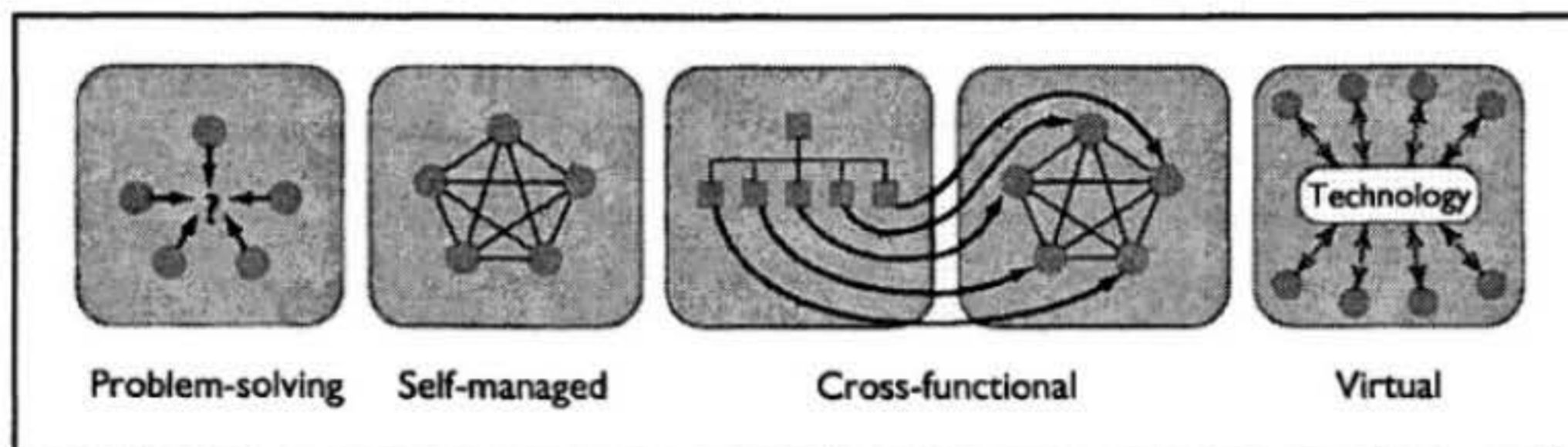
In problem-solving teams, members share ideas or offer suggestions on how work processes and methods can be improved; they rarely have the authority to unilaterally implement any of their suggested actions. For instance, Merrill Lynch created a problem-solving team to specifically figure out ways to reduce the number of days it took to open up a new cash management account.³ By suggesting cuts in the number of steps in the process from forty-six to thirty-six, the team was able to reduce the average number of days from fifteen to eight.

Self-Managed Work Teams

Although problem-solving teams involve employees in decisions, they "only" make recommendations. Some organizations have gone further and created teams that can not only solve problems but implement solutions and take responsibility for outcomes.

Self-managed work teams are groups of employees (typically ten to fifteen in number) who perform highly related or interdependent jobs and take on many of the responsibilities of their former supervisors. Typically, these tasks involve planning and scheduling work, assigning tasks to members, making operating decisions, taking action on problems, and working with suppliers and customers. Fully self-managed

EXHIBIT 2 Four Types of Teams



work teams even select their own members and have the members evaluate each other's performance. As a result, supervisory positions take on decreased importance and may even be eliminated.

Business periodicals have been chock-full of articles describing successful applications of self-managed teams. But a word of caution needs to be offered: The overall research on the effectiveness of self-managed work teams has not been uniformly positive.⁴ Moreover, although individuals on these teams do tend to report higher levels of job satisfaction compared to other individuals, they also sometimes have higher absenteeism and turnover rates. Inconsistency in findings suggests that the effectiveness of self-managed teams depends on the strength and makeup of team norms, the type of tasks the team undertakes, and the reward structure the team operates under—each of which can significantly influence how well the team performs.

Cross-Functional Teams

The Boeing Company created a team made up of employees from production, planning, quality, tooling, design engineering, and information systems to automate shims on the company's C-17 program. The team's suggestions resulted in drastically reduced cycle time and cost as well as improved quality on the C-17 program.⁵

This Boeing example illustrates the use of **cross-functional teams**. These are teams made up of employees from about the same hierarchical level but from different work areas, who come together to accomplish a task.

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

Virtual Teams

The previously described types of teams do their work face-to-face. **Virtual teams** use computer technology to tie together physically dispersed members in order to achieve a common goal.⁶ They allow people to collaborate online—using communication links such as wide-area networks, video conferencing, or e-mail—whether they're only a room away or continents apart. Virtual teams are so pervasive, and technology has advanced so far, that it's probably a bit of a misnomer to call these teams "virtual." Nearly all teams today do at least some of their work remotely.

Despite their ubiquity, virtual teams face special challenges. They may suffer because there is less social rapport and less direct interaction among members. They aren't able to duplicate the normal give-and-take of face-to-face discussion. Especially when members haven't personally met, virtual teams tend to be more task oriented and exchange less social-emotional information than face-to-face teams. Not surprisingly, virtual team members report less satisfaction with the group interaction process than do face-to-face teams. For virtual teams to be effective, management should ensure that (1) trust is established among team members (research has shown that one inflammatory remark in a team member e-mail can severely undermine team trust); (2) team progress is monitored closely (so the team doesn't lose sight of its goals and

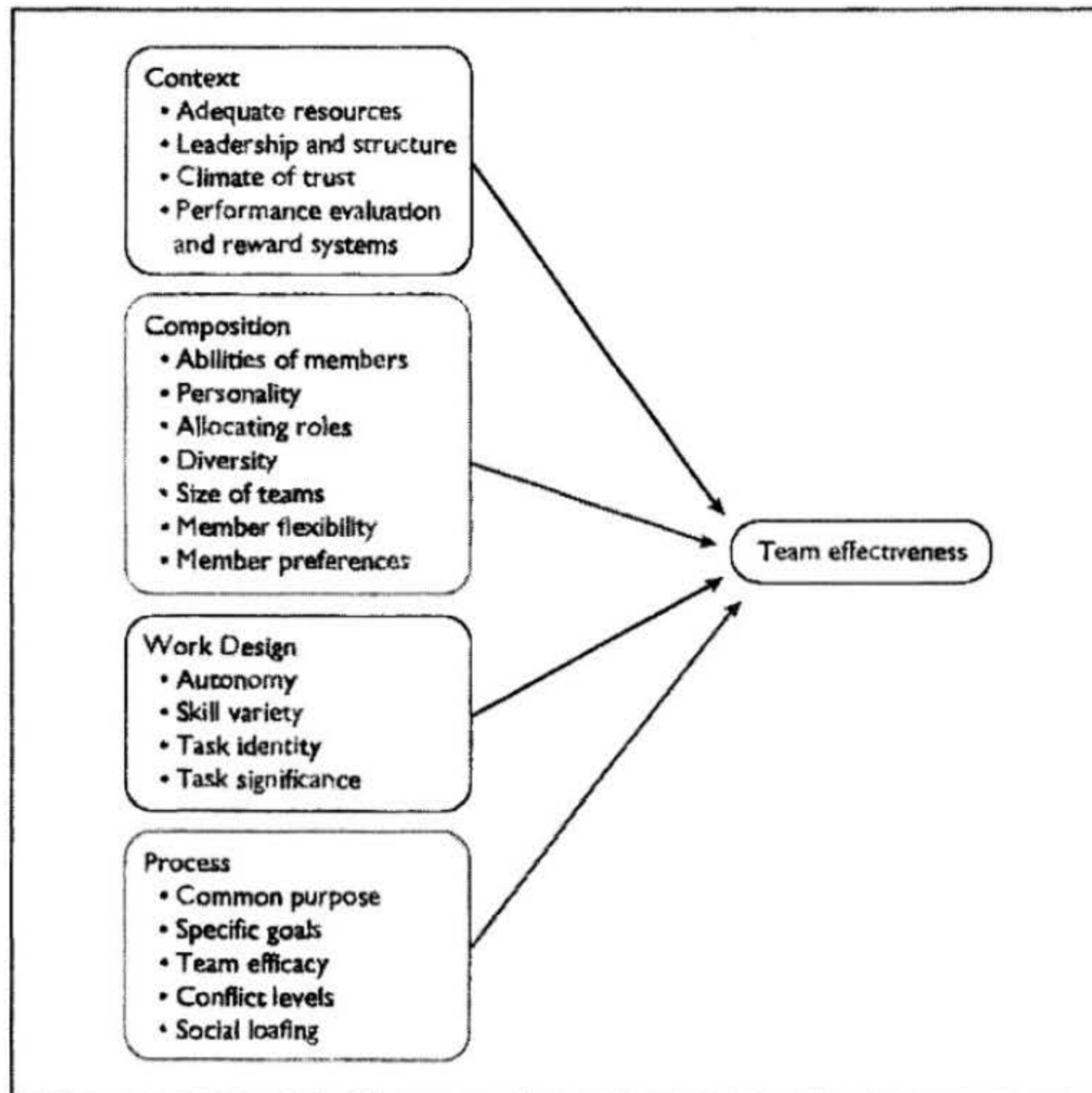
no team member “disappears”); and (3) the efforts and products of the virtual team are publicized throughout the organization (so the team does not become invisible).⁷

Creating Effective Teams

Many have tried to identify factors related to team effectiveness. However, recent studies have organized what was once a “veritable laundry list of characteristics” into a relatively focused model.⁸ Exhibit 3 summarizes what we currently know about what makes teams effective. As you’ll see, it builds on many of the group concepts.

The following discussion is based on the model in Exhibit 3. Keep in mind two caveats before we proceed. First, teams differ in form and structure. Because the model we present attempts to generalize across all varieties of teams, you need to be careful not to rigidly apply the model’s predictions to all teams. You should use the model as a guide. Second, the model assumes that it’s already been determined that teamwork is

EXHIBIT 3 Team Effectiveness Model



preferable to individual work. Creating “effective” teams in situations in which individuals can do the job better is equivalent to solving the wrong problem perfectly.

The key components of effective teams can be subsumed into four general categories. First are the resources and other *contextual* influences that make teams effective. The second relates to the team’s *composition*. The third category is *work design*. Finally, *process* variables reflect those things that go on in the team that influences effectiveness. What does *team effectiveness* mean in this model? Typically, it has included objective measures of the team’s productivity, managers’ ratings of the team’s performance, and aggregate measures of member satisfaction.

Context: What Factors Determine Whether Teams Are Successful

Four contextual factors appear to be most significantly related to team performance:

1. *Adequate Resources* Teams are part of a larger organization system. As such, every work team relies on resources outside the group to sustain it. A scarcity of resources directly reduces the ability of a team to perform its job effectively. As one set of researchers concluded, after looking at thirteen factors potentially related to group performance, “perhaps one of the most important characteristics of an effective work group is the support the group receives from the organization.”⁹ This support includes timely information, proper equipment, adequate staffing, encouragement, and administrative assistance.
2. *Leadership and Structure* Teams can’t function if they can’t agree on who is to do what and ensure that all members contribute equally in sharing the work load. Agreeing on the specifics of work and how they fit together to integrate individual skills requires team leadership and structure. Leadership is especially important in **multi-team systems**—where different teams need to coordinate their efforts to produce a desired outcome. In such systems, leaders need to empower teams by delegating responsibility to them, and they need to play the role of facilitator, making sure the teams are coordinating their efforts so that they work together rather than against one another.¹⁰
3. *Climate of Trust* Members of effective teams trust each other. And they also exhibit trust in their leaders.¹¹ Interpersonal trust among team members facilitates cooperation, reduces the need to monitor each others’ behavior, and bonds members around the belief that others on the team won’t take advantage of them. Team members, for instance, are more likely to take risks and expose vulnerabilities when they believe they can trust others on their team. Similarly, trust is the foundation of leadership. Trust in leadership is important in that it allows a team to be willing to accept and commit to its leader’s goals and decisions.
4. *Performance Evaluation and Reward Systems* How do you get team members to be both individually and jointly accountable? The traditional, individually oriented evaluation and reward system must be modified to reflect team performance.¹² Individual performance evaluations and incentives may interfere with the development of high-performance teams. So in addition to evaluating and rewarding employees for their individual contributions, management should consider group-based appraisals, profit-sharing, gainsharing, small-group incentives, and other system modifications that reinforce team effort and commitment.

—Team composition matters—the optimal way to construct teams depends on the ability, skill, or trait under consideration.

Team Composition

The team composition category includes variables that relate to how teams should be staffed. In this section, we address the ability and personality of team members, diversity, size of the team, and members’ preference for teamwork.

Abilities of Members Part of a team's performance depends on the knowledge, skills, and abilities of its individual members.¹³ It's true that we occasionally read about an athletic team composed of mediocre players who, because of excellent coaching, determination, and precision teamwork, beats a far more talented group of players. But such cases make the news precisely because they represent an aberration. As the old saying goes, "The race doesn't always go to the swiftest nor the battle to the strongest, but that's the way to bet." A team's performance is not merely the summation of its individual members' abilities. However, these abilities set parameters for what members can do and how effectively they will perform on a team.

To perform effectively, a team requires three different types of skills. First, it needs people who have *technical expertise*. Second, it needs people who have the *problem-solving* and *decision-making skills* to be able to identify problems, generate alternatives, evaluate those alternatives, and make competent choices. Finally, teams need people who have good listening, feedback, conflict resolution, and other *interpersonal skills*.

Research on the skills and abilities of team members has revealed some interesting insights into team composition and performance. First, when the task entails considerable thought (for example, solving a complex problem such as reengineering an assembly line), high-ability teams (that is, teams composed of mostly intelligent members) do better than lower-ability teams, especially when the work load is distributed evenly. (That way, team performance does not depend on the weakest link.) High-ability teams are also more adaptable to changing situations in that they can more effectively adapt prior knowledge to suit a set of new problems.

Second, although high-ability teams generally have an advantage over lower-ability teams, this is not always the case. For example, when tasks are simple (for example, tasks that individual team members might be able to solve on their own), high-ability teams do not perform as well, perhaps because, in such tasks, high-ability teams become bored and turn their attention to other activities that are more stimulating, whereas low-ability teams stay on task. High-ability teams should be "saved" for tackling the tough problems. So matching team ability to the complexity of the task is important.

Finally, the ability of the team's *leader* also matters. Research shows that smart team leaders help less intelligent team members when they struggle with a task. But a less intelligent leader can neutralize the effect of a high-ability team.¹⁴

Personality of Members We demonstrated that personality has a significant influence on individual employee behavior. This can also be extended to team behavior. Many of the dimensions identified in the Big Five personality model have been shown to be relevant to team effectiveness. A recent review of the literature suggested that three of the Big Five traits were especially important for team performance.¹⁵ Specifically, teams that rate higher on mean levels of conscientiousness and openness to experience tend to perform better. Moreover, the minimum level of team member agreeableness also matters: Teams did worse when they had one or more highly disagreeable members. Perhaps one bad apple *can* spoil the whole bunch!

Research has also provided us with a good idea about why these personality traits are important to teams. Conscientious people are valuable in teams because they're good at backing up other team members, and they're also good at sensing when that support is truly needed. Open team members communicate better with one another and throw out more ideas, which leads teams composed of open people to be more creative and innovative.¹⁶

Even if an organization does a really good job of selecting individuals for team roles, most likely they'll find there aren't enough, say, conscientious people to go around. Suppose an organization needs to create 20 teams of 4 people each and has 40 highly conscientious people and 40 who score low on conscientiousness. Would the organization be better off (A) putting all the conscientious people together (forming 10 teams with the highly conscientious people and 10 teams of members low on conscientiousness) or (B) "seeding" each team with 2 people who scored high and 2 who scored low on conscientiousness?

Perhaps surprisingly, the evidence tends to suggest that option A is the best choice; performance across the teams will be higher if the organization forms 10 highly conscientious teams and 10 teams low in conscientiousness. "This may be because, in such teams, members who are highly conscientious not only must perform their own tasks but also must perform or redo the tasks of low-conscientious members. It may also be because such diversity leads to feelings of contribution inequity."¹⁷

Diversity of Members We discussed research on the effect of diversity on groups. How does *team* diversity affect *team* performance?

Many of us hold the optimistic view that diversity should be a good thing—diverse teams should benefit from differing perspectives and do better. Unfortunately, the evidence appears to favor the pessimists. One review concluded, "Studies on diversity in teams from the last 50 years have shown that surface-level social-category differences such as race/ethnicity, gender, and age tend to . . . have negative effects" on the performance of teams.¹⁸ As in the literature on groups, there is some evidence that the disruptive effects of diversity decline over time, but unlike in group literature, there is less evidence that diverse teams perform better eventually.

One of the pervasive problems with teams is that although diversity may have real potential benefits, a team is deeply focused on commonly held information. But if diverse teams are to realize their creative potential, they need to focus not on their similarities but on their differences. There is some evidence, for example, that when team members believe others have more expertise, they will work to support those members, leading to higher levels of effectiveness.¹⁹ The key is for diverse teams to communicate what they uniquely know and also what they don't know.

Size of Teams The president of AOL Technologies says the secret to a great team is to "think small. Ideally, your team should have seven to nine people."²⁰ His advice is supported by evidence.²¹ Generally speaking, the most effective teams have five to nine members; experts suggest using the smallest number of people who can do the task. Unfortunately, there is a pervasive tendency for managers to err on the side of making teams too large. Although a minimum of four or five may be necessary to develop diversity of views and skills, managers seem to seriously underestimate how coordination problems can exponentially increase as team members are added.

—By matching individual preferences with team role demands, managers increase the likelihood that the team members will work well together.

When teams have excess members, cohesiveness and mutual accountability decline, social loafing increases, and more and more people do less talking relative to others. Moreover, large teams have trouble coordinating with one another, especially when under time pressure. So in designing effective teams, managers should try to keep them at nine or fewer members. If a natural working unit is larger and you want a team effort, consider breaking the group into subteams.²²

Member Preferences 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 and to individual member satisfaction.²³ This suggests that, when selecting team members, individual preferences should be considered along with abilities, personalities, and skills. High-performing teams are likely to be composed of people who prefer working as part of a group.

Work Design

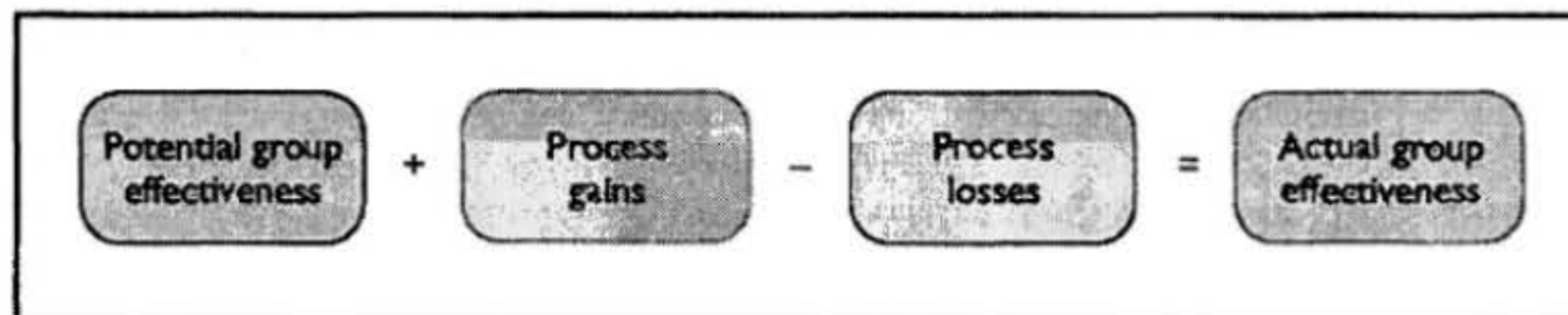
Effective teams need to work together and take collective responsibility for completing significant tasks. An effective team must be more than a "team in name only."²⁴ Based on terminology, the work-design category includes variables such as freedom and autonomy, the opportunity to use different skills and talents (skill variety), the ability to complete a whole and identifiable task or product (task identity), and work on a task or project that has a substantial impact on others (task significance). The evidence indicates that these characteristics enhance member motivation and increase team effectiveness.²⁵ These work-design characteristics motivate because they increase members' sense of responsibility and ownership of the work and because they make the work more interesting to perform.

Team Processes

The final category related to team effectiveness is process variables. These include member commitment to a common purpose, establishment of specific team goals, team efficacy, a managed level of conflict, and minimization of social loafing.

Why are processes important to team effectiveness? One way to answer this question is to return to the topic of social loafing. We found that 1+1+1 doesn't necessarily add up to 3. In team tasks for which each member's contribution is not clearly visible, there is a tendency for individuals to decrease their effort. Social loafing, in other words, illustrates a process loss as a result of using teams. But team processes should produce positive results. That is, teams should create outputs greater than the sum of their inputs. The development of creative alternatives by a diverse group would be one such instance. Exhibit 4 illustrates how group processes can have an impact on a group's actual effectiveness.²⁶ Research teams are often used in research laboratories because they can draw on the diverse skills of various individuals to produce more meaningful research as a team than could be generated by all the researchers working independently; that is, they produce positive synergy. Their process gains exceed their process losses.

EXHIBIT 4 Effects of Group Processes



Common Plan and Purpose An effective team has a common plan and purpose that provides direction, momentum, and commitment for members.²⁷ This purpose is a vision, or master, plan. 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 captain: it provides direction and guidance under any and all conditions. Like the proverbial ship following the wrong course, teams that don't have good planning skills are doomed; perfectly executing the wrong plan is a lost cause.²⁸ Effective teams also show **reflexivity**, meaning that they reflect on and adjust their master plan when necessary. A team has to have a good plan, but it also has to be willing and able to adapt when conditions call for it.²⁹

Specific Goals Successful teams translate their common purpose into specific, measurable, and realistic performance goals. We demonstrated how goals lead individuals to higher performance, goals also energize teams. Specific goals facilitate clear communication. They also help teams maintain their focus on getting results.

—As long as it remains focused on the task, conflicts stimulate discussion, promote critical assessment of problems and options, and can lead to better team decisions.

Also, 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're set. So, for instance, goals for quantity tend to raise quantity, goals for speed tend to raise speed, goals for accuracy raise accuracy, and so on.³⁰

Team Efficacy Effective teams have confidence in themselves. They believe they can succeed. We call this *team efficacy*.³¹ Success breeds success. Teams that have been successful raise their beliefs about future success, which, in turn, motivates them to work harder. What, if anything, can management do to increase team efficacy? Two possible options are helping the team to achieve small successes and providing 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.

Mental Models Effective teams have accurate and common **mental models**—knowledge and beliefs (a “psychological map”) about how the work gets done. If team members have the wrong mental models, which is particularly likely to happen with teams under acute stress, their performance suffers.³² For example, in the Iraq war, many military leaders said they underestimated the power of the insurgency and the infighting among Iraqi religious sects. The similarity of team members' mental models matters, too. If team members have different ideas about how to do things, the teams will fight over how to do things rather than focus on what needs to be done.³³

Conflict Levels Conflict on a team isn't necessarily bad. Teams that are completely void of conflict are likely to become apathetic and stagnant. So conflict can actually improve team effectiveness.³⁴ But not all types of conflict. Relationship conflicts—those based on interpersonal incompatibilities, tension, and animosity toward others—are almost always dysfunctional. However, on

teams performing nonroutine activities, disagreements among members about task content (called *task conflicts*) is not detrimental. In fact, it is often beneficial because it reduces the likelihood of groupthink. Task conflicts stimulate discussion, promote critical assessment of problems and options, and can lead to better team decisions. So, effective teams can be characterized as having an appropriate level of conflict.

Social Loafing We talked about the fact that individuals can hide inside a group. They can engage in social loafing and coast on the group's effort because their individual contributions can't be identified. Effective teams fight this tendency by holding themselves accountable at both the individual and team levels. Successful teams make members individually and jointly accountable for the team's purpose, goals, and approach.³⁵ Therefore, members should be clear on what they are individually responsible for and what they are jointly responsible for.

TURNING INDIVIDUALS INTO TEAM PLAYERS

To this point, we've made a strong case for the value and growing popularity of teams, but many people are not inherently team players. There are also many organizations that have historically nurtured individual accomplishments. Finally, countries differ in terms of how they rate on individualism and collectivism. Teams fit well with countries that score high on collectivism. But what if an organization wants to introduce teams into a work population that is made up largely of individuals born and raised in an individualistic society? A veteran employee of a large company, who had done well working in an individualistic company in an individualist country, described the experience of joining a team: "I'm learning my lesson. I just had my first negative performance appraisal in 20 years."³⁶

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

Selection: Hiring Team Players Some people already possess the interpersonal skills to be effective team players. When hiring team members, in addition to the technical skills required to fill the job, care should be taken to ensure that candidates can fulfill their team roles as well as technical requirements.³⁷ Very disagreeable or unconscientious people, for example, are probably not your first choice as team members.

Training: Creating Team Players A large proportion of people raised on the importance of individual accomplishments can be trained to become team players. Training specialists conduct exercises that allow employees to experience the satisfaction that teamwork can provide. They typically offer workshops to help employees improve their problem-solving, communication, negotiation, conflict-management, and coaching skills. Emerson Electric's Specialty Motor Division in Missouri, for instance, has achieved remarkable success in getting its 650-member workforce not only to accept but to welcome team training.³⁸ Outside consultants were brought in to give workers practical skills for working in teams. After less than one year, employees were enthusiastically accepting the value of teamwork.

Rewarding: Providing Incentives to Be a Good Team Player An organization's reward system needs to be reworked to encourage cooperative efforts rather than

competitive ones.³⁹ For instance, Hallmark Cards, Inc., added to its basic individual-incentive system an annual bonus based on achievement of team goals. Trigon Blue Cross/Blue Shield changed its system to reward an even split between individual goals and team-like behaviors.⁴⁰

BEWARE! TEAMS AREN'T ALWAYS THE ANSWER

Teamwork takes more time and often more resources than individual work. For instance, teams have increased communication demands, conflicts to be managed, and meetings to be run. So the benefits of using teams have to exceed the costs. And that's not always the case.⁴¹ In the excitement to enjoy the benefits of teams, some managers have introduced them into situations in which the work is better done by individuals. Before you rush to implement teams, you should carefully assess whether the work requires or will benefit from a collective effort.

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.⁴² First, can the work be done better by more than one person? A good indicator is the complexity of the work and the need for different perspectives. Simple tasks that don't require diverse input are probably better left to individuals. Second, does the work create a common purpose or set of goals for the people in the group that is more than the aggregate of individual goals? For instance, many new-car dealer service departments have introduced teams that link customer-service personnel, mechanics, parts specialists, and sales representatives. Such teams can better manage collective responsibility for ensuring that customer needs are properly met. The final test to assess whether teams fit the situation is to determine whether the members of the group are interdependent. Using teams makes sense when there is interdependence between tasks—when the success of the whole depends on the success of each one *and* the success of each one depends on the success of the others. Soccer, for instance, is an obvious *team* sport. Success requires a great deal of coordination between interdependent players. Conversely, except possibly for relays, swim teams are not really teams. They're groups of individuals, performing individually, whose total performance is merely the aggregate summation of their individual performances.

GLOBAL IMPLICATIONS

Although research on global considerations in the use of teams is just beginning, three areas are particularly worth mentioning: the extent of teamwork, self-managed teams, and team cultural diversity.

Extent of Teamwork Although the use of work teams is pervasive in the United States, some evidence suggests that the extent of teamwork—the degree to which teams deeply affect the way work is done—is not as significant in the United States as in other countries. One study comparing U.S. workers to Canadian and Asian workers revealed that 51 percent of workers in Asia-Pacific and 48 percent of Canadian employees report high levels of teamwork. But only about one-third (32 percent) of U.S. employees say their organization has a high level of teamwork.⁴³ Thus, although teamwork is widely used in the United States, this evidence suggests that there still is a heavy role for individual

contributions. Given that U.S. culture is highly individualistic, that may continue to be true for quite some time.

Self-Managed Teams Although self-managed teams have not proven to be the panacea many thought they would be, special care needs to be taken when introducing self-managed teams globally. For instance, evidence suggests that these types of teams have not fared well in Mexico, largely due to the culture's low tolerance of ambiguity and uncertainty and employees' strong respect for hierarchical authority.⁴⁴ Thus, in countries that are relatively high in power distance—meaning that roles of leaders and followers are clearly delineated—a team may need to be structured so that leadership roles are spelled out and power relationships are identified.

Team Cultural Diversity and Team Performance Earlier, we discussed research on team diversity in terms of factors such as race or gender. But what about diversity created by national differences? Like the earlier research, evidence indicates that these elements of diversity interfere with team processes, at least in the short term.⁴⁵ Cultural diversity does seem to be an asset for tasks that call for a variety of viewpoints. But culturally heterogeneous teams have more difficulty learning to work with each other and solving problems. The good news is that these difficulties seem to dissipate with time. Although newly formed culturally diverse teams underperform newly formed culturally homogeneous teams, the differences disappear after about 3 months.⁴⁶ The reason is that it takes culturally diverse teams a while to learn how to work through disagreements and different approaches to solving problems.

IMPLICATIONS FOR MANAGERS

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

- Adequate resources
- Effective leadership
- A climate of trust
- A performance evaluation and reward system that reflects team contributions

Effective teams have individuals with technical expertise, as well as problem-solving, decision-making, and interpersonal skills; team members also have high scores on the personality characteristics of agreeableness, conscientiousness, and openness to experience. Effective teams also tend to be small—with fewer than ten people—preferably made up of individuals with diverse backgrounds. They have members who fill role demands, are flexible, and prefer to be part of a group. The work that members do provides freedom and autonomy, the opportunity to use different skills and talents, the ability to complete a whole and identifiable task or product, and work that has a substantial impact on others. Also, effective teams have members committed to a common purpose, specific team goals, members who believe in the team's capabilities, a manageable level of conflict, and a minimal degree of social loafing.

Understanding Work Teams

Because individualistic organizations and societies attract and reward individual accomplishments, it is more difficult to create team players in these environments. To make the conversion, management should select individuals with the interpersonal skills to be effective team players, provide training to develop teamwork skills, and reward individuals for cooperative efforts.

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Kuruvilla, Roy, James Pilachowski and Prashant Prasad. "Harry and Learning Team 28." Charlottesville, VA: Darden Business Publishing, 2004. Reprinted by permission.

HARRY AND LEARNING TEAM 28

On a chilly fall evening in early November, the learning team meeting, as always, started at 8:00 PM. All six members, Mark, Jane, Rajesh, Dick, Harry, and Svetlana were seated around the table with their laptops open. Dick was leading the first case for the night. He asked everyone if they were ready to begin the discussion for the Finance case.

Harry responded, "Ok, but can we go more slowly this time? The last time I sat through finance class, the professor asked me a question about which I was clueless." Dick and Jane exchanged quick glances. Harry seemed to catch the nonverbal gesture. He looked from one to the other, but said nothing. Rajesh replied, "That isn't a problem, Harry. Just ask us about anything that doesn't make sense as we go along. You know that."

Rajesh waited for Harry to respond. Harry fidgeted in his chair, glanced at Dick, and grimaced slightly. He didn't seem to be satisfied with Rajesh's reassurance, but didn't say anything else to the team.

A New Team Forms at Darden

Learning team #28 was a diverse group. Mark and Harry were both "poets," having studied political science and literature respectively at small liberal arts colleges. Mark had worked for a nonprofit; Harry was a graphic designer before Darden. Dick was a finance major from a top Eastern school and had worked as a financial analyst for six years before he decided to take a break by attending business school. He was married and had a six-month-old daughter whom he described as his "bundle of joy." Like Dick, Jane was married with a two-year-old son. She had spent five years at a leading consulting firm as a business analyst, after graduating with a major in marketing. Svetlana was an accountant from Bulgaria and had been a relationship manager at a large commercial bank in Sofia for four years. While receiving an MBA was her primary goal, she also hoped to improve her English during her stint in the United States. Rajesh, an engineer, had worked in manufacturing for the largest petrochemical company in India.

This case was prepared by Roy Kuruvilla, James Pilachowski, and Prashant Prasad under the supervision of Professor Lynn Isabella. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2004 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. *To order copies, send an e-mail to sales@dardenpublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.*

The learning teams were assigned during orientation, and the team described their first meeting as a “great experience.” Harry’s sentiment was shared by others: “We are such a diverse set of people. We all became friends instantaneously. We even went out for drinks the same evening, and I really got to know my team well. They are all fabulous people.” The team met a couple more times during orientation, and the rapport continued to be excellent. They decided to meet at 7 PM on Sunday for their first learning team meeting. No one seemed to mind that there was little discussion of norms or expectations. That very first Sunday, the team jumped straight into their accounting case.

The first quarter passed without any major hiccups, and the learning team check-in (a designated class period set aside for learning teams to talk about their process) was a nonevent for them. They skipped the class and went off for lunch instead. While the work load was extremely heavy, all of the members agreed that they were learning more than they thought possible. However, the team had already begun to fracture into two subgroups, although they were not aware of it at the time. Communication tended to occur more smoothly within the subgroups than between the whole team. Dick and Jane, given their family commitments, shared a desire to get out of learning team every night before 10:00 PM. Mark and Harry (“the poets”) shared an interest in intellectualizing about questions that were typically outside the scope of the cases, but they struggled somewhat with the more technical aspects of accounting and finance. Finally, Svetlana and Rajesh tended to be more soft-spoken during case discussions, often requiring prompting to offer their own perspectives on cases.

Leave No Person Behind

From the outset of the second quarter, Harry knew that he was in over his head in finance. He struggled through the first few cases, often using his afternoons to sift through the finance textbook, trying to make sense of the new concepts and techniques that had been introduced the day before or in that night’s case. In fact, on many occasions, he found himself neglecting his other courses, even when his team was expecting him to lead a case in one of those subjects.

After a week of struggling in this fashion, Harry implored his team for help in closing his knowledge gap. Initially, all were willing to take the extra time during learning team meetings to help get Harry up to speed. Not surprisingly, Mark was the most sympathetic. As a fellow poet, he also struggled somewhat with finance but had managed to build his own competency more rapidly than had Harry. Thus, it was Mark who mounted support for Harry during the early part of the quarter, standing beside his colleague even when he failed to prepare his other cases.

Dick and Jane understood finance quite well and were initially anxious to lend a hand to Harry to help him reach parity as soon as possible. Unfortunately, they became frustrated quickly when they realized that Harry’s struggles with finance would not be overcome within a week or two. For instance, when Harry expressed dismay about being lost while reading the fourth or fifth finance case of the quarter, Jane testily responded, “Why don’t you let us know specifically

what you don't understand, and we'll take a few minutes to explain it to you." Harry did not exactly know what he did not understand; he had trouble explaining that to the rest of the group. Consequently, the team spent 45 minutes trying to help him understand the general concepts of that night's case. To Dick's annoyance, they did not complete that night's study questions.

Secret Meeting

Within two or three weeks, the team came to realize that Harry was simply not absorbing the material quickly enough to keep pace. His special learning sessions had grown progressively longer in duration. Now it was rare for one of his team-tutoring sessions in finance to last less than one hour.

One afternoon, Dick sent an email to everyone on the team, except for Harry. The email suggested that the team meet the next afternoon for lunch to discuss potential solutions to "the Harry problem." Only Mark seemed to have reservations about accepting the invitation. He did not think that it was fair for the team to talk about Harry behind his back. In the end, however, he decided to attend in order to ensure that Harry's best interests were not entirely ignored during the meeting.

As the team convened in Café 67 the next day, it was clear that Dick and Jane were in charge. They sat next to each other at the head of one of the café's conference tables, and each nodded emphatically as the other explained how critical it was that "the Harry problem" be addressed quickly.

Dick: It is clear that we need to be more efficient if we are going to keep pace with the other teams. Right now, Harry is really holding us back. Jane and I wanted us to get together as a team to discuss potential solutions to this problem, so that we can get our team back on track.

Jane: Why don't we go around the table and each share one potential solution to the problem? Rajesh, we haven't really heard how you feel about this whole situation. Why don't you help us start the discussion?

Rajesh shifted in his stool uncomfortably, looking from Jane to Svetlana.

Rajesh: I, uh, didn't really think that we had an efficiency problem. I thought that we were trying to come up with solutions to help Harry. I don't have a problem staying late some nights to help Harry learn finance.

Mark: I agree with Rajesh. We shouldn't be thinking about learning team in terms of a competition! We are doing what we need to, in order to get through the year as a team.

Jane: Why don't you tell that to my husband? While you are at it, explain to my children why I am never home in time to read to them or tuck them into bed! We need to find a way to reduce the amount of time we waste trying to make Harry understand a subject that he doesn't seem capable of learning.

Hearing this, Rajesh immediately dropped his eyes to his rather sub-par slice of cheese pizza. He wasn't hungry anymore. He did not like it when people raised their voices during meetings. Both he and Svetlana often talked about how much they disliked the confrontational nature of so many of their team discussions. He was surprised to hear Svetlana chirp up.

Svetlana: Jane, I understand that you are disappointed that you haven't had more time for your family this semester. However, I think that Rajesh and Mark are right about our needing to help Harry rather than assume that he is somehow ruining our team.

Dick: But, think about it, guys. A chain is only as strong as its weakest link. Does anyone really dispute that Harry is our weakest link? You all know that we certainly can't trust him to lead finance cases. But, also, on any night that we have a finance case, we know that he won't spend any time on other courses, so we can't depend on him for operations or marketing. So, what can we count on him to do? How is he helping us? I am seriously considering asking him to leave the team. Maybe he would have better luck with a team that moved at his pace.

Jane: That sounds like a great plan to me. I know it won't be easy. However, think about how great it would be every night, if we didn't have Harry slowing us down.

Rajesh: I don't like that idea at all. It isn't Harry's fault that he is having so much trouble with this course. We should really be able to find some plan for compromising so that we can help him to learn and also help you guys get home to your families at a decent time each night."

Dick: Why don't we agree to send Harry our notes from finance class and give him the best spreadsheet every night so that he can look at it after the meeting? We'll explain this plan to Harry at our next meeting, so that he knows that things have changed."

Jane readily agreed to this plan. Svetlana and Rajesh thought that the idea was better than simply leaving Harry to his own devices for the rest of the year. More than anything, though, they seemed relieved that the plan would end the conversation and allow the team to step back from the conflict that was starting to bubble to the surface. Mark was relieved to hear that the team wasn't seriously considering asking his friend to leave. On the other hand, he wondered if this course of action would really provide Harry with the support that he seemed to need so badly.

The New Plan Is Unveiled

The five members agreed to arrive early the next night so that they would all be present when Harry arrived. He walked into the room promptly at 8:00 PM to find his teammates waiting for him. They were awkwardly quiet. Mark would not look him in the eye.

Dick: Harry, we want to take some time to talk with you about how learning team has been progressing so far this semester.

Dick waited for a moment before continuing. Harry didn't say anything, wanting to hear exactly what Dick was talking about.

Dick: The team met last night to discuss what we can do about your problems with finance. We don't think that we can afford to spend as much time walking through the concepts with you anymore. We agreed that is keeping us from being as efficient as we need to be.

Harry looked puzzled. He looked around the room; only Dick and Jane were willing to look at him directly. The others seemed to be busy working on their computers. Harry was hurt that the team had had such an important discussion without him. He looked down, trying to think of something to say.

Jane: We know it is hard for you. So we are each going to send you our notes from finance each day, and pick out the best spreadsheet, so that you have the best materials possible every day as you walk into class. In fact, since we'll be spending more time on answering the questions for the cases, I'm willing to bet that we'll have some of the best spreadsheets around.

Harry: I feel guilty that I have been slowing you guys down. I didn't realize that it was causing such a problem for everyone.

Harry again looked around the room, looking for evidence that everyone felt the same way about the situation. Mark shifted in his chair, looking up as if he was about say something. Dick and Jane immediately looked at him. He looked back at his computer and remained silent. Rajesh and Svetlana looked even more uncomfortable with the conversation. They hoped that the conversation would end quickly and they could start talking about the cases.

Harry: OK. It seems as though the team has agreed. I will have to do my best to abide by the decision. Let's get started on tonight's cases so that we don't waste any more time.

The Plan in Action

As the semester moved along, Harry became progressively quieter during case conversations. It was implicitly understood that he would not lead any case discussions. He spent almost all of his time struggling to decipher the finance notes and spreadsheets that he received every evening. Mark stayed after learning team almost every night to walk him through his own notes and spreadsheet. Harry greatly appreciated the assistance. However, the material was only getting more complicated. Because he was spending more time studying and worrying about upcoming exams, he wasn't getting much sleep. Thus, he was having a great deal of trouble focusing in class and during learning team meetings.

During those meetings, he would not offer any of his thoughts unless someone asked him a direct question. In fact, he no longer asked any questions during learning team, regardless of the subject. He felt that doing so would only slow down the team. He worried that the team had lost faith in him and that if he did anything else to raise their ire, they might ask him to leave the team. After all, while the spreadsheets and notes were so over his head that they only provided a modicum of assistance, it was better than walking into class empty-handed. He could not afford to lose his access to this information.

A New Precedent Is Set

Harry's concern about slowing down the team seemed to become pervasive throughout the team. Dick and Jane tended to work hard to keep the team focused on the case questions. They were thrilled to be leaving learning team every night by 10:00 PM. They noted with satisfaction that the great majority of other teams were still in their learning team rooms while they were walking out to the parking garage.

Rajesh and Svetlana talked between themselves about how they felt that the case discussions could be much richer if the team would allow their conversation to expand beyond the highly directive case questions. However, neither of them was willing to act as a catalyst in challenging Dick or Jane to change the way that the case discussions were structured.

Given their impromptu tutoring sessions, Mark was worried that his friend might not be able to pass the final exam in finance. After all, it was less than three weeks away. Moreover, he knew that Harry couldn't depend upon participation to buoy his overall grade. Harry had admitted to him that he only spoke in class when his professor asked him a question, and he was convinced that his answers did not add value to the conversation at all.

Like Rajesh and Svetlana, Mark sensed that the learning team was not helping either Harry or any other member as much as it could. He wondered whether there was time this semester to take new steps to help Harry and to chart a new course for the learning team.

IQ and technical skills are important, but emotional intelligence is the sine qua non of leadership.

BEST OF HBR 1998

What Makes a Leader?

by Daniel Goleman

It was Daniel Goleman who first brought the term “emotional intelligence” to a wide audience with his 1995 book of that name, and it was Goleman who first applied the concept to business with his 1998 HBR article, reprinted here. In his research at nearly 200 large, global companies, Goleman found that while the qualities traditionally associated with leadership—such as intelligence, toughness, determination, and vision—are required for success, they are insufficient. Truly effective leaders are also distinguished by a high degree of emotional intelligence, which includes self-awareness, self-regulation, motivation, empathy, and social skill.

These qualities may sound “soft” and unbusinesslike, but Goleman found direct ties between emotional intelligence and measurable business results. While emotional intelligence’s relevance to business has continued to spark debate over the past six years, Goleman’s article remains the definitive reference on the subject, with a description of each component of emotional intelligence and a detailed discussion of how to recognize it in potential leaders, how

and why it connects to performance, and how it can be learned.

Every businessperson knows a story about a highly intelligent, highly skilled executive who was promoted into a leadership position only to fail at the job. And they also know a story about someone with solid—but not extraordinary—intellectual abilities and technical skills who was promoted into a similar position and then soared.

Such anecdotes support the widespread belief that identifying individuals with the “right stuff” to be leaders is more art than science. After all, the personal styles of superb leaders vary: Some leaders are subdued and analytical; others shout their manifestos from the mountaintops. And just as important, different situations call for different types of leadership. Most mergers need a sensitive negotiator at the helm, whereas many turnarounds require a more forceful authority.

I have found, however, that the most effective leaders are alike in one crucial way: They

all have a high degree of what has come to be known as *emotional intelligence*. It's not that IQ and technical skills are irrelevant. They do matter, but mainly as "threshold capabilities"; that is, they are the entry-level requirements for executive positions. But my research, along with other recent studies, clearly shows that emotional intelligence is the sine qua non of leadership. Without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't make a great leader.

In the course of the past year, my colleagues and I have focused on how emotional intelligence operates at work. We have examined the relationship between emotional intelligence and effective performance, especially in leaders. And we have observed how emotional intelligence shows itself on the job. How can you tell if someone has high emotional intelligence, for example, and how can you recognize it in yourself? In the following pages, we'll explore these questions, taking each of the components of emotional intelligence—self-awareness, self-regulation, motivation, empathy, and social skill—in turn.

Evaluating Emotional Intelligence

Most large companies today have employed trained psychologists to develop what are known as "competency models" to aid them in identifying, training, and promoting likely stars in the leadership firmament. The psychologists have also developed such models for lower-level positions. And in recent years, I have analyzed competency models from 188 companies, most of which were large and global and included the likes of Lucent Technologies, British Airways, and Credit Suisse.

In carrying out this work, my objective was to determine which personal capabilities drove outstanding performance within these organizations, and to what degree they did so. I grouped capabilities into three categories: purely technical skills like accounting and business planning; cognitive abilities like analytical reasoning; and competencies demonstrating emotional intelligence, such as the ability to work with others and effectiveness in leading change.

To create some of the competency models, psychologists asked senior managers at the companies to identify the capabilities that typified the organization's most outstanding leaders. To create other models, the psychologists used

objective criteria, such as a division's profitability, to differentiate the star performers at senior levels within their organizations from the average ones. Those individuals were then extensively interviewed and tested, and their capabilities were compared. This process resulted in the creation of lists of ingredients for highly effective leaders. The lists ranged in length from seven to 15 items and included such ingredients as initiative and strategic vision.

When I analyzed all this data, I found dramatic results. To be sure, intellect was a driver of outstanding performance. Cognitive skills such as big-picture thinking and long-term vision were particularly important. But when I calculated the ratio of technical skills, IQ, and emotional intelligence as ingredients of excellent performance, emotional intelligence proved to be twice as important as the others for jobs at all levels.

Moreover, my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company, where differences in technical skills are of negligible importance. In other words, the higher the rank of a person considered to be a star performer, the more emotional intelligence capabilities showed up as the reason for his or her effectiveness. When I compared star performers with average ones in senior leadership positions, nearly 90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities.

Other researchers have confirmed that emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance. The findings of the late David McClelland, the renowned researcher in human and organizational behavior, are a good example. In a 1996 study of a global food and beverage company, McClelland found that when senior managers had a critical mass of emotional intelligence capabilities, their divisions outperformed yearly earnings goals by 20%. Meanwhile, division leaders without that critical mass underperformed by almost the same amount. McClelland's findings, interestingly, held as true in the company's U.S. divisions as in its divisions in Asia and Europe.

In short, the numbers are beginning to tell us a persuasive story about the link between a company's success and the emotional intelligence of its leaders. And just as important, research is also demonstrating that people can, if

Daniel Goleman is the author of *Emotional Intelligence* (Bantam, 1995) and a coauthor of *Primal Leadership: Realizing the Power of Emotional Intelligence* (Harvard Business School, 2002). He is the cochairman of the Consortium for Research on Emotional Intelligence in Organizations, which is based at Rutgers University's Graduate School of Applied and Professional Psychology in Piscataway, New Jersey. He can be reached at Daniel.Goleman@verizon.net.

they take the right approach, develop their emotional intelligence. (See the sidebar “Can Emotional Intelligence Be Learned?”)

Self-Awareness

Self-awareness is the first component of emotional intelligence—which makes sense when one considers that the Delphic oracle gave the advice to “know thyself” thousands of years ago. Self-awareness means having a deep understanding of one’s emotions, strengths, weaknesses, needs, and drives. People with strong self-awareness are neither overly critical nor unrealistically hopeful. Rather, they are honest—with themselves and with others.

People who have a high degree of self-awareness recognize how their feelings affect them, other people, and their job performance. Thus, a self-aware person who knows that tight deadlines bring out the worst in him plans his time carefully and gets his work done well in advance. Another person with high self-awareness will be able to work with a demanding client. She will understand the client’s impact on her moods and the deeper reasons for her frustra-

tion. “Their trivial demands take us away from the real work that needs to be done,” she might explain. And she will go one step further and turn her anger into something constructive.

Self-awareness extends to a person’s understanding of his or her values and goals. Someone who is highly self-aware knows where he is headed and why; so, for example, he will be able to be firm in turning down a job offer that is tempting financially but does not fit with his principles or long-term goals. A person who lacks self-awareness is apt to make decisions that bring on inner turmoil by treading on buried values. “The money looked good so I signed on,” someone might say two years into a job, “but the work means so little to me that I’m constantly bored.” The decisions of self-aware people mesh with their values; consequently, they often find work to be energizing.

How can one recognize self-awareness? First and foremost, it shows itself as candor and an ability to assess oneself realistically. People with high self-awareness are able to speak accurately and openly—although not necessarily effusively or confessionally—about their emo-

The Five Components of Emotional Intelligence at Work

	Definition	Hallmarks
Self-Awareness	the ability to recognize and understand your moods, emotions, and drives, as well as their effect on others	self-confidence realistic self-assessment self-deprecating sense of humor
Self-Regulation	the ability to control or redirect disruptive impulses and moods the propensity to suspend judgment—to think before acting	trustworthiness and integrity comfort with ambiguity openness to change
Motivation	a passion to work for reasons that go beyond money or status a propensity to pursue goals with energy and persistence	strong drive to achieve optimism, even in the face of failure organizational commitment
Empathy	the ability to understand the emotional makeup of other people skill in treating people according to their emotional reactions	expertise in building and retaining talent cross-cultural sensitivity service to clients and customers
Social Skill	proficiency in managing relationships and building networks an ability to find common ground and build rapport	effectiveness in leading change persuasiveness expertise in building and leading teams

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tions and the impact they have on their work. For instance, one manager I know of was skeptical about a new personal-shopper service that her company, a major department-store chain, was about to introduce. Without prompting from her team or her boss, she offered them an explanation: "It's hard for me to get behind the rollout of this service," she admitted, "because I really wanted to run the project, but I wasn't selected. Bear with me while I deal with that." The manager did indeed examine her feelings;

a week later, she was supporting the project fully.

Such self-knowledge often shows itself in the hiring process. Ask a candidate to describe a time he got carried away by his feelings and did something he later regretted. Self-aware candidates will be frank in admitting to failure—and will often tell their tales with a smile. One of the hallmarks of self-awareness is a self-deprecating sense of humor.

Self-awareness can also be identified during performance reviews. Self-aware people know—

Can Emotional Intelligence Be Learned?

For ages, people have debated if leaders are born or made. So too goes the debate about emotional intelligence. Are people born with certain levels of empathy, for example, or do they acquire empathy as a result of life's experiences? The answer is both. Scientific inquiry strongly suggests that there is a genetic component to emotional intelligence. Psychological and developmental research indicates that nurture plays a role as well. How much of each perhaps will never be known, but research and practice clearly demonstrate that emotional intelligence can be learned.

One thing is certain: Emotional intelligence increases with age. There is an old-fashioned word for the phenomenon: maturity. Yet even with maturity, some people still need training to enhance their emotional intelligence. Unfortunately, far too many training programs that intend to build leadership skills—including emotional intelligence—are a waste of time and money. The problem is simple: They focus on the wrong part of the brain.

Emotional intelligence is born largely in the neurotransmitters of the brain's limbic system, which governs feelings, impulses, and drives. Research indicates that the limbic system learns best through motivation, extended practice, and feedback. Compare this with the kind of learning that goes on in the neocortex, which governs analytical and technical ability. The neocortex grasps concepts and logic. It is the part of the brain that figures out how to use a computer or make a sales call by reading a book. Not surprisingly—but mistakenly—it is also the part of the brain targeted by most training programs aimed at enhancing emotional intelligence. When such programs take, in effect, a neocortical approach, my research

with the Consortium for Research on Emotional Intelligence in Organizations has shown they can even have a *negative* impact on people's job performance.

To enhance emotional intelligence, organizations must refocus their training to include the limbic system. They must help people break old behavioral habits and establish new ones. That not only takes much more time than conventional training programs, it also requires an individualized approach.

Imagine an executive who is thought to be low on empathy by her colleagues. Part of that deficit shows itself as an inability to listen; she interrupts people and doesn't pay close attention to what they're saying. To fix the problem, the executive needs to be motivated to change, and then she needs practice and feedback from others in the company. A colleague or coach could be tapped to let the executive know when she has been observed failing to listen. She would then have to replay the incident and give a better response; that is, demonstrate her ability to absorb what others are saying. And the executive could be directed to observe certain executives who listen well and to mimic their behavior.

With persistence and practice, such a process can lead to lasting results. I know one Wall Street executive who sought to improve his empathy—specifically his ability to read people's reactions and see their perspectives. Before beginning his quest, the executive's subordinates were terrified of working with him. People even went so far as to hide bad news from him. Naturally, he was shocked when finally confronted with these facts. He went home and told his family—but they only confirmed what he had heard at work. When their

opinions on any given subject did not mesh with his, they, too, were frightened of him.

Enlisting the help of a coach, the executive went to work to heighten his empathy through practice and feedback. His first step was to take a vacation to a foreign country where he did not speak the language. While there, he monitored his reactions to the unfamiliar and his openness to people who were different from him. When he returned home, humbled by his week abroad, the executive asked his coach to shadow him for parts of the day, several times a week, to critique how he treated people with new or different perspectives. At the same time, he consciously used on-the-job interactions as opportunities to practice "hearing" ideas that differed from his. Finally, the executive had himself videotaped in meetings and asked those who worked for and with him to critique his ability to acknowledge and understand the feelings of others. It took several months, but the executive's emotional intelligence did ultimately rise, and the improvement was reflected in his overall performance on the job.

It's important to emphasize that building one's emotional intelligence cannot—will not—happen without sincere desire and concerted effort. A brief seminar won't help; nor can one buy a how-to manual. It is much harder to learn to empathize—to internalize empathy as a natural response to people—than it is to become adept at regression analysis. But it can be done. "Nothing great was ever achieved without enthusiasm," wrote Ralph Waldo Emerson. If your goal is to become a real leader, these words can serve as a guidepost in your efforts to develop high emotional intelligence.

and are comfortable talking about—their limitations and strengths, and they often demonstrate a thirst for constructive criticism. By contrast, people with low self-awareness interpret the message that they need to improve as a threat or a sign of failure.

Self-aware people can also be recognized by their self-confidence. They have a firm grasp of their capabilities and are less likely to set themselves up to fail by, for example, overstretching on assignments. They know, too, when to ask for help. And the risks they take on the job are calculated. They won't ask for a challenge that they know they can't handle alone. They'll play to their strengths.

Consider the actions of a midlevel employee who was invited to sit in on a strategy meeting with her company's top executives. Although she was the most junior person in the room, she did not sit there quietly, listening in awe-struck or fearful silence. She knew she had a head for clear logic and the skill to present ideas persuasively, and she offered cogent suggestions about the company's strategy. At the same time, her self-awareness stopped her from wandering into territory where she knew she was weak.

Despite the value of having self-aware people in the workplace, my research indicates that senior executives don't often give self-awareness the credit it deserves when they look for potential leaders. Many executives mistake candor about feelings for "wimpiness" and fail to give due respect to employees who openly acknowledge their shortcomings. Such people are too readily dismissed as "not tough enough" to lead others.

In fact, the opposite is true. In the first place, people generally admire and respect candor. Furthermore, leaders are constantly required to make judgment calls that require a candid assessment of capabilities—their own and those of others. Do we have the management expertise to acquire a competitor? Can we launch a new product within six months? People who assess themselves honestly—that is, self-aware people—are well suited to do the same for the organizations they run.

Self-Regulation

Biological impulses drive our emotions. We cannot do away with them—but we can do much to manage them. Self-regulation, which is like an ongoing inner conversation, is the

component of emotional intelligence that frees us from being prisoners of our feelings. People engaged in such a conversation feel bad moods and emotional impulses just as everyone else does, but they find ways to control them and even to channel them in useful ways.

Imagine an executive who has just watched a team of his employees present a botched analysis to the company's board of directors. In the gloom that follows, the executive might find himself tempted to pound on the table in anger or kick over a chair. He could leap up and scream at the group. Or he might maintain a grim silence, glaring at everyone before stalking off.

But if he had a gift for self-regulation, he would choose a different approach. He would pick his words carefully, acknowledging the team's poor performance without rushing to any hasty judgment. He would then step back to consider the reasons for the failure. Are they personal—a lack of effort? Are there any mitigating factors? What was his role in the debacle? After considering these questions, he would call the team together, lay out the incident's consequences, and offer his feelings about it. He would then present his analysis of the problem and a well-considered solution.

Why does self-regulation matter so much for leaders? First of all, people who are in control of their feelings and impulses—that is, people who are reasonable—are able to create an environment of trust and fairness. In such an environment, politics and infighting are sharply reduced and productivity is high. Talented people flock to the organization and aren't tempted to leave. And self-regulation has a trickle-down effect. No one wants to be known as a hothead when the boss is known for her calm approach. Fewer bad moods at the top mean fewer throughout the organization.

Second, self-regulation is important for competitive reasons. Everyone knows that business today is rife with ambiguity and change. Companies merge and break apart regularly. Technology transforms work at a dizzying pace. People who have mastered their emotions are able to roll with the changes. When a new program is announced, they don't panic; instead, they are able to suspend judgment, seek out information, and listen to the executives as they explain the new program. As the initiative moves forward, these people are able to move with it.

Sometimes they even lead the way. Consider the case of a manager at a large manufacturing

company. Like her colleagues, she had used a certain software program for five years. The program drove how she collected and reported data and how she thought about the company's strategy. One day, senior executives announced that a new program was to be installed that would radically change how information was gathered and assessed within the organization. While many people in the company complained bitterly about how disruptive the change would be, the manager mulled over the reasons for the new program and was convinced of its potential to improve performance. She eagerly attended training sessions—some of her colleagues refused to do so—and was eventually promoted to run several divisions, in part because she used the new technology so effectively.

I want to push the importance of self-regulation to leadership even further and make the case that it enhances integrity, which is not only a personal virtue but also an organizational strength. Many of the bad things that happen in companies are a function of impulsive behavior. People rarely plan to exaggerate profits, pad expense accounts, dip into the till, or abuse power for selfish ends. Instead, an opportunity presents itself, and people with low impulse control just say yes.

By contrast, consider the behavior of the senior executive at a large food company. The executive was scrupulously honest in his negotiations with local distributors. He would routinely lay out his cost structure in detail, thereby giving the distributors a realistic understanding of the company's pricing. This approach meant the executive couldn't always drive a hard bargain. Now, on occasion, he felt the urge to increase profits by withholding information about the company's costs. But he challenged that impulse—he saw that it made more sense in the long run to counteract it. His emotional self-regulation paid off in strong, lasting relationships with distributors that benefited the company more than any short-term financial gains would have.

The signs of emotional self-regulation, therefore, are easy to see: a propensity for reflection and thoughtfulness; comfort with ambiguity and change; and integrity—an ability to say no to impulsive urges.

Like self-awareness, self-regulation often does not get its due. People who can master their emotions are sometimes seen as cold fish—

their considered responses are taken as a lack of passion. People with fiery temperaments are frequently thought of as "classic" leaders—their outbursts are considered hallmarks of charisma and power. But when such people make it to the top, their impulsiveness often works against them. In my research, extreme displays of negative emotion have never emerged as a driver of good leadership.

Motivation

If there is one trait that virtually all effective leaders have, it is motivation. They are driven to achieve beyond expectations—their own and everyone else's. The key word here is *achieve*. Plenty of people are motivated by external factors, such as a big salary or the status that comes from having an impressive title or being part of a prestigious company. By contrast, those with leadership potential are motivated by a deeply embedded desire to achieve for the sake of achievement.

If you are looking for leaders, how can you identify people who are motivated by the drive to achieve rather than by external rewards? The first sign is a passion for the work itself—such people seek out creative challenges, love to learn, and take great pride in a job well done. They also display an unflagging energy to do things better. People with such energy often seem restless with the status quo. They are persistent with their questions about why things are done one way rather than another; they are eager to explore new approaches to their work.

A cosmetics company manager, for example, was frustrated that he had to wait two weeks to get sales results from people in the field. He finally tracked down an automated phone system that would beep each of his salespeople at 5 pm every day. An automated message then prompted them to punch in their numbers—how many calls and sales they had made that day. The system shortened the feedback time on sales results from weeks to hours.

That story illustrates two other common traits of people who are driven to achieve. They are forever raising the performance bar, and they like to keep score. Take the performance bar first. During performance reviews, people with high levels of motivation might ask to be "stretched" by their superiors. Of course, an employee who combines self-awareness with internal motivation will recognize her limits—but she won't settle for objectives that seem too easy to fulfill.

And it follows naturally that people who are driven to do better also want a way of tracking progress—their own, their team's, and their company's. Whereas people with low achievement motivation are often fuzzy about results, those with high achievement motivation often keep score by tracking such hard measures as profitability or market share. I know of a money manager who starts and ends his day on the Internet, gauging the performance of his stock fund against four industry-set benchmarks.

Interestingly, people with high motivation remain optimistic even when the score is against them. In such cases, self-regulation combines with achievement motivation to overcome the frustration and depression that come after a setback or failure. Take the case of another portfolio manager at a large investment company. After several successful years, her fund tumbled for three consecutive quarters, leading three large institutional clients to shift their business elsewhere.

Some executives would have blamed the nosedive on circumstances outside their control; others might have seen the setback as evidence of personal failure. This portfolio manager, however, saw an opportunity to prove she could lead a turnaround. Two years later, when she was promoted to a very senior level in the company, she described the experience as “the best thing that ever happened to me; I learned so much from it.”

Executives trying to recognize high levels of achievement motivation in their people can look for one last piece of evidence: commitment to the organization. When people love their jobs for the work itself, they often feel committed to the organizations that make that work possible. Committed employees are likely to stay with an organization even when they are pursued by headhunters waving money.

It's not difficult to understand how and why a motivation to achieve translates into strong leadership. If you set the performance bar high for yourself, you will do the same for the organization when you are in a position to do so. Likewise, a drive to surpass goals and an interest in keeping score can be contagious. Leaders with these traits can often build a team of managers around them with the same traits. And of course, optimism and organizational commitment are fundamental to leadership—just try to imagine running a company without them.

Empathy

Of all the dimensions of emotional intelligence, empathy is the most easily recognized. We have all felt the empathy of a sensitive teacher or friend; we have all been struck by its absence in an unfeeling coach or boss. But when it comes to business, we rarely hear people praised, let alone rewarded, for their empathy. The very word seems unbusinesslike, out of place amid the tough realities of the marketplace.

But empathy doesn't mean a kind of “I'm OK, you're OK” mushiness. For a leader, that is, it doesn't mean adopting other people's emotions as one's own and trying to please everybody. That would be a nightmare—it would make action impossible. Rather, empathy means thoughtfully considering employees' feelings—along with other factors—in the process of making intelligent decisions.

For an example of empathy in action, consider what happened when two giant brokerage companies merged, creating redundant jobs in all their divisions. One division manager called his people together and gave a gloomy speech that emphasized the number of people who would soon be fired. The manager of another division gave his people a different kind of speech. He was up-front about his own worry and confusion, and he promised to keep people informed and to treat everyone fairly.

The difference between these two managers was empathy. The first manager was too worried about his own fate to consider the feelings of his anxiety-stricken colleagues. The second knew intuitively what his people were feeling, and he acknowledged their fears with his words. Is it any surprise that the first manager saw his division sink as many demoralized people, especially the most talented, departed? By contrast, the second manager continued to be a strong leader, his best people stayed, and his division remained as productive as ever.

Empathy is particularly important today as a component of leadership for at least three reasons: the increasing use of teams; the rapid pace of globalization; and the growing need to retain talent.

Consider the challenge of leading a team. As anyone who has ever been a part of one can attest, teams are cauldrons of bubbling emotions. They are often charged with reaching a consensus—which is hard enough with two people and much more difficult as the numbers increase. Even in groups with as few as

four or five members, alliances form and clashing agendas get set. A team's leader must be able to sense and understand the viewpoints of everyone around the table.

That's exactly what a marketing manager at a large information technology company was able to do when she was appointed to lead a troubled team. The group was in turmoil, overloaded by work and missing deadlines. Tensions were high among the members. Tinkering with procedures was not enough to bring the group together and make it an effective part of the company.

So the manager took several steps. In a series of one-on-one sessions, she took the time to listen to everyone in the group—what was frustrating them, how they rated their colleagues, whether they felt they had been ignored. And then she directed the team in a way that brought it together: She encouraged people to speak more openly about their frustrations, and she helped people raise constructive complaints during meetings. In short, her empathy allowed her to understand her team's emotional makeup. The result was not just heightened collaboration among members but also added business, as the team was called on for help by a wider range of internal clients.

Globalization is another reason for the rising importance of empathy for business leaders. Cross-cultural dialogue can easily lead to mis-cues and misunderstandings. Empathy is an antidote. People who have it are attuned to subtleties in body language; they can hear the message beneath the words being spoken. Beyond that, they have a deep understanding of both the existence and the importance of cultural and ethnic differences.

Consider the case of an American consultant whose team had just pitched a project to a potential Japanese client. In its dealings with Americans, the team was accustomed to being bombarded with questions after such a proposal, but this time it was greeted with a long silence. Other members of the team, taking the silence as disapproval, were ready to pack and leave. The lead consultant gestured them to stop. Although he was not particularly familiar with Japanese culture, he read the client's face and posture and sensed not rejection but interest—even deep consideration. He was right: When the client finally spoke, it was to give the consulting firm the job.

Finally, empathy plays a key role in the re-

tention of talent, particularly in today's information economy. Leaders have always needed empathy to develop and keep good people, but today the stakes are higher. When good people leave, they take the company's knowledge with them.

That's where coaching and mentoring come in. It has repeatedly been shown that coaching and mentoring pay off not just in better performance but also in increased job satisfaction and decreased turnover. But what makes coaching and mentoring work best is the nature of the relationship. Outstanding coaches and mentors get inside the heads of the people they are helping. They sense how to give effective feedback. They know when to push for better performance and when to hold back. In the way they motivate their protégés, they demonstrate empathy in action.

In what is probably sounding like a refrain, let me repeat that empathy doesn't get much respect in business. People wonder how leaders can make hard decisions if they are "feeling" for all the people who will be affected. But leaders with empathy do more than sympathize with people around them: They use their knowledge to improve their companies in subtle but important ways.

Social Skill

The first three components of emotional intelligence are self-management skills. The last two, empathy and social skill, concern a person's ability to manage relationships with others. As a component of emotional intelligence, social skill is not as simple as it sounds. It's not just a matter of friendliness, although people with high levels of social skill are rarely mean-spirited. Social skill, rather, is friendliness with a purpose: moving people in the direction you desire, whether that's agreement on a new marketing strategy or enthusiasm about a new product.

Socially skilled people tend to have a wide circle of acquaintances, and they have a knack for finding common ground with people of all kinds—a knack for building rapport. That doesn't mean they socialize continually; it means they work according to the assumption that nothing important gets done alone. Such people have a network in place when the time for action comes.

Social skill is the culmination of the other dimensions of emotional intelligence. People

tend to be very effective at managing relationships when they can understand and control their own emotions and can empathize with the feelings of others. Even motivation contributes to social skill. Remember that people who are driven to achieve tend to be optimistic, even in the face of setbacks or failure. When people are upbeat, their “glow” is cast upon conversations and other social encounters. They are popular, and for good reason.

Because it is the outcome of the other dimensions of emotional intelligence, social skill is recognizable on the job in many ways that will by now sound familiar. Socially skilled people, for instance, are adept at managing teams—that’s their empathy at work. Likewise, they are expert persuaders—a manifestation of self-awareness, self-regulation, and empathy combined. Given those skills, good persuaders know when to make an emotional plea, for instance, and when an appeal to reason will work better. And motivation, when publicly visible, makes such people excellent collaborators; their passion for the work spreads to others, and they are driven to find solutions.

But sometimes social skill shows itself in ways the other emotional intelligence components do not. For instance, socially skilled people may at times appear not to be working while at work. They seem to be idly schmoozing—chatting in the hallways with colleagues or joking around with people who are not even connected to their “real” jobs. Socially skilled people, however, don’t think it makes sense to arbitrarily limit the scope of their relationships. They build bonds widely because they know that in these fluid times, they may need help someday from people they are just getting to know today.

For example, consider the case of an executive in the strategy department of a global computer manufacturer. By 1993, he was convinced that the company’s future lay with the Internet. Over the course of the next year, he found kindred spirits and used his social skill to stitch together a virtual community that cut across levels, divisions, and nations. He then used this *de facto* team to put up a corporate Web site, among the first by a major company. And, on his own initiative, with no budget or

formal status, he signed up the company to participate in an annual Internet industry convention. Calling on his allies and persuading various divisions to donate funds, he recruited more than 50 people from a dozen different units to represent the company at the convention.

Management took notice: Within a year of the conference, the executive’s team formed the basis for the company’s first Internet division, and he was formally put in charge of it. To get there, the executive had ignored conventional boundaries, forging and maintaining connections with people in every corner of the organization.

Is social skill considered a key leadership capability in most companies? The answer is yes, especially when compared with the other components of emotional intelligence. People seem to know intuitively that leaders need to manage relationships effectively; no leader is an island. After all, the leader’s task is to get work done through other people, and social skill makes that possible. A leader who cannot express her empathy may as well not have it at all. And a leader’s motivation will be useless if he cannot communicate his passion to the organization. Social skill allows leaders to put their emotional intelligence to work.

It would be foolish to assert that good-old-fashioned IQ and technical ability are not important ingredients in strong leadership. But the recipe would not be complete without emotional intelligence. It was once thought that the components of emotional intelligence were “nice to have” in business leaders. But now we know that, for the sake of performance, these are ingredients that leaders “need to have.”

It is fortunate, then, that emotional intelligence can be learned. The process is not easy. It takes time and, most of all, commitment. But the benefits that come from having a well-developed emotional intelligence, both for the individual and for the organization, make it worth the effort.

Reprint R0401H

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Personality (Chapter 5)

As you can see from our opening story, personality plays a major role in Mark Josephson's entrepreneurial success. Personality is indeed a strong factor for many life and work outcomes. We will explain traits such as extraversion, conscientiousness, openness, agreeableness, and neuroticism—the most defined traits—that were discussed in the story. We'll also review frameworks that describe an individual's personality and tendencies.

Personality

5-1 Describe personality, the way it is measured, and the factors that shape it.

Why are some people quiet and passive, while others are loud and aggressive? Are certain personality types better adapted than others for certain jobs? Before we can answer these questions, we need to address a more basic one: What is personality?

What Is Personality?

When we speak of someone's personality, we use many adjectives to describe how they act and seem to think; in fact, participants in a recent study used 624 distinct adjectives to describe people they knew.¹ As organizational behaviorists, however, we organize personality characteristics by overall traits, describing the growth and development of a person's personality.

personality The sum total of ways in which an individual reacts to and interacts with others.

Defining Personality For our purposes, think of **personality** as the sum of ways in which an individual reacts to and interacts with others. We most often describe personality in terms of the measurable traits a person exhibits.

Measuring Personality Personality assessments have been increasingly used in diverse organizational settings. In fact, eight of the top 10 U.S. private companies and 57 percent of all large U.S. companies use them,² including Xerox, McDonald's, and Lowe's,³ and schools such as DePaul University have begun to use personality tests in their admissions process.⁴ Personality tests are useful in hiring decisions and help managers forecast who is best for a job.⁵

The most common means of measuring personality is through self-report surveys in which individuals evaluate themselves on a series of factors, such as "I worry a lot about the future." In general, when people know their personality scores are going to be used for hiring decisions, they rate themselves as about half a standard deviation more conscientious and emotionally stable than if they are taking the test to learn more about themselves.⁶ Another problem is accuracy; a candidate who is in a bad mood when taking the survey may have inaccurate scores.

Research indicates our culture influences the way we rate ourselves. People in individualistic countries trend toward self-enhancement, while people in collectivist countries like Taiwan, China, and South Korea trend toward self-diminishment. Self-enhancement does not appear to harm a person's career in individualistic countries, but it does in collectivist countries, where humility is valued. Interestingly, underrating (self-diminishment) may harm a person's career in both collectivistic and individualistic communities.⁷

Observer-ratings surveys provide an independent assessment of personality. Here, a coworker or another observer does the rating. Though the results of self-reports and observer-ratings surveys are strongly correlated, research suggests observer-ratings surveys predict job success more than self-ratings alone.⁸ However, each can tell us something unique about an individual's behavior, so a combination of self-reports and observer reports predicts performance better than any one type of information. The implication is clear: Use both observer

How do I ace the personality test?

I just landed a second-round interview with a great company, and I'm super excited. And super nervous because I've read a few articles about how more and more companies are using personality testing. Do you have tips for how I can put my best foot forward?

— Lauren

Dear Lauren:

Congratulations! It's natural for you to want to understand the tests your prospective employer uses. You've probably deduced that it's possible to respond in a favorable manner. For example, if a statement says, "I am always prepared," you know that employers are looking for an applicant who agrees with this statement. You might think responding in the most favorable way possible increases your chances of getting hired, and you might be right.

There are a few caveats, however. First, some companies build in "lie scales" that flag individuals who respond to statements in an extremely favorable manner. It's not always easy to detect

them, but clues usually appear across a number of items. If you respond in the most favorable way to a long list of items, then, you might pop up on the lie scale.

Second, high scores on every trait are not desirable for every kind of job. Some employers might be more interested in low scores on a particular trait or pay more attention to a total profile that would be hard to "game." For example, agreeableness is not a good predictor of job performance for jobs that are competitive in nature (sales, coach, trader).

Third, there is an ethical perspective you should consider. How are you going to feel once you are in the organization if you have not represented yourself correctly in the hiring process? What is your general attitude toward lying? How are you going to make sure your behavior fits the traits you tried to portray?

Finally, perhaps you should look at the assessment differently. The organization—and you—should be looking for a good match. If you are not a good match and are hired, you are likely to be unsuccessful, and miserable in the process.

However, if you have a good, honest match, you can arrive for your first day confident and ready for success.

In the end, you might increase your chances of getting hired by responding to a personality test in a favorable manner. However, we still think honesty is the best policy—for you and for your future employer!

Sources: M. N. Bing, H. K. Davison, and J. Smothers, "Item-Level Frame-of-Reference Effects in Personality Testing: An Investigation of Incremental Validity in an Organizational Setting," *International Journal of Selection and Assessment* 22, no. 2 (2014): 165–78; P. R. Sackett and P. T. Walmsley, "Which Personality Attributes Are Most Important in the Workplace?" *Perspectives on Psychological Science* 9, no. 5 (2014): 538–51; and L. Weber, "To Get a Job, New Hires are Put to the Test," *The Wall Street Journal*, April 15, 2015, A1, A10.

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ratings and self-report ratings of personality when making important employment decisions.

Personality Determinants An early debate centered on whether an individual's personality is the result of heredity or environment. Personality appears to be a result of both; however, research tends to support the importance of heredity over environment.

Heredity refers to factors determined at conception. Physical stature, facial features, gender, temperament, muscle composition and reflexes, energy level, and biological rhythms are either completely or substantially influenced by parentage—by your biological parents' biological, physiological, and inherent psychological makeup. The heredity approach argues that the ultimate explanation of an individual's personality is the molecular structure of the genes, located on the chromosomes.

This is not to suggest that personality never changes. People's scores on dependability tend to increase over time, as when young adults start families and establish careers. However, strong individual differences in dependability remain; everyone tends to change by about the same amount, so their rank

heredity Factors determined at conception; one's biological, physiological, and inherent psychological makeup.

personality traits Enduring characteristics that describe an individual's behavior.

order stays roughly the same.⁹ Furthermore, personality is more changeable in adolescence and more stable among adults.¹⁰

Early work on personality tried to identify and label enduring characteristics that describe an individual's behavior, including shy, aggressive, submissive, lazy, ambitious, loyal, and timid. When someone exhibits these characteristics in a large number of situations and they are relatively enduring over time, we call them **personality traits**.¹¹ The more consistent the characteristic over time, and the more frequently it occurs in diverse situations, the more important the trait is in describing the individual.

★ PERSONAL INVENTORY ASSESSMENTS



Personality Style Indicator

What's your personality? You've probably been wondering as you read this chapter. Take this PIA to obtain some indications of your personality style.

5-2 Describe the strengths and weaknesses of the Myers-Briggs Type Indicator (MBTI) personality framework and the Big Five model.

Personality Frameworks

Throughout history, people have sought to understand what makes individuals behave in myriad ways. Many of our behaviors stem from our personalities, so understanding the components of personality helps us predict behavior. Important theoretical frameworks and assessment tools help us categorize and study the dimensions of personality.

The most widely used and best known personality frameworks are the Myers-Briggs Type Indicator (MBTI) and the Big Five Personality Model. Both describe a person's total personality through exploration of the facets of personality. Other frameworks, such as the Dark Triad, explain certain aspects, but not the total, of an individual's personality. We discuss each below, but let's begin with the dominant frameworks.

Myers-Briggs Type Indicator (MBTI)

A personality test that taps four characteristics and classifies people into one of 16 personality types.

The Myers-Briggs Type Indicator

The **Myers-Briggs Type Indicator (MBTI)** is the most widely used personality-assessment instrument in the world.¹² It is a 100-question personality test that asks people how they usually feel or act in situations. Respondents are classified as extraverted or introverted (E or I), sensing or intuitive (S or N), thinking or feeling (T or F), and judging or perceiving (J or P):

- *Extraverted (E) versus Introverted (I).* Extraverted individuals are outgoing, sociable, and assertive. Introverts are quiet and shy.
- *Sensing (S) versus Intuitive (N).* Sensing types are practical and prefer routine and order, and they focus on details. Intuitives rely on unconscious processes and look at the “big picture.”
- *Thinking (T) versus Feeling (F).* Thinking types use reason and logic to handle problems. Feeling types rely on their personal values and emotions.
- *Judging (J) versus Perceiving (P).* Judging types want control and prefer order and structure. Perceiving types are flexible and spontaneous.

The MBTI describes personality types by identifying one trait from each of the four pairs. For example, Introverted/Intuitive/Thinking/Judging people (INTJs) are visionaries with original minds and great drive. They are skeptical, critical, independent, determined, and often stubborn. ENFJs are natural teachers and leaders. They are relational, motivational, intuitive, idealistic, ethical, and kind. ESTJs are organizers. They are realistic, logical, analytical, and decisive, perfect for business or mechanics. The ENTP type is innovative, individualistic, versatile, and attracted to entrepreneurial ideas. This person tends to be resourceful in solving challenging problems but may neglect routine assignments.

According to the Myers & Briggs Foundation, introverts account for over 50 percent of the E/I responses in the U.S. population. Indeed, two of the three most common MBTI types are introverts: ISFJ and ISTJ. ISFJs are nurturing and responsible, and ISTJs are dutiful and logical. The least common types are INFJ (insightful and protective) and ENTJ (focused and decisive).¹³

The MBTI is used in a variety of organizational settings. It is taken by over 2.5 million people each year and 89 of the Fortune 100 companies use it.¹⁴ Evidence is mixed about its validity as a measure of personality; however, most is against it.¹⁵ As Professor Dan Ariely noted about MBTI results, “Next time, just look at the horoscope. It is just as valid and takes less time.”¹⁶

One problem with the MBTI is that the model forces a person into one type or another; that is, you’re either introverted or extraverted. There is no in-between. Another problem is with the reliability of the measure: When people retake the assessment, they often receive different results. An additional problem is in the difficulty of interpretation. There are levels of importance for each of the MBTI facets, and separate meanings for certain combinations of facets, all of which require trained interpretation that can leave room for error. Finally, results from the MBTI tend to be unrelated to job performance. The MBTI can thus be a valuable tool for increasing self-awareness and providing career guidance, but because results tend to be unrelated to job performance, managers should consider using the Big Five Personality Model, discussed next, as the personality selection test for job candidates instead.

The Big Five Personality Model

The MBTI may lack strong supporting evidence, but an impressive body of research supports the **Big Five Model**, which proposes that five basic dimensions underlie all others and encompass most of the significant variation in human personality.¹⁷ Test scores of these traits do a very good job of predicting how people

Big Five Model A personality assessment model that taps five basic dimensions.

behave in a variety of real-life situations¹⁸ and remain relatively stable for an individual over time, with some daily variations.¹⁹ These are the Big Five factors:

conscientiousness A personality dimension that describes someone who is responsible, dependable, persistent, and organized.

emotional stability A personality dimension that characterizes someone as calm, self-confident, and secure (positive) versus nervous, depressed, and insecure (negative).

extraversion A personality dimension describing someone who is sociable, gregarious, and assertive.

openness to experience A personality dimension that characterizes someone in terms of imagination, sensitivity, and curiosity.

agreeableness A personality dimension that describes someone who is good natured, cooperative, and trusting.

- *Conscientiousness.* The **conscientiousness** dimension is a measure of reliability. A highly conscientious person is responsible, organized, dependable, and persistent. Those who score low on this dimension are easily distracted, disorganized, and unreliable.
- *Emotional stability.* The **emotional stability** dimension taps a person's ability to withstand stress. People with emotional stability tend to be calm, self-confident, and secure. High scorers are more likely to be positive and optimistic and experience fewer negative emotions; they are generally happier than low scorers. Emotional stability is sometimes discussed as its converse, neuroticism. Low scorers (those with high neuroticism) are hypervigilant and vulnerable to the physical and psychological effects of stress. Those with high neuroticism tend to be nervous, anxious, depressed, and insecure.
- *Extraversion.* The **extraversion** dimension captures our comfort level with relationships. Extraverts tend to be gregarious, assertive, and sociable. They are generally happier and are often ambitious.²⁰ They experience more positive emotions than do introverts, and they more freely express these feelings. On the other hand, introverts (low extraversion) tend to be more thoughtful, reserved, timid, and quiet.
- *Openness to experience.* The **openness to experience** dimension addresses the range of interests and fascination with novelty. Open people are creative, curious, and artistically sensitive. Those at the low end of the category are conventional and find comfort in the familiar.
- *Agreeableness.* The **agreeableness** dimension refers to an individual's propensity to defer to others. Agreeable people are cooperative, warm, and trusting. You might expect agreeable people to be happier than disagreeable people. They are, but only slightly. When people choose organizational team members, agreeable individuals are usually their first choice. In contrast, people who score low on agreeableness are cold and antagonistic.

How Do the Big Five Traits Predict Behavior at Work? There are many relationships between the Big Five personality dimensions and job performance,²¹ and we are learning more about them every day. Let’s explore one trait at a time, beginning with the strongest predictor of job performance—conscientiousness.

Conscientiousness at Work As researchers recently stated, “Personal attributes related to conscientiousness and agreeableness are important for success across many jobs, spanning across low to high levels of job complexity, training, and experience.”²² Employees who score higher in conscientiousness develop higher levels of job knowledge, probably because highly conscientious people learn more (conscientiousness may be related to GPA),²³ and these levels correspond with higher levels of job performance. Conscientious people are also more able to maintain their job performance when faced with abusive supervision, according to a recent study in India.²⁴

Conscientiousness is important to overall organizational success. As Exhibit 5-1 shows, a study of the personality scores of 313 CEO candidates in private equity companies (of whom 225 were hired) found conscientiousness—in the form of persistence, attention to detail, and setting high standards—was more important to success than other traits.

Like any trait, conscientiousness has pitfalls. Highly conscientious individuals can prioritize work over family, resulting in more conflict between their work and family roles (termed work-family conflict).²⁵ They may also become too focused on their own work to help others in the organization,²⁶ and they don’t adapt well to changing contexts. Furthermore, conscientious people may have trouble learning complex skills early in a training process because their focus is on performing well rather than on learning. Finally, they are often less creative, especially artistically.²⁷

Conscientiousness is the best predictor of job performance. However, the other Big Five traits are also related to aspects of performance and have other implications for work and for life. Exhibit 5-2 summarizes.

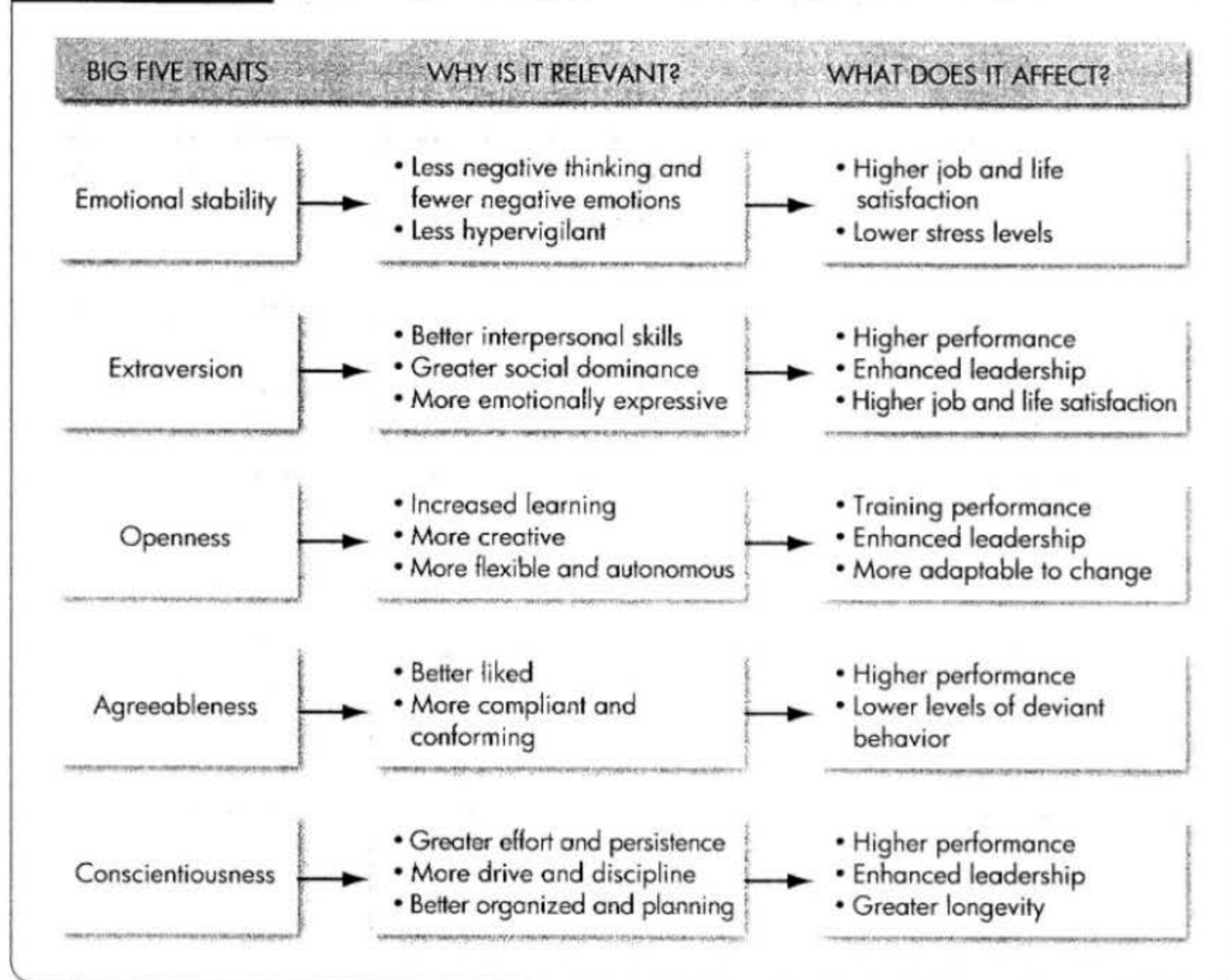
Emotional Stability at Work Of the Big Five traits, emotional stability is most strongly related to life satisfaction, job satisfaction, and low stress levels. People with high emotional stability can adapt to unexpected or changing demands in the workplace.²⁸ At the other end of the spectrum, neurotic individuals, who may be unable to cope with these demands, may experience burnout.²⁹ These people also tend to experience work-family conflict, which can affect work outcomes.³⁰

Extraversion at Work Extraverts perform better in jobs with significant interpersonal interaction. They are socially dominant, “take charge” people who are usually more assertive than introverts.³¹ Extraversion is a relatively strong

Exhibit 5-1 Traits That Matter Most to Business Success at Buyout Companies

Most Important	Less Important
Persistence	Strong oral communication
Attention to detail	Teamwork
Efficiency	Flexibility/adaptability
Analytical skills	Enthusiasm
Setting high standards	Listening skills

Exhibit 5-2 Model of How Big Five Traits Influence OB Criteria



predictor of leadership emergence in groups. Some negatives are that extraverts are more impulsive than introverts, more likely to be absent from work, and may be more likely than introverts to lie during job interviews.³²

Openness at Work Open people are more likely to be effective leaders—and more comfortable with ambiguity. They cope better with organizational change and are more adaptable. While openness isn't related to initial performance on a job, individuals higher in openness are less susceptible to a decline in performance over a longer time period.³³ Open people also experience less work-family conflict.³⁴

Agreeableness at Work Agreeable individuals are better liked than disagreeable people; they tend to do better in interpersonally-oriented jobs such as customer service. They're more compliant and rule abiding, less likely to get into accidents, and more satisfied in their jobs. They also contribute to organizational performance by engaging in organizational citizenship behavior (OCB).³⁵ Disagreeable people, on the other hand, are more likely to engage in counterproductive work behaviors (CWBs), as are people low in conscientiousness.³⁶ Low agreeableness also predicts involvement in work accidents.³⁷ Lastly, agreeableness is associated with lower levels of career success (especially earnings), perhaps because highly agreeable people consider themselves less marketable and are less willing to assert themselves.³⁸

In general, the Big Five personality factors appear in almost all cross-cultural studies,³⁹ including China, Israel, Germany, Japan, Spain, Nigeria, Norway,

Pakistan, and the United States. However, a study of illiterate indigenous people in Bolivia suggested the Big Five framework may be less applicable when studying the personalities of small, remote groups.⁴⁰

Research indicates the Big Five traits have the most verifiable links to important organizational outcomes, but they are not the only traits a person exhibits, nor the only ones with OB implications. Let's discuss some other traits, known collectively as the Dark Triad.

The Dark Triad

With the exception of neuroticism, the Big Five traits are what we call socially desirable, meaning we would be glad to score high on them. Researchers have found three other socially *undesirable* traits, which we all have in varying degrees, are also relevant to organizational behavior: Machiavellianism, narcissism, and psychopathy. Owing to their negative nature, researchers have labeled these the **Dark Triad**—though they do not always occur together.⁴¹

The Dark Triad may sound sinister, but these traits are not clinical pathologies hindering everyday functioning. They might be expressed particularly strongly when an individual is under stress and unable to moderate any inappropriate responses. Sustained high levels of dark personality traits can cause individuals to derail their careers and personal lives.⁴²

Machiavellianism Hao is a young bank manager in Shanghai. He's received three promotions in the past 4 years and makes no apologies for the aggressive tactics he's used. "My name means clever, and that's what I am—I do whatever I have to do to get ahead," he says. Hao would be termed Machiavellian.

The personality characteristic of **Machiavellianism** (often abbreviated *Mach*) is named after Niccolò Machiavelli, who wrote in the sixteenth century on how to gain and use power. An individual high in Machiavellianism is pragmatic, maintains emotional distance, and believes ends can justify means. "If it works, use it" is consistent with a high-Mach perspective. High Machs manipulate more, win more, are persuaded less by others, but persuade others more than do low Machs.⁴³ They are more likely to act aggressively and engage in CWBs as well. Surprisingly, Machiavellianism does not significantly predict overall job performance.⁴⁴ High-Mach employees, by manipulating others to their advantage, win in the short term at a job, but they lose those gains in the long term because they are not well liked.

Machiavellianism tendencies may have ethical implications. One study showed high-Mach job seekers were less positively affected by the knowledge that an organization engaged in a high level of corporate social responsibility (CSR),⁴⁵ suggesting that high-Mach people may care less about sustainability issues. Another study found Machs' ethical leadership behaviors were less likely to translate into followers' work engagement because followers see through these behaviors and realize it is a case of surface acting.⁴⁶

Narcissism Sabrina likes to be the center of attention. She often looks at herself in the mirror, has extravagant dreams about her future, and considers herself a person of many talents. Sabrina is a narcissist. The trait is named for the

Dark Triad A constellation of negative personality traits consisting of Machiavellianism, narcissism, and psychopathy.

Machiavellianism The degree to which an individual is pragmatic, maintains emotional distance, and believes that ends can justify means.

OB POLL

Does Business School Make You Narcissistic?

Average levels of narcissism by college major and gender



Source: Based on J. W. Westerman, J. Z. Bergman, S. M. Bergman, and J. P. Daly, "Are Universities Creating Millennial Narcissistic Employees? An Empirical Examination of Narcissism in Business Students and Its Implications," *Journal of Management Education* 36 (2012), 5-32.

narcissism The tendency to be arrogant, have a grandiose sense of self-importance, require excessive admiration, and have a sense of entitlement.

Greek myth of Narcissus, a youth so vain and proud he fell in love with his own image. In psychology, **narcissism** describes a person who has a grandiose sense of self-importance, requires excessive admiration, and is arrogant. Narcissists often have fantasies of grand success, a tendency to exploit situations and people, a sense of entitlement, and a lack of empathy.⁴⁷ However, narcissists can be hypersensitive and fragile people.⁴⁸ They also may experience more anger.⁴⁹

While narcissism seems to have little relationship to job effectiveness or OCB,⁵⁰ it is one of the largest predictors of increased CWB in individualistic cultures—but not in collectivist cultures that discourage self-promotion.⁵¹ Narcissists commonly think they are overqualified for their positions.⁵² When they receive feedback about their performance, they often tune out information that conflicts with their positive self-perception, but they will work harder if rewards are offered.⁵³

On the bright side, narcissists may be more charismatic than others.⁵⁴ They also might be found in business more often than in other fields (see OB Poll). They are more likely to be chosen for leadership positions, and medium ratings of narcissism (neither extremely high nor extremely low) are positively correlated with leadership effectiveness.⁵⁵ Some evidence suggests that narcissists are more adaptable and make better business decisions than others when the issue is complex.⁵⁶ Furthermore, a study of Norwegian bank employees found those scoring high on narcissism enjoyed their work more.⁵⁷

Special attention has been paid to narcissistic CEOs who make more acquisitions, pay higher premiums for those acquisitions, respond less clearly to objective measures of performance, and respond to media praise by making even more acquisitions.⁵⁸ Research using data compiled over 100 years has shown that narcissistic CEOs of baseball organizations generate higher levels of manager turnover, although members of external organizations see them as more influential.⁵⁹

Narcissism and its effects are not confined to CEOs or celebrities. Like the effects of Machiavellianism, those of narcissism vary by context, but are evident in all areas of life.

psychopathy The tendency for a lack of concern for others and a lack of guilt or remorse when actions cause harm.

Psychopathy Psychopathy is part of the Dark Triad, but in organizational behavior, it does not connote clinical mental illness. In the OB context, **psychopathy** is

defined as a lack of concern for others, and a lack of guilt or remorse when actions cause harm.⁶⁰ Measures of psychopathy attempt to assess the motivation to comply with social norms, impulsivity, willingness to use deceit to obtain desired ends, and disregard, that is, lack of empathic concern for others.

The literature is not consistent about whether psychopathy is important to work behavior. One review found little correlation between measures of psychopathy and job performance or CWB. Another found antisocial personality, which is closely related to psychopathy, was positively related to advancement in the organization but unrelated to other aspects of career success and effectiveness.⁶¹ Still other research suggests psychopathy is related to the use of hard influence tactics (threats, manipulation) and bullying work behavior (physical or verbal threatening).⁶² The cunning displayed by people who score high on psychopathy may thus help them gain power in an organization but keep them from using it toward healthy ends for themselves or their organizations.

Other Traits The Dark Triad is a helpful framework for studying the three dominant dark-side traits in current personality research, and researchers are exploring other traits as well. One emerging framework incorporates five additional aberrant compound traits based on the Big Five. First, *antisocial* people are indifferent and callous toward others. They use their extraversion to charm people, but they may be prone to violent CWBs and risky decision making. Second, *borderline* people have low self-esteem and high uncertainty. They are unpredictable in their interactions at work, are inefficient, and may have low job satisfaction. Their low self-esteem can lead to clinical depression.⁶³ Third, *schizotypal* individuals are eccentric and disorganized. In the workplace, they can be highly creative, although they are susceptible to work stress. Fourth, *obsessive-compulsive* people are perfectionists and can be stubborn, yet they attend to details, carry a strong work ethic, and may be motivated by achievement. Fifth, *avoidant* individuals feel inadequate and hate criticism. They can function only in environments requiring little interaction.⁶⁴

Personality traits have both positive and negative aspects. The degree of each trait—the Big Five, the Dark Triad, and others—in a person, and the combination of traits, matter a great deal to organizational outcomes. It would be easy to make quick management decisions based on our observations, but it is important to keep discussions on personality in perspective and to consider other theories.

Other Personality Attributes Relevant to OB

5-3 Discuss how the concepts of core self-evaluation (CSE), self-monitoring, and proactive personality contribute to the understanding of personality.

core self-evaluation (CSE) Bottom-line conclusions individuals have about their capabilities, competence, and worth as a person.

As we've discussed, studies of traits have much to offer to the field of OB. Now we'll look at other attributes that are powerful predictors of behavior in organizations: core self-evaluations, self-monitoring, and proactive personality.

Core Self-Evaluations (CSEs)

Core self-evaluations (CSEs) are bottom-line conclusions individuals have about their capabilities, competence, and worth as a person. People who have positive CSEs like themselves and see themselves as effective and in control of their environment. Those with negative CSEs tend to dislike themselves, question their capabilities, and view themselves as powerless over their environment.⁶⁵ Recall we discussed in Chapter 3 that CSEs relate to job satisfaction because people who are positive on this trait see more challenge in their jobs and actually attain more complex jobs.

People with positive CSEs perform better than others because they set more ambitious goals, are more committed to their goals, and persist longer in attempting to reach them. People who have high CSEs provide better customer service, are more popular coworkers, and may have careers that begin on better footing and ascend more rapidly over time.⁶⁶ They perform especially well if they feel their work provides meaning and is helpful to others.⁶⁷ Therefore, people with high CSEs may thrive in organizations with high corporate social responsibility (CSR).

Self-Monitoring

Zoe is always in trouble at work. Although she's competent, hardworking, and productive, she receives average ratings in performance reviews, and seems to have made a career out of irritating her bosses. Zoe's problem is that she's politically inept and unable to adjust her behavior to fit changing situations. As she said, "I'm true to myself. I don't remake myself to please others." Zoe is a low self-monitor.

Self-monitoring describes an individual's ability to adjust behavior to external, situational factors.⁶⁸ High self-monitors show considerable adaptability in adjusting their behavior to external situational factors. They are highly sensitive to external cues and can behave differently in varying situations, sometimes presenting striking contradictions between their public personae and their private selves. Low self-monitors like Zoe can't disguise themselves in that way. They tend to display their true dispositions and attitudes in every situation; hence, there is high behavioral consistency between who they are and what they do.

Evidence indicates high self-monitors pay closer attention to the behavior of others and are more capable of conforming than are low self-monitors.⁶⁹ High self-monitor employees show less commitment to their organizations, but receive better performance ratings and are more likely to emerge as leaders.⁷⁰ High self-monitor managers tend to be more mobile in their careers, receive

self-monitoring A personality trait that measures an individual's ability to adjust his or her behavior to external, situational factors.

We Can Accurately Judge Individuals' Personalities a Few Seconds after Meeting Them

Surprisingly, this statement appears to be true.

Research indicates that individuals can accurately appraise others' personalities only a few seconds after first meeting them, or sometimes even from a photo. This "zero acquaintance" approach shows that regardless of the way in which people first meet someone, whether in person or online, their first judgments about the other's personality have validity. In one study, for example, individuals were asked to introduce themselves in, on average, 7.4 seconds. Observers' ratings of those individuals' extraversion were significantly correlated with the individuals' self-reported extraversion. Other research suggests personalities can be surmised from online profiles at zero acquaintance as well. One study even found that participants were able to determine the personality traits of individuals at the ends of the trait spectrum from viewing only photos.

Some traits, such as extraversion, are easier to perceive than others upon initial acquaintance, but less obvious

traits like self-esteem are also often judged fairly accurately by others. Even being forced to make intuitive, quick judgments rather than deliberate evaluations does not seem to undermine the accuracy of the appraisals.

Situations make a difference in the accuracy of the judgments for some personality traits. For example, although neuroticism is perhaps the most difficult trait to detect accurately, a recent study found neuroticism could be judged much more accurately when the situation made the individual react nervously. This makes sense when you consider that some situations activate or draw out a trait much more readily than others. Almost everybody looks calm when they're about to fall asleep!

The moderate accuracy of "thin slices" helps to explain the moderate validity of employment interviews, which we discuss in Chapter 17. Specifically, research shows that interviewers make up their minds about candidates within 2 minutes of first meeting them. While this is hardly an ideal way to make

important employment decisions, the research on personality shows these judgments do have some level of validity. It is important to keep in mind, however, that though we can ascertain people's personalities quickly, we should still keep an open mind and suspend judgment. There is always more to people than first meets the eye.

Sources: A. Beer, "Comparative Personality Judgments: Replication and Extension of Robust Findings in Personality Perception Using an Alternative Method," *Journal of Personality Assessment* 96, no. 6 (2014): 610–18; S. Hirschmüller, B. Egloff, S. C. Schmukle, S. Nestler, and M. D. Back, "Accurate Judgments of Neuroticism at Zero Acquaintance: A Question of Relevance," *Journal of Personality* 83, no. 2 (2015): 221–28; S. Hirschmüller, B. Egloff, S. Nestler, and D. Mitja, "The Dual Lens Model: A Comprehensive Framework for Understanding Self–Other Agreement of Personality Judgments at Zero Acquaintance," *Journal of Personality and Social Psychology* 104 (2013): 335–53; and J. M. Stopfer, B. Egloff, S. Nestler, and M. D. Back, "Personality Expression and Impression Formation in Online Social Networks: An Integrative Approach to Understanding the Processes of Accuracy, Impression Management, and Meta-Accuracy," *European Journal of Personality* 28 (2014): 73–94.

more promotions (both internal and cross-organizational), and are more likely to occupy central positions in organizations.⁷¹

Proactive Personality

Did you ever notice that some people actively take the initiative to improve their current circumstances or create new ones? These are proactive personalities.⁷² Those with a **proactive personality** identify opportunities, show initiative, take action, and persevere until meaningful change occurs, compared to others who generally react to situations. Proactive individuals have many desirable behaviors that organizations covet. They have higher levels of job performance⁷³ and do not need much oversight.⁷⁴ They are receptive to changes in job demands and thrive when they can informally tailor their jobs to their strengths. Proactive individuals often achieve career success.⁷⁵

Proactive personality may be important for work teams. One study of 95 R&D teams in 33 Chinese companies revealed that teams with high-average levels of proactive personality were more innovative.⁷⁶ Proactive individuals are also more likely to exchange information with others in a team, which builds trust relationships.⁷⁷ Like other traits, proactive personality is affected by the context. One study of bank branch teams in China found that if a team's leader was not

proactive personality People who identify opportunities, show initiative, take action, and persevere until meaningful change occurs.

proactive, the benefits of the team's proactivity became dormant or, worse, was suppressed by the leader.⁷⁸ In terms of pitfalls, one study of 231 Flemish unemployed individuals found that proactive individuals abandoned their job searches sooner. It may be that proactivity includes stepping back in the face of failure.⁷⁹

In short, while proactive personality may be important to individual and team performance, it has downsides, and its effectiveness may depend on the context. Do you think personality changes in different situations? Let's explore this possibility.

Personality and Situations

5-4 Describe how the situation affects whether personality predicts behavior.

Earlier we discussed how research shows heredity is more important than the environment in developing our personalities. The environment is not irrelevant, though. Some personality traits, such as the Big Five, tend to be effective in almost any environment or situation. For example, research indicates conscientiousness is helpful to the performance of most jobs, and extraversion is related to emergence as a leader in most situations. However, we are learning that the effect of particular traits on organizational behavior depends on the situation. Two theoretical frameworks, situation strength and trait activation, help explain how this works.

Situation Strength Theory

Imagine you are in a meeting with your department. How likely are you to walk out, shout at someone, or turn your back on everyone? Probably highly unlikely. Now imagine working from home. You might work in your pajamas, listen to loud music, or take a catnap.

Situation strength theory proposes that the way personality translates into behavior depends on the strength of the situation. By *situation strength*, we mean the degree to which norms, cues, or standards dictate appropriate behavior. Strong situations show us what the right behavior is, pressure us to exhibit it, and discourage the wrong behavior. In weak situations, conversely, "anything goes," and thus we are freer to express our personality in behavior. Thus, personality traits better predict behavior in weak situations than in strong ones.

Researchers have analyzed situation strength in organizations in terms of four elements:⁸⁰

1. **Clarity**, or the degree to which cues about work duties and responsibilities are available and clear. Jobs high in clarity produce strong situations because individuals can readily determine what to do. For example, the job of janitor probably provides higher clarity about each task than the job of nanny.
2. **Consistency**, or the extent to which cues regarding work duties and responsibilities are compatible with one another. Jobs with high consistency represent strong situations because all the cues point toward the same desired behavior. The job of acute care nurse, for example, probably has higher consistency than the job of manager.
3. **Constraints**, or the extent to which individuals' freedom to decide or act is limited by forces outside their control. Jobs with many constraints represent strong situations because an individual has limited individual discretion. Bank examiner, for example, is probably a job with stronger constraints than forest ranger.
4. **Consequences**, or the degree to which decisions or actions have important implications for the organization or its members, clients, supplies, and so on. Jobs with important consequences represent strong situations because the environment is probably heavily structured to guard against mistakes. A surgeon's job, for example, has higher consequences than a foreign-language teacher's.

situation strength theory A theory indicating that the way personality translates into behavior depends on the strength of the situation.

Some researchers have speculated organizations are, by definition, strong situations because they impose rules, norms, and standards that govern behavior. These constraints are usually appropriate. For example, we would not want an employee to feel free to engage in sexual harassment, follow questionable accounting procedures, or come to work only when the mood strikes.

Beyond the basics, though, it is not always desirable for organizations to create strong situations for their employees for a number of reasons. First, the elements of situation strength are often determined by organization rules and guidelines, which adds some objectivity to them. However, the perception of these rules influences how the person will respond to the situation's strength. For instance, a person who is usually self-directed may view step-by-step instructions (high clarity) for a simple task as a lack of faith in his ability. Another person who is a rule-follower might appreciate the detailed instructions. Their responses (and work attitudes) will reflect their perception of the situation.⁸¹

Second, jobs with myriad rules and tightly controlled processes can be dull or demotivating. Imagine that all work was executed with an assembly-line approach. Some people may prefer the routine, but many prefer having some variety and freedom. Third, strong situations might suppress the creativity, initiative, and discretion prized by some organizational cultures. One recent study, for example, found that in weak organizational situations, employees were more likely to behave proactively in accordance with their values.⁸² Finally, work is increasingly complex and interrelated globally. Creating strong rules to govern diverse systems might be not only difficult but also unwise. In sum, managers need to recognize the role of situation strength in the workplace and find the appropriate balance.

Trait Activation Theory

Another important theoretical framework toward understanding personality and situations is **trait activation theory (TAT)**. TAT predicts that some situations, events, or interventions "activate" a trait more than others. Using TAT, we can foresee which jobs suit certain personalities. For example, a commission-based compensation plan would likely activate individual differences because extraverts are more reward-sensitive, than, say, open people. Conversely, in jobs that encourage creativity, differences in openness may better predict desired behavior than differences in extraversion. See Exhibit 5-3 for specific examples.

TAT also applies to personality tendencies. For example, a recent study found people learning online responded differently when their behavior was being electronically monitored. Those who had a high fear of failure had higher apprehension from the monitoring than others and learned significantly less. In this case, a feature of the environment (electronic monitoring) activated a trait (fear of failing), and the combination of the two meant lowered job performance.⁸³ TAT can also work in a positive way. One study found that, in a supportive environment, everyone behaved prosocially, but in a harsh environment, only people with prosocial tendencies exhibited them.⁸⁴

Together, situation strength and trait activation theories show that the debate over nature versus nurture might best be framed as nature *and* nurture. Not only does each affect behavior, but they interact with one another. Put another way, personality and the situation both affect work behavior, but when the situation is right, the power of personality to predict behavior is even higher.

Having discussed personality traits, we now turn to values. Values are often very specific and describe belief systems rather than behavioral tendencies. Some beliefs or values reflect a person's personality, but we don't always act consistently with our values.

trait activation theory (TAT) A theory that predicts that some situations, events, or interventions "activate" a trait more than others.

Exhibit 5-3 Trait Activation Theory: Jobs in Which Certain Big Five Traits Are More Relevant

Detail Orientation Required	Social Skills Required	Competitive Work	Innovation Required	Dealing with Angry People	Time Pressure (Deadlines)
Jobs scoring high (the traits listed here should predict behavior in these jobs)					
Air traffic controller	Clergy	Coach/scout	Actor	Correctional officer	Broadcast news analyst
Accountant	Therapist	Financial manager	Systems analyst	Telemarketer	Editor
Legal secretary	Concierge	Sales representative	Advertising writer	Flight attendant	Airline pilot
Jobs scoring low (the traits listed here should not predict behavior in these jobs)					
Forester	Software engineer	Postal clerk	Court reporter	Composer	Skincare specialist
Masseuse	Pump operator	Historian	Archivist	Biologist	Mathematician
Model	Broadcast technician	Nuclear reactor operator	Medical technician	Statistician	Fitness trainer
Jobs that score high activate these traits (make them more relevant to predicting behavior)					
Conscientiousness (+)	Extraversion (+) Agreeableness (+)	Extraversion (+) Agreeableness (-)	Openness (+)	Extraversion (+) Agreeableness (+) Neuroticism (-)	Conscientiousness (+) Neuroticism (-)

Note: A plus (+) sign means individuals who score high on this trait should do better in this job. A minus (-) sign means individuals who score low on this trait should do better in this job.

Your best manager just lost his cool and humiliated a colleague in public. Now what?

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HBR CASE STUDY

Bob's Meltdown

by Nicholas G. Carr

Annette Innella, Vice President, Knowledge Management: It was the most humiliating experience of my life. I knew Bob Dunn didn't see eye-to-eye with me, but I would never have imagined he'd attack me the way he did. I felt completely exposed and violated. Even now, nearly two days later, I'm angry and upset—I can hardly concentrate on my job.

The morning had actually started off quite well. Alex Brigham, one of the most respected consultants on knowledge management, had flown in from San Francisco to meet with me and go over our situation here at Concord Machines. It was an extremely productive meeting—Alex was surfacing all sorts of out-of-the-box ideas—and we decided to continue it over lunch. We had just come into the company cafeteria when out of nowhere someone starts yelling. At first, I had no idea what was going on. Then I realized that it was Bob Dunn—he was at a table by the door, just a

few feet from me—and that it was me he was screaming at. I was stunned, speechless. I just stood there while he went on and on, ranting about how I didn't know anything and how I was wrecking the company. It was very personal. Then he stood up and threw his lunch tray against the wall and stormed out, passing within a foot or two of me. I was scared. I sincerely thought he might do something physical.

Needless to say, I couldn't eat after that. Alex kindly escorted me out of the cafeteria and back to my office. The rest of the day is a blur. At some point after Alex left for the airport, Nathan Singer, the head of HR, came by and talked with me for a long time, and then Jay Nguyen, our CEO, called me from Toronto, where he was attending a conference. But to be honest, I can't really remember much of what either Nathan or Jay said. Obviously, though, they were both extremely upset by Bob's outburst.

HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.

I knew when I started here six months ago that I'd have a tough time. Concord Machines is an old-line manufacturer that's very set in its ways. They don't really understand that we're in a fundamentally new economy now and that a company's knowledge is its greatest competitive asset. Everyone here is still locked in their business and functional silos; there's no cross-unit teaming, no sharing. Jay told me he wanted me to shake things up, and that's what I've been trying to do. The Friday before this happened, Jay had okayed my proposal to establish a knowledge management committee—the Knowledge Protocols Group—that would bring together the best and the brightest from every unit to create a strategy and set an example for the rest of the company. I guess that's what set Bob off. He must have viewed it as an encroachment on his turf—his precious little Services Division.

I've come to believe that there are two types of people in business: the constructive and the destructive. Destructive people can succeed for a while if they're smart and competent and energetic, but in the end they'll do far more harm than good to an organization. I sensed from the start that Bob Dunn was a destructive person, and now I'm sure of it. He may be an important part of Concord Machines' past, but he's certainly not part of its future. I don't think Jay has any choice at this point but to let him go. I know I can't stay if he stays.

Robert Dunn, Senior Vice President and General Manager, Services: I'm not making any excuses—what I did was totally unacceptable—but you have to understand I'd been under a heck of a lot of pressure. We were two weeks into the fourth quarter, the company was behind budget on both revenue and income, and so of course everyone was looking to Services to make up the shortfall. They still call Concord Machines a manufacturer, but it doesn't make money on product sales anymore. All of our margin and most of our growth are coming from service contracts and spare parts sales—thanks to me and my people. Three years ago, when they put me in charge of the unit, we barely even had a services business; it was an afterthought. I cleaned the organization out and rebuilt it from scratch. I overhauled all our processes, brought in and trained a cracker-jack sales force, expanded successfully into

Europe and Asia. This year, Services will bring in nearly half of the company's revenue and virtually all of its profit. Hell, Services is Concord Machines.

At the start of the quarter, Jay called me into his office and laid it on the line. He told me, first, that I was going to have to beat my revenue target and, second, that a hiring freeze had been put into effect and, third, that they were going to take a quarter million out of my marketing budget. So I was in a vise, as usual. But I didn't whine about it. I just said, "Okay, I'll get it done." First thing I had to do was clear: rally the troops. I hopped on a plane, and I did the circuit—London, Paris, and Munich; then Taiwan and Singapore; and around to Phoenix and Dallas. I got home, and before I'd even had a chance to kiss the wife, the guys in London call me back. A big client in Glasgow is wavering about signing a contract extension, and they need me to help clinch the deal. Fine. I take the next flight. Then, while I'm in Scotland, I get a hysterical message from my wife. Our son, Gregg, has been in a car accident. Everyone's fine, but my car—a new Explorer—is totaled, and Gregg's been arrested for driving under the influence and possession of alcohol as a minor. It's a nightmare. When I finally get back, last Friday night, I have to deal with that. I'm the last person to use my personal life to make excuses for my job, but face it: Stress is stress. I'm human like everybody else.

Then comes the last straw. I get into the office Monday morning at seven, and I've got an e-mail from Annette Innella—this woman that Jay brought in six months ago to be in charge of "knowledge management," whatever the hell that means—saying that she's launching something called a Knowledge Protocols Group. And, get this, she wants each department head to assign two of their "most talented lieutenants" (that's a direct quote) to this KPG team. She says that they should be freed up enough from their operating duties to devote at least half their time to KPG. I nearly threw my computer through the window. I mean, they're squeezing my division to save the company's butt, and then they throw this nonsense at us. Give me a break.

So when Annette came into the lunchroom with another of her high-priced consultants and gave me that patronizing little smile of

So when Annette came into the lunchroom with another of her high-priced consultants and gave me that patronizing little smile of hers, I just lost it.

hers, I just lost it. I mean, she knows nothing about this business. She's a waste of space—a corporate black hole. I really have no idea why Jay hired her in the first place. It was a huge mistake. So, yeah, I'm sorry for blowing up; it was a truly stupid move. But I'm carrying this company on my back, and that has to count for something.

Nathan Singer, Senior Vice President, Human Resources: We have a set of values in this company that we spent a lot of time creating, and I take those values very seriously. One of our values is entitled "Respect." This is what it says: "We value the unique and diverse talents of our coworkers, and we treat them at all times with respect and consideration." Say whatever you want about Annette—I personally think she's a breath of fresh air around here—but one thing is crystal clear. Bob Dunn acted in a way that was totally inconsistent with our company values. Screaming at a colleague in public and acting in a violent and threatening manner is outside the bounds of acceptable workplace behavior. If Bob is allowed to get away with this, it will undermine our values completely. I mean, who is going to take them seriously if he gets away with just a slap on the wrist?

Frankly, Bob Dunn has never taken this company's culture seriously. He wasn't on-board when we developed our mission and values, and I'd go so far as to say he treated the entire process with contempt. Of course, that's typical for Bob. He runs Services like it's his own private kingdom, like it's separate from the rest of the company. He routinely ignores or even insults the other executives here, particularly those in corporate roles like myself. He hasn't even returned my calls about this incident. He's just not a team player, and as Jay has made clear on many occasions, everyone in this company is part of the team. I know Bob gets results, but results aren't the only thing that matters. Bob's a dinosaur, when you get down to it, and though I'd like to give him the benefit of the doubt, it wouldn't surprise me if one of the reasons he attacked Annette is because she's a woman. I think he feels threatened.

Paula Chancellor, Graphics Specialist: I was sitting in the cafeteria eating a salad when Bob Dunn came in and sat down at my table. We all love Bob. He's gruff and has a temper, but he's a great guy. I mean, no other

big shot at this company would even think about sitting down and having lunch with me—I'm just the anonymous person who cranks out their PowerPoint slides. Bob, though, makes it a point to know your name and to always ask how you're doing.

Anyway, I could tell he was in a bad mood that day. We said hi to each other, and then we just ate our lunches quietly. I was flipping through a magazine, kind of in my own world. Then all hell breaks loose. I hear Bob say, really loud, "You've got to be kidding me, right?" I look up, and at first I think he might be yelling at me—his face is bright red, he's really steaming, and I'm thinking, "What the heck did I do?"—and then I realize he's talking to that new knowledge management person. Her name's Annette, I think. There was a big memo about her when she joined.

Anyway, Annette—she's with this other guy I'd never seen before, with these trendy little glasses—she stops and just glares at Bob. "Excuse me?" she says. "Are you talking to me?" She is just totally shocked.

"This knowledge group thing," Bob says. "That has to be the stupidest idea I've ever heard in my life. It's totally nuts. Do you have any clue what we do here? Have you looked at the numbers at all? You're going to screw up my whole damn operation when we can least afford it. You know what? You don't know the first thing about this company." Then he gets up and basically throws his lunch tray at the garbage can. There's food and trash all over the floor. He stomps out the door, and Annette's just standing there, in complete disbelief. It was crazy. People have been talking about it ever since. Everybody's wondering what Jay's going to do.

Jay Nguyen, President and CEO: What a mess. Bob Dunn's the best manager I have. Hands down, the best. He understands the business, he works tirelessly, and he gets his people to do unbelievable things. His people adore him, in fact—at least, those that have had the stamina to stick with him. This company would fall apart in five minutes without Bob. I know it, and he knows it.

But screaming at a colleague in the cafeteria? Throwing your tray? That's too much. I don't know where you draw the line, but that's definitely over it. The ironic thing is, I was probably just as angry about Annette's memo as Bob was. I hadn't given her a green

What a mess. Bob Dunn's the best manager I have. Hands down, the best. He understands the business, he works tirelessly, and he gets his people to do unbelievable things.

light on setting up that group; I had just said it looked like a promising idea. And even that was an exaggeration—the last thing we need right now is for people to take their eyes off the bottom line. Now I'm really in a box. If I ask Annette to postpone the initiative, it'll look like I'm sanctioning Bob's behavior. And that's a message I can't send. Heck, I'd probably end up getting sued or something.

I brought Annette in because I was convinced that the company needed some fresh thinking. And I'm still convinced that's true. Our products are commodities at this point; we have to keep cutting manufacturing costs just to stay even. Bob's unit is making all the money, but that's eventually going to start flattening out, no matter how good a manager Bob is. We've got good people here, but we're not capturing their ideas. We need new products, new services, new strategies. I have

my doubts about Annette—I'm not sure she fully understands the realities of the business we're in. But I have no doubt about the need to tap into our people's knowledge. No doubt at all.

I just don't know what to do. In some ways, I even feel I'm a little to blame here. I've been pushing Bob relentlessly. He's always seemed to thrive on pressure—the more work you give him, the more he wants. But maybe I went too far. Everybody has a breaking point.

How should the CEO respond to his top manager's tantrum?

Reprint R0201X

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Nicholas G. Carr is an executive editor at HBR.

CHAPTER 2

Diversity and Inclusion at Work

Bauer, Talya and Berrin Erdogan. "Chapter Two: Diversity and Inclusion at Work." *Organizational Behavior: Bridging Science and Practice*, v4.0. Boston: Boston Academic Publishing, Inc., 2021, 39-40, 42-62, 64-71, 73-74. Reprinted by permission of the publisher.

Learning Objectives

After reading this chapter, you should be able to do the following:

1. Understand the difference between diversity and inclusion.
2. Explain the benefits of diversity and inclusion.
3. Describe potential barriers to achieving diversity and inclusion.
4. Describe the challenges and opportunities related to managing a multicultural workforce.
5. Understand connections between diversity and inclusion at work and ethics, technology, and cross-cultural management.

Globally, the workforce is increasingly diverse. Countries differ when it comes to how diverse workplaces are. For example, in 2020, women constituted 46% of the workforce in the United States, 77% in Yemen, and 52.1% in Mozambique.^[1] Further, 12.6% of the U.S. workforce is Black, 17.5% is of Hispanic origin, and 6.3% is Asian.^[2] Employees continue to work beyond retirement, introducing age diversity to the workforce. Regardless of your gender, race, and age, you will need to work with, communicate with, and understand people different from you at school as well as at work. Understanding cultures different from your own is also becoming increasingly important due to the globalization of business. In the United States, 17.4% of domestic employees were foreign-born, indicating that even those of us who are not directly involved in international business may benefit from developing an appreciation for the differences and similarities between cultures.^[3] In this

chapter, we examine particular benefits and challenges of managing a diverse workforce and discuss ways in which you can increase your effectiveness when working with diversity.

As we discuss differing environments faced by employees with different demographic traits, we primarily concentrate on the legal environment in the United States. Note that the way in which demographic diversity is treated legally and socially varies around the globe. For example, countries such as Canada and the United Kingdom have their own versions of equal employment legislation. Moreover, how women, employees of different races, older employees, employees with disabilities, employees of different religions, employees with disabilities, and LGBTQ employees are viewed and treated shows much variation based on the societal context.

2.2 Demographic Diversity and Inclusion

Learning Objectives

1. Explain the benefits of diversity and inclusion.
2. Explain the challenges of diversity management.
3. Describe the unique environment facing employees with specific traits such as sex, race, religion, disabilities, age, sexual orientation, and gender identity.

diversity

Compositional differences among people in a work unit.

Diversity refers to compositional differences among people in a work unit.⁶¹ These differences lead people to perceive others as similar to or different from themselves. Diversity may be defined by any characteristic that varies within a particular work unit such as gender, race, age, education, tenure, or functional background (such as being an engineer versus being an accountant). In this chapter, our focus will be on diversity with respect to demographic, relatively stable, and visible characteristics: specifically race, sex, age, religion, disabilities, sexual orientation, and gender identity. Understanding how these characteristics affect organizational behavior is important. While many organizations publicly rave about the benefits of diversity, many find it challenging to develop an inclusive culture. This is evidenced by the number of complaints filed with the Equal Employment Opportunity Commission (EEOC) regarding discrimination. In the United States, the Age Discrimination Act of 1975 and Title VII of the Civil Rights Act of 1964 outlaw discrimination based on age, gender, race, national origin, or religion. The 1990 Americans with Disabilities Act prohibits discrimination against employees based on physical or mental disabilities who are able to perform the essential aspects of their jobs with or without accommodations. In 2019, over 72,000 individuals filed a complaint claiming that they were discriminated against based on protected characteristics.⁶² Of course, this number represents only the most extreme instances in which victims must have received visibly discriminatory treatment to justify filing a complaint. It is reasonable to assume that many instances of discrimination go unreported because they are more subtle and employees may not even be aware of inconsistencies such as pay discrimination. It seems that there is room for improvement when it comes to benefiting from diversity, understanding its pitfalls, and creating a work environment where people feel appreciated for their contributions regardless of who they are.

Benefits of Diversity and Inclusion

Effective management of diversity is simply the right thing to do. Diversity is also a fact of organizational life, and it is here to stay. The talent organizations need is diverse in race, age, sex, gender identity, religion, disability status, and any other number of dimensions. What are the benefits of diversity for groups and organizations? Research examining diversity in isolation (without considering it along with inclusion), actually paints a nuanced picture. Groups that are diverse tend to experience lower levels of cohesiveness, higher levels of conflict, lower levels of team performance, and higher levels of turnover. Human beings find it easier to communicate with each other when they interact with others who are similar. In other words, increasing levels of diversity are not always followed by desirable outcomes for organizations.⁶³

At the same time, when examined along with **inclusion**, the potential benefits of diversity emerge. Inclusion involves allowing individuals to bring aspects of themselves that make them unique to a group, while also being treated as organizational insiders. Inclusive organizations ensure that all individuals are allowed to participate in the organizational life fully, their voices are heard, and concerted efforts are made to remove barriers to the fair treatment of everyone.^[9] Research has shown that a climate of inclusion is necessary to turn diversity into an advantage for organizations.^[10] Thus, it is important to consider diversity and inclusion together: Simply having diversity does not mean that the organization is inclusive, and without inclusiveness, diversity is not sufficient to yield positive outcomes. As diversity consultant and advocate Verna Myers notes, "Diversity is being invited to the party. Inclusion is being asked to dance."^[11] In the next section, we summarize potential benefits of diversity and inclusion. So, when discussing benefits of diversity, we need to treat diversity as a necessary first step, but insufficient without inclusion.

inclusion

The degree to which individuals can bring the aspects of themselves that make them unique while also being treated as insiders.

Higher Creativity in Decision Making

An important potential benefit of having a diverse workforce is the ability to make higher quality decisions. In a diverse work team, people will have different opinions and perspectives. In these teams, individuals are more likely to consider more alternatives and think outside the box when making decisions. When thinking about a problem, team members may identify novel solutions. Research shows that teams that are diverse with respect to values, thinking styles, knowledge, skills, and beliefs stimulate creativity in members.^[12] Therefore, having a diverse workforce may have a direct impact on a company's bottom line by increasing creativity in decision making.

Research shows that diverse teams tend to make higher quality decisions.

Better Understanding and Service of Customers

A company with a diverse workforce may create products or services that appeal to a broader customer base. PepsiCo Inc. planned and executed a successful diversification effort in the recent past. The company was able to increase the percentage of women and ethnic minorities in many levels of the company, including management. The company points out that in some years, about 1% of the company's 8% revenue growth came from products that were inspired by the diversity efforts, such as guacamole-flavored Doritos chips and wasabi-flavored snacks.^[13] Companies with more women have been responsible for introducing innovative ideas to the market, such as the online subscription and personal shopping service Stitch Fix. On a negative note, companies lacking diversity often introduce products that do not meet the needs of a particular segment of the population. For example, when Apple first introduced its Health app, the company came under fire for enabling users to track a wide variety of metrics including sodium intake and yet somehow failing to include metrics relating to reproductive health. Similarly, the early failure of voice recognition software to recognize female voices or image recognition software failing to recognize Black faces has been attributed to the lack of diversity in the technology industry.^[14] A company with a diverse workforce may understand the needs of particular groups of customers better, and customers may feel more at ease when they are dealing with a company that understands their needs.

Higher Job Satisfaction

When employees feel that they are fairly treated, they tend to be more satisfied. On the other hand, when employees perceive that they are being discriminated against, they tend to be less attached to the company, less satisfied with their jobs, and experience more stress at work.^[15] Organizations where employees are satisfied often have lower turnover. Organizational practices aimed at creating a diverse and inclusive culture help employees to develop trust in the organization and management, and have been shown to have advantages in facilitating employee engagement.^[16] In

contrast, in organizations where people experience or observe discrimination, employees suffer from higher levels of stress and experience a sense of injustice, resulting in more negative outcomes.^[17]

Higher Stock Prices

Companies that do a better job of creating and managing a diverse workforce are often rewarded in the stock market, indicating that investors use this information to judge how well a company is being managed. For example, companies that have greater levels of gender diversity in their board of directors have been shown to have higher stock returns following the initial public offering (IPO) of their stocks.^[18] Further, companies that receive an award from the U.S. Department of Labor for their diversity management programs show increases in their stock price in the days following the announcement. Conversely, companies that announce settlements for discrimination lawsuits often show a decline in stock prices afterward.^[19]

Lower Litigation Expenses

Companies doing a particularly bad job in diversity management face costly litigations. When an employee or a group of employees feel that the company is violating EEOC laws, they may file a complaint. The EEOC acts as a mediator between the company and the person, and the company may choose to settle the case outside the court. If no settlement is reached, the EEOC may sue the company on behalf of the complainant or may provide the injured party with a right-to-sue letter. Regardless of the outcome, these lawsuits are expensive and include attorney fees as well as the cost of the settlement or judgment, which may reach millions of dollars. The resulting poor publicity also has a cost to the company. For example, in 2018, the Seasons 52 restaurant, which is a brand owned by Darden Restaurants, was ordered to pay \$2.85 million in an age discrimination lawsuit. The company had told applicants denied employment that they had too much experience, and that they were looking for "fresh" employees. In the same year, Ford was ordered to pay an ex-engineer of Arab descent \$16.8 million due to harassment and creation of a hostile work environment.^[20] As you can see, effective management of diversity can lead to big cost savings by decreasing the probability of facing costly and embarrassing lawsuits.

Higher Company Performance

As a result of all these potential benefits, companies that manage diversity more effectively tend to outperform others. Research shows that in companies pursuing a growth strategy, there was a positive relationship between racial diversity of the company and firm performance.^[21] Companies ranked in the Diversity 50 list created by *DiversityInc* magazine performed better than their counterparts.^[22] And, in a survey of 500 large companies, those with the largest percentage of female executives performed better than those with the smallest percentage of female executives. Of course, correlation does not equal causation, and it is possible that the causal arrow goes the other way and strong organizations have the bandwidth to invest in diversity initiatives. The relationship, however, remains.^[23]

Challenges to Achieving Diversity and Inclusion

If managing diversity effectively has the potential to increase company performance, increase creativity, and create a more satisfied workforce, why aren't all companies doing a better job of encouraging diversity? Despite all the potential advantages, there are also a number of challenges associated with increased levels of diversity in the workforce.

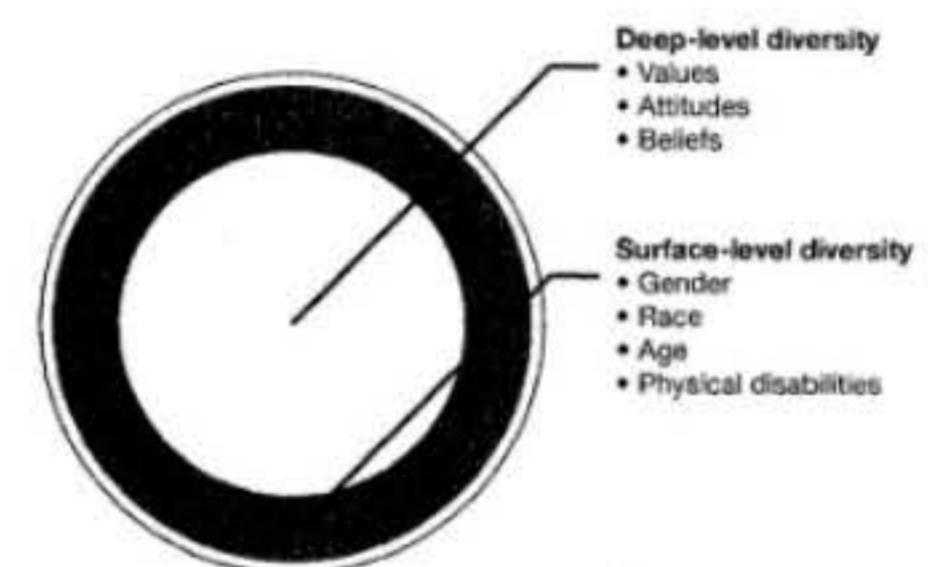
Similarity-Attraction Phenomenon

One of the commonly observed phenomena in human interactions is the tendency for individuals to be attracted to similar individuals. This attraction influences interpersonal relationships as well as relations among groups.^[24] Research shows that individuals show a preference toward similar others. They allocate greater resources to them when given the chance, show more positive attitudes toward them, and are more strongly drawn to them. They express greater levels of comfort with similar others, and display greater levels of confidence in homogeneous groups regardless of how they actually perform.^[25]

The **similarity-attraction phenomenon** may explain some of the potentially unfair treatment based on demographic traits. If a hiring manager chooses someone who is similar over a more qualified candidate who is dissimilar in a characteristic such as sex, race, or age, the decision will be unfair and a barrier to achieving diversity in the workplace. In other words, similarity-attraction may give the majority group an advantage in hiring or other human resource decisions because hiring managers will perceive greater chemistry and feel more comfortable with someone similar to them, jeopardizing the candidacy of someone who is different from the group composition. Even when candidates from underrepresented groups are hired, they may receive different treatment within the organization. For example, research shows that one way in which employees may get ahead within organizations is through being mentored by a knowledgeable and powerful mentor. Yet when the company does not have a formal mentoring program in which people are assigned a specific mentor, people are more likely to develop a mentoring relationship with someone who is similar to them in demographic traits.^[26] This means that those who are not selected as protégés will not be able to benefit from the support and advice that would further their careers. Similarity-attraction may even affect the treatment people receive daily. If a male manager frequently invites a male employee to have lunch with him while a female employee is excluded from such interaction opportunities, the male employee over time may develop greater access to information, advice, or other intangible opportunities that are beneficial to one's career.

Why are we more attracted to those who share our demographic attributes? Demographic traits are part of what makes up **surface-level diversity**. Surface-level diversity includes traits that are highly visible to us and those around us, such as race, gender, and age. Researchers believe that people pay attention to surface diversity because they are assumed to be related to **deep-level diversity**, which includes values, beliefs, and attitudes. We want to interact with those who share our values and attitudes, but when we meet people for the first time, we have no way of knowing whether they share similar values. As a result, we tend to use surface-level diversity to make judgments about deep-level diversity. Research shows that surface-level traits affect our interactions with other people early in our acquaintance with them, but as we get to know people, the influence of surface-level traits is replaced by deep-level traits such as similarity in values and attitudes.^[27] Age, race, and gender dissimilarity are also stronger predictors of employee turnover during the first few weeks or months within a company. It seems that people who are different from others

FIGURE 2.1 Levels of Diversity
Individuals often initially judge others based on surface-level diversity. Over time, this effect tends to fade and is replaced by deep-level traits such as similarity in values and attitudes.



similarity-attraction phenomenon

The tendency to be more attracted to individuals who are similar to us.

surface-level diversity

Traits that are highly visible to us and those around us, such as race, gender, and age.

deep-level diversity

Diversity in values, beliefs, and attitudes.

may feel isolated during their early tenure when they are dissimilar to the rest of the team, but these effects tend to disappear as people stay longer and get to know other employees.

As you may see, while similarity-attraction may put some employees at a disadvantage, it is a tendency that can be managed by organizations. By paying attention to employees early in their tenure, having formal mentoring programs in which people are assigned mentors, and training managers to be aware of the similarity-attraction tendency, organizations can go a long way in dealing with potential diversity challenges.

Faultlines

faultline

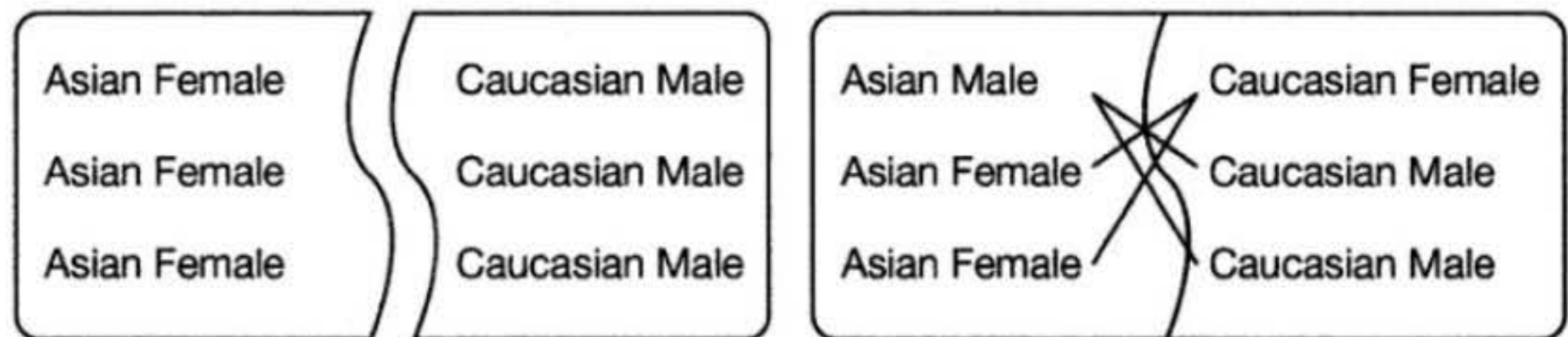
An attribute along which a group is split into subgroups.

A **faultline** is an attribute along which a group is split into subgroups. For example, in a group with three women and three men, gender may act as a faultline because the women may see themselves as separate from the men. Now imagine that the women of the same team are all over age 50 and the men are all under age 25. In this case, age and gender combine to further divide the group into two subgroups. Teams that are divided by faultlines experience a number of difficulties. For example, members of the different subgroups may avoid communicating with each other, reducing the overall cohesiveness of the team. Research shows that teams with faultlines experience more conflict, are less cohesive, and have less satisfaction and performance.^[28] Faultlines are more likely to emerge in diverse teams, but not all diverse teams have faultlines. Going back to our example, if the team has three men and three women as members, but if two of the women are older and one of the men is also older, then the composition of the team will have a much different effect on the team's processes. In this case, age could be a bridging characteristic that brings together people divided across gender.

Research shows that even groups that have strong faultlines can perform well if they establish certain norms. When members of subgroups debate the decision topic among themselves before having a general group discussion, there seems to be less communication during the meeting on pros and cons of different alternatives. Having a norm stating that members should not discuss the issue under consideration before the actual meeting may be useful in increasing decision effectiveness.^[29] Further, the existence of an inclusive diversity climate reduced the negative effects of faultlines on loyal behaviors.^[30]

FIGURE 2.2 Group Faultlines

The group on the left will likely suffer a strong faultline due to the lack of common ground. The group to the right will likely only suffer a weak faultline because the men and women of the different groups will likely identify with each other.



Stereotypes and Unconscious Biases

An important challenge of managing a diverse workforce is the possibility that stereotypes and unconscious biases about different groups could lead to unfair decision making. **Stereotypes** are generalizations about a particular group of people. The assumption that women are more relationship oriented, while men are more assertive, is an example of a stereotype. **Unconscious (or implicit) biases** are stereotypes that are held that are outside of conscious awareness. For example, a manager who is surprised that the technical employee all the clients are raving about is a woman may be demonstrating an unconscious bias.

The problem with stereotypes and unconscious biases is that individuals may rely on stereotypes when making decisions, instead of collecting actual data and verifying their assumptions. As a result, stereotypes may lead to unfair and inaccurate decision making. For example, a hiring manager holding the stereotype that men are more assertive may prefer a male candidate for a management position over a well-qualified female candidate. The assumption would be that management positions require assertiveness and the male candidate would be more assertive than the female candidate. Being aware of these stereotypes is the first step to preventing them from affecting decision making. Research has shown that stereotypes and implicit biases affect hiring decisions. For example, in a laboratory experiment, when individuals were asked to hire someone for a job involving math abilities, they were twice as likely to hire a man. Even providing past performance information did not fully eliminate this male advantage. Such discrimination may be part of the puzzle for the underrepresentation of women in science and engineering.^[31] Further, stereotypes and prejudices are associated with more covert and interpersonal forms of discrimination, such as acting less warm and friendly toward the stigmatized person, being more rude toward this person, or cutting the interaction short.^[32]

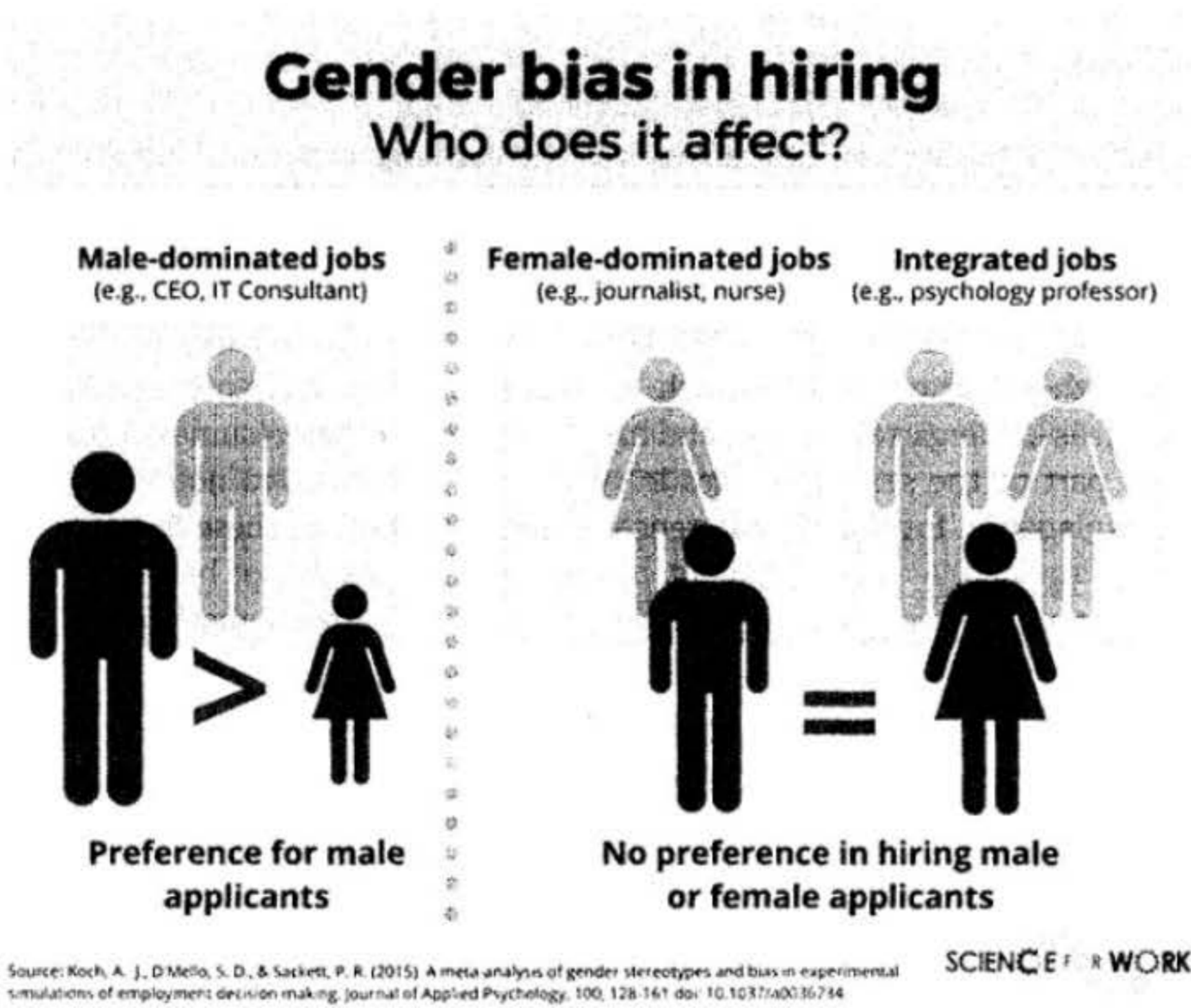
stereotypes

Generalizations about a particular group of people.

unconscious (or implicit) biases

Stereotypes about specific groups that are held outside of conscious awareness.

ScienceForWork is a nonprofit organization dedicated to providing decision makers with trustworthy and useful insights from the science of organizations and people management. They review meta-analyses and summarize findings such as the one here. You will see figures from their work throughout this book.



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Organizations may take concrete steps to prevent stereotypes from affecting their decisions. For example, orchestras in the United States saw a dramatic increase in female musicians after they started introducing “blind” auditions—auditions in which the candidate plays behind a screen.^[33] In 2006, France passed a law requiring employers with more than 50 employees to remove personal data that potentially signals an applicant’s race, religion, or ethnicity from résumés in order to prevent stereotypes from influencing who is hired.^[34] Such structural changes may help to systematically prevent stereotypes from affecting employment decisions.

Specific Diversity Issues

Different demographic groups face unique work environments and varying challenges in the workplace. In this section, we will review the particular challenges associated with managing gender, race, religion, physical ability, and sexual orientation diversity in the workplace.

Sex Diversity in the Workplace

In the United States, three important pieces of legislation prohibit sex discrimination at work. The Equal Pay Act (EPA, 1963) prohibits discrimination in pay based on sex. Title VII of the Civil Rights Act (1964) prohibits discrimination in all employment-related decisions based on sex. In 2009, the Lilly Ledbetter Fair Pay Act was signed into law. This act is named after a woman who, at the end of her 19 years as a supervisor at a Goodyear tire factory, discovered she had been paid less than her male counterparts. The act gives a potential litigant 180 days to file a claim every time a worker receives a paycheck. Despite the existence of protective legislation, women and men often face different treatment at work. The earnings gap, the glass ceiling, and sexual harassment are three key problems women may experience in the workplace that we will discuss in more detail.

Earnings Gap

An often publicized issue women face at work is the earnings gap. Considering both full- and part-time workers, the median earnings of women in 2018 was 85% of men in the United States.^[35] There are many potential explanations for the earnings gap that are often reported in the popular media. Some explanations for this gap focus on “human capital.” According to this view, women and men bring different investments to work. For example, women work shorter hours, are underrepresented in high-paying occupations such as engineering and overrepresented in low-paying occupations such as kindergarten teacher, and have more gaps in their résumés due to parenthood, which explains part of the sex differences in pay.^[36] It is important to note that these do not provide a full explanation for the sex differences in pay, and framing these factors as “individual choice” may be misguided. As a case in point, many organizations do not have family-supportive policies in place, resulting in women having to leave their jobs following motherhood. While these decisions may be interpreted as choice, they also indicate lack of alternatives.

A commonly used explanation for the pay gap is that women are less likely to negotiate. There is some truth to this, as research has shown that when it is unclear whether wages are negotiable, male job seekers are more likely to negotiate. Interestingly, when it is explicitly mentioned that wages are negotiable, such differences disappear.^[37] At the same time, laboratory studies show that women candidates who negotiated were more likely to be penalized for their attempts to negotiate, and male evaluators expressed an unwillingness to work with a woman who negotiated.^[38] In other words, there may be some danger in simply advising women to negotiate: They may be choosing not to negotiate, predicting that negotiation would not result in positive outcomes for them, and may in fact damage relationships. The differences in the tendency to negotiate and success in negotiating are important factors contributing to the earnings gap. According to one estimate, as

much as 34% of the differences between women's and men's pay can be explained by their starting salaries.^[39] When differences in negotiation tendencies or outcomes affect starting salaries, they may have a large impact over the course of years. In short, the earnings gap is a complicated issue that may not be reduced to differences in negotiation tendencies or outcomes. Effective negotiation and learning to advocate for oneself is important for everyone in general, but organizations may play a role here by making it clear when it is expected that candidates will negotiate, and ensuring that employees are paid based on what they are worth as opposed to their skills in negotiating.

Numerous studies suggest that stereotypes and biases disadvantaging women are alive and well. One meta-analysis showed that the male-female gap in pay was larger in occupations that were male dominated, and in complex jobs. These differences were not explainable by differences in performance of men and women.^[40] In an experimental study where MBA students played the role of investors, the recommended percentage to invest in the Initial Public Offering (IPO) of an entrepreneurial business was four times as much when the company was led by a male CEO.^[41]

Companies and governments are beginning to take action to close the gap. Organizations such as Adobe, Expedia, and Starbucks made public pledges to closing the pay gap through periodic audits followed by concrete action. Cities and states including Oregon, California, and New York City now ban asking job applicants about their pay history, as this practice perpetuates past gaps. Further, states including Massachusetts, New Jersey, and Oregon passed laws that would encourage employers to minimize pay differentials among employees performing comparable work when such differences are not explainable through job related factors.^[42]

Glass Ceiling

Another issue that provides a challenge for women in the workforce is the so-called **glass ceiling**. While women may be represented in lower level positions, they are less likely to be seen in higher management and executive suites of companies.^[43] In fact, while women constitute close to one-half of the workforce, men are four times more likely to reach the highest levels of organizations.^[44] Although a record number of female CEOs of Fortune 500 firms emerged in 2020, they still only accounted for 7.4% of the CEOs on the list.^[45] In fact, a study by the global consulting firm DDI on 55,000 assessments for top leadership roles, including CEO roles, showed that 52% of the organizations did not have a single female candidate in their selection pool (and when they had one female candidate, she was never chosen).^[46] A related phenomenon is termed **glass cliff**. This is the tendency of women and minority members to be promoted to leadership positions in poor-performing, struggling firms. Even though these leaders look like they broke through the glass ceiling, they are at a higher risk of failure. Struggling firms may be more likely to offer these precarious positions to women and minorities to signal that they intend to make a change, and the candidates may be more likely to accept these positions thinking that this is their only chance at leadership. Research also shows that when the firm performance further declines under their leadership, the firm is more likely to replace them with a white and male leader.^[47]

The absence of women in leadership is problematic, particularly in light of studies that show the leadership performance of female leaders is comparable to, and in some dimensions such as transformational or change-oriented leadership, superior to, the performance of male leaders.^[48]

One explanation for the glass ceiling is the sex-based stereotypes favoring men in managerial positions. Traditionally, men have been viewed as more assertive and confident than women, while women have been viewed as more passive and submissive. Studies show that these particular stereotypes are still prevalent among male college students, which may mean that these stereotypes may be perpetuated among the next generation of managers.^[49] Assumptions such as these are problematic for women's advancement because stereotypes associated with men are characteristics often associated with being a manager. Stereotypes are also found to influence how managers view male versus female employees' work accomplishments. For example, when men and women work together in a team on a stereotypically "masculine" task such as working on an investment portfolio and it is not clear to management which member has done what, managers are more

As of May 2020, only 37 of the Fortune 500 were helmed by a female CEO. Pictured here is Safra Katz, CEO of Oracle.

glass ceiling

The situation that some qualified employees are prevented from advancing to higher level positions due to factors such as discrimination. The glass ceiling is often encountered by women and minorities.

glass cliff

Tendency of women and minority members to be promoted to leadership positions in poor performing, struggling firms.

likely to attribute the team's success to the male employees and give less credit to the female employees.^[50]

There are many organizations making the effort to make work environments more welcoming to men and women. For example, IBM is reaching out to female middle school students to get them interested in science, hoping to increase female presence in the field of engineering.^[51] Companies such as IBM, Deloitte, Ernst & Young, Unilever, and Johnson & Johnson topped the 2019 100 Best Companies list created by *Working Mother* magazine by providing flexible work arrangements to balance work and family demands. In addition, these companies provide employees of both sexes with learning, development, and networking opportunities.^[52]

Sexual Harassment

Sexual harassment refers to unwanted sexual advances, requests for sexual favors, and other verbal and physical conduct that is sexual in nature. The perpetrator may be a supervisor, a colleague, or a client. The victim may be a man or a woman, and the perpetrator and victim may be of the same sex. Regardless of the specifics, sexual harassment is conduct that is illegal according to the Equal Employment Opportunity Commission.^[53] In 2019, men filed 16.8% of the sexual harassment claims with EEOC, suggesting that even though sexual harassment affects both sexes, women are disproportionately affected.^[54]

Sexual harassment has long-lasting and negative effects on employees. For example, research has shown that it has been related to depression even a decade later, to poor job attitudes such as organizational commitment and job satisfaction, higher levels of absenteeism, and a tendency to quit an occupation altogether. Sexual harassment has implications for problems such as the earnings gap that we discussed earlier. For women, sexual harassment is more likely to occur when they work in male-dominated industries, but these occupations are also ones where pay rates are higher, which means that leaving these occupations may result in pay penalties over the course of one's career.^[55]

In 2017, the #MeToo movement brought the prevalence of sexual harassment to international awareness, resulting in the downfall of high-profile, longtime accused perpetrators of such harassment. Organizations need to take meaningful steps to prevent harassment, including providing training, establishing mechanisms where victims can report what happened without having to go through their manager, taking quick action to protect the victim while ensuring due process, and creating organizational cultures that do not tolerate the abuse and harassment of anyone. Further, one study utilizing two large military samples showed that sexual harassment was less prevalent in units where there was a justice climate, an emphasis on unbiased decision making, consistency, and where employees were involved in decisions affecting them.^[56] In other words, fostering a climate of fairness may create an environment where everyone is treated with dignity and respect.

Race Diversity in the Workplace

Race is another demographic characteristic that is under legal protection in the United States. Title VII of the Civil Rights Act (1964) prohibits race discrimination in all employment-related decisions. Yet systemic race discrimination continues to exist in many organizations. In a Korn-Ferry/Columbia University study of 280 minority managers earning more than \$100,000, 60% of the respondents reported that they had seen discrimination in their work assignments and 45% had been the target of racial or cultural jokes. The fact that such discrimination exists even at higher levels in organizations is noteworthy.^[57] In a different study of over 5,500 workers, only 32% reported that their company did a good job hiring and promoting minorities.^[58] One estimate suggests that when compared to white employees, Black employees are four times more likely and Hispanics are three times more likely to experience discrimination.^[59]

Norway is a pioneer in tackling the glass ceiling problem through legislation. In 2002, they passed a law requiring boards of directors to be made up of at least 40% women in all state-owned and publicly listed companies starting in 2008. Other European countries, such as France and Spain, followed suit.

sexual harassment

Unwanted sexual advances, requests for sexual favors, and other verbal and physical conduct that is sexual in nature.

Ethnic minorities experience both an earnings gap and a glass ceiling. In the first quarter of 2020, for every \$1 a Caucasian male employee made, Black males made around 75 cents while Hispanic males made just under 70 cents. The situation is somewhat different for Asian males, who make approximately \$1.24 for every every \$1 earned by their Caucasian counterparts.^[60] However, Asian males are still underrepresented in top management and as such, experience the glass ceiling phenomenon.^[61] In early 2020, only five Fortune 500 companies had Black CEOs.^[62] It is interesting that while ethnic minorities face these challenges, the demographic trends are such that by 2045, Caucasians are estimated to constitute less than one-half of the population in the United States.^[63]

Unfortunately, discrimination against ethnic minorities still occurs. One study conducted by Harvard University researchers found that when Chicago-area companies were sent fictitious résumés containing identical background information, résumés with "Caucasian-sounding" names (such as Emily and Greg) were more likely to get callbacks compared to résumés with "Black-sounding" names (such as Jamal and Lakisha).^[64] Race and sex also interact with each other to affect others' reactions to the individual and often constitute a "double jeopardy." For example, women of color are asked to do more "office housework" such as being expected to order lunch for everyone. Even in instances where such tasks do not take much time, they take time away from tasks that involve more learning and growth opportunities and reinforce existing power dynamics keeping them in lower level positions. Refusing to take on these assignments may also hurt the employee by labeling them as noncooperative.^[65]

Studies indicate that ethnic minorities are less likely to experience a satisfying work environment. One study found that Black employees were more likely to be absent from work compared to Caucasians, but this trend existed only in organizations viewed as not valuing diversity.^[66] Similarly, among Black employees, the perception that the organization did not value diversity was related to higher levels of turnover.^[67] Another study found that perceived race discrimination resulted in lower commitment to the organization, but this relationship was weaker when employees felt that the organization was taking steps to be supportive of diversity.^[68]

Unconscious biases and racial profiling are harmful to employees, businesses, and societies. In 2018, Starbucks was in national news as a result of such biases. A store manager in Philadelphia asked two Black men to leave the store as they had not ordered anything (they were waiting for a friend). When they refused to leave, the manager called the police, which resulted in the arrest of the individuals. Following the public outcry, Starbucks apologized and closed more than 8,000 stores to provide its employees with unconscious bias training. One training by itself is unlikely to prevent such incidents from happening, but this incident powerfully displays the harm and unfairness that can be caused by biases. The year 2020 saw widespread protests of racial injustice following the killing of George Floyd under police custody, spurring businesses to make public commitments to examine hiring, management, and reward policies, and to make improvements.^[69] For example, Microsoft committed \$150 million to diversity initiatives, and set a goal to double the number of Black employees by 2025.^[70]

Age Diversity in the Workplace

Older employees tend to be reliable and committed employees who often perform at comparable or higher levels than younger workers.

The workforce is rapidly aging. By 2024, those who are age 55 and older are estimated to constitute 25% of the workforce in the United States. The same trend seems to be occurring elsewhere in the world. Further, by the same date, the fastest growing labor participation rate is expected to be those 65 and older.^[71] These changes signal that the age diversity of the workforce is expected to increase.

What happens to work performance as employees get older? Research shows that age is correlated with a number of positive workplace behaviors, including higher levels of citizenship behaviors such as volunteering, higher compliance with safety rules, lower work injuries, lower counterproductive behaviors, and lower rates of tardiness or absenteeism.^[72] Despite their positive workplace behaviors, employees who are older often have to deal with age-related stereotypes at work. For example, a review of a large number of studies showed that those between 17 and 29 years of age tend to rate older employees more negatively, while younger employees were viewed as more qualified and having higher potential.^[73] However, these stereotypes have been largely refuted by research.^[74] Another review showed that stereotypes about older employees—they perform on a lower level, they are less able to handle stress, or their performance declines with age—are simply inaccurate.^[75] The problem with these stereotypes is that they may discourage older workers from remaining in the workforce or may act as a barrier to their being hired in the first place. The results of the accumulated body of research suggests that there are either no differences in performance based on age, or in some cases the relationship is positive, which means that age-related stereotypes have little to no support.^[76]

In the United States, age discrimination is prohibited by the Age Discrimination in Employment Act of 1967, which makes it illegal for organizations to discriminate against employees over 40 years of age. Still, age discrimination is prevalent. For example, in 2018, two United Airlines employees were awarded \$800,000 in a wrongful termination lawsuit involving age discrimination. The employees were fired for not wearing an apron and watching their iPad for 15 minutes, but the jury believed that these reasons were pretext and age of the employees motivated the termination.^[77]

Age diversity within a team can actually lead to higher team performance. In a simulation, teams with higher age diversity were able to think of different possibilities and diverse actions, leading to higher performance for the teams.^[78] At the same time, managing a team with age diversity may be challenging because different age groups seem to have different opinions about what is fair treatment, leading to different perceptions of organizational justice.^[79] Organizations that are age inclusive and manage to develop cultures that respect and support age diversity and the needs of employees of different age groups reap benefits in the form of greater levels of job satisfaction, organizational commitment, and motivation to continue working past the retirement age.^[80]

One of the ways in which organizations may create an age-inclusive workplace is to utilize flexible work arrangements tailored to individual needs. Research has shown that the use of individualized work arrangements was most useful in reducing employee exhaustion in groups where age diversity was high. Further, organizations may create a more positive environment for older workers by providing on-the-job resources such as opportunities to utilize a variety of skills, a procedurally fair organizational climate, and supportive relationships with managers, as older workers have been shown to be more sensitive to the absence of these resources.^[81]

Religious Diversity in the Workplace

In the United States, employers are prohibited from using religion in employment decisions based on Title VII of the Civil Rights Act of 1964. Moreover, employees are required to make reasonable accommodations to ensure that employees can practice their beliefs unless doing so provides an unreasonable hardship on the employer.^[82] Religious discrimination often occurs because the religion necessitates modifying the employee's schedule. For example, devout Muslim employees may want to pray five times a day with each prayer lasting 5 to 10 minutes. Some Jewish employees may

Family businesses account for 50% of the gross domestic product; 60% of U.S. employment and 35% of Fortune 500 firms are family controlled. Around the world, in many family-owned businesses, different generations work together.

want to take off Yom Kippur and Rosh Hashanah, although these days are not always recognized as holidays in the United States. These situations pit employers' concerns for productivity against employees' desires to fulfill religious obligations.

Accommodating someone's religious preferences may also require companies to relax their dress code to take into account religious practices such as wearing a turban for Sikhs or covering one's hair with a scarf for Muslim women. In these cases, what matters most is that the company makes a good faith attempt to accommodate the employee. Further, organizations should avoid requiring employees to participate in religious practices such as prayer meetings or religious discussions. Forcing employees to participate in a religious activity is illegal. In 2018, United Health Programs, an insurance and employee benefits services company, was sued for requiring employees to follow a "Harnessing Happiness" system involving prayers, religious workshops, and ritual spiritual cleansing. Harnessing Happiness is considered a religion, and therefore in the resulting lawsuit, the company was ordered to stop these practices and pay \$5.1 million to former and current employees who brought the lawsuit.^[83]

Employees with Disabilities in the Workplace

Employees with a wide range of physical and mental disabilities are part of the workforce. The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination in employment against individuals with physical as well as mental disabilities if these individuals are otherwise qualified to do their jobs with or without reasonable accommodation. For example, for a job that requires frequently talking over the phone, an organization may receive a job application from a candidate with partial hearing loss. With the help of a telephone amplifier, which costs less than \$50, the employee will be able to perform the job; therefore, the company cannot use the hearing loss as a reason not to hire the person, again, as long as the employee is otherwise qualified. Even when a disability has no bearing on job performance, it may constitute a barrier that harms the employee. For example, applicants with disabilities experience more barriers in hiring. In one experiment, researchers sent identical résumés to accounting jobs. Of the cover letters, 1/3 mentioned that the applicant had a spinal cord injury, 1/3 noted that the applicant had Asperger's syndrome, and 1/3 mentioned neither. The résumés that mentioned the spinal cord injury and Asperger's syndrome on average received 26% fewer expressions of employer interest.^[84] After being hired, employees with disabilities are more likely to be stereotyped, locked into dead-end jobs, and employed in jobs that require substantially lower skills and qualifications than they possess. They also are more likely to quit their jobs.^[85]

What can organizations do to create a more inclusive work environment for employees with disabilities? A climate of inclusiveness was shown to be useful in neutralizing the negative effects of being different from one's manager with regards to disability status.^[86] Therefore, fostering a climate of inclusion is important. Legally, when an employee brings up a disability, the organization should consider reasonable accommodations. This may include modifying the employee's schedule and reassigning some nonessential job functions. Organizations that offer flexible work hours may also make it easier for employees with disabilities to be more effective. Finally, supportive relationships with others seem to be the key for making these employees feel at home. Having an understanding boss and an effective relationship with supervisors is particularly important for employees with disabilities. Because the visible differences between individuals may unconsciously act as an initial barrier against developing rapport, creating systems that facilitate relationship development opportunities may be beneficial.^[87]

Sexual Orientation and Gender Identity Diversity in the Workplace

Lesbian, bisexual, gay, transgender, and queer/questioning (LGBTQ) employees in the workplace have faced a number of challenges and barriers to employment throughout the years. Until recently, there was no federal law in the United States prohibiting discrimination based on sexual orientation. Nonetheless, in 2019, 21 states as well as the District of Columbia had laws prohibiting discrimination in employment based on sexual orientation and gender identity. In addition, 91% of the Fortune 500 companies have implemented non-discrimination policies that include sexual orientation and gender identity.^[88] These policies seem to have benefits to organizations, as research has shown that firms that have LGBTQ-supportive policies had higher firm value, productivity, and profitability, and benefited more from Research and Development (R&D) activities.^[89] On June 15, 2020, the United States Supreme Court made a monumental ruling, ensuring that the Civil Rights Act of 1964 would be extended to protect gay, lesbian, and transgender employees from sex-based discrimination at work, making discrimination in employment decisions based on sexual orientation and gender identity illegal.^[90]

Research shows that one of the most important issues relating to sexual orientation is the disclosure of sexual identity in the workplace. According to one estimate, up to one-third of lesbian, gay, and bisexual employees do not disclose their sexual orientation at work. Employees may fear the reactions of their managers and coworkers, leading to keeping their sexual identity a secret. In reality, though, it seems that disclosing sexual orientation is not the key to explaining work attitudes of these employees—it is whether or not they are *afraid* to disclose their sexual identity. In other words, those employees who fear that full disclosure would lead to negative reactions experience lower job satisfaction, reduced organizational commitment, and higher intentions to leave their jobs.^[91] Creating an environment where all employees feel welcome and respected regardless of their sexual orientation is the key to maintaining a positive work environment.

Two organizational resources that seem to make the most difference for LGBTQ employee attitudes, stress, perceived discrimination, and disclosures are LGBTQ-supportive organizational climates and supportive interpersonal relationships.^[92] Companies such as Coca-Cola, Accenture, IBM, and Procter & Gamble create inclusive cultures by providing transgender-inclusive health-care coverage, removing barriers to fairness, and by providing a public commitment.^[93]

OB Toolbox: I Think I Am Being Asked Potentially Illegal Interview Questions. What Can I Do?

In the United States, demographic characteristics discussed in this chapter are protected by law. Yet according to a survey of 4,000 job seekers, about one-third of job applicants have been asked potentially illegal interview questions. How can you answer such questions?^[94]

Here are your options.

- *Refuse to answer.* You may point out that the question is illegal and refuse to answer. This may cost you the job offer, because you are likely to seem confrontational and aggressive.
- *Answer shortly.* Instead of giving a full answer to a question such as “are you married,” you could answer the question briefly and steer the conversation to the job. In some cases,

the interviewer may be trying to initiate small talk and may be unaware that the question is potentially illegal.

- *Answer the intent or potential concern behind the question.* Sometimes, the illegal question hides a legitimate concern. When you are being asked where you are from, the potential employer might be concerned that you do not have a work permit. Addressing the issue in your answer may be better than answering the question you are being asked.
- *Evaluate the situation and what is in your best interest.* Your next move should depend on a number of factors. For example, do you believe discrimination or just a mistake in what's legal was behind the offending question? Based on the answers you come up with, decide if this is the kind of company that you could work for or not.
- *Walk away from the interview.* If you feel that the intent of the question is discriminatory, and if you feel that you would rather not work at a company that would ask such questions, you can always walk away from the interview. If you feel that you are being discriminated against, you may also want to talk to a lawyer later on.

Tools for Creating an Inclusive Workplace

What can organizations do to manage diversity more effectively and create an inclusive workplace? In this section, we review research findings and the best practices from different companies to create a list of suggestions for organizations.

Inclusive Workplace Culture

In the most successful companies, diversity management is not the sole responsibility of the human resource department or a chief diversity officer. Starting from top management and including the lowest levels in the hierarchy, each person understands the importance of respecting others. If this respect is not part of an organization's culture, no amount of diversity training or other programs are likely to be effective. In fact, in the most successful companies, diversity and inclusion are viewed as everyone's responsibility. Companies with a strong culture—where people have a sense of shared values, loyalty to the organization is rewarded, and team performance is celebrated—enable employees with vastly different demographics and backgrounds to feel a sense of belonging.^[95] The Black Lives Matter movement and protests of systemic racism resulted in increased expectations that businesses accept more accountability to tackle structural racism. The Broadway League, the coalition of U.S. theater owners, committed to performing a diversity audit of all aspects of their operations.^[96]

According to DiversityInc, Marriott International, Inc. was the best company for diversity in 2020.

Diversity Training Programs

Diversity training programs are popular. However, not all diversity programs are equal. Perhaps not surprisingly, more successful programs are those that occur in companies where a culture of diversity exists. A study of over 700 companies found that programs with a higher perceived success rate were those that occurred in companies where top management believed in the importance of diversity, where there were explicit rewards for increasing diversity of the company, and where managers were required to attend the diversity training programs.^[97] Training features affect whether training results in a change in attitudes toward diversity. For example, active programs involving exercises are better than passive, lecture-type programs. Further, in-person training programs are better than computerized training.^[98] In one field experiment, researchers have shown that a one-hour online training program resulted in behavioral changes only on the part of par-

ticipants who were already supportive of diversity prior to training.^[99] One downside of diversity training programs is that they may put employees on the defensive, treating them as perpetrators of discrimination and harassment. Instead, designing training programs with the assumption that participants of the training program are victims' allies, and teaching them to identify problematic behaviors as well as how to intervene are promising approaches to diversity training.^[100]

Recruitment Practices

Companies may want to increase diversity by targeting a pool that is more diverse. There are many minority professional groups such as the National Black MBA Association or the Chinese Software Professionals Association. By building relations with these occupational groups, organizations may attract a more diverse group of candidates to choose from. Hiring based on a vague description of culture fit is also potentially problematic, as it may result in a tendency to hire people who are similar to the existing composition of the workplace while excluding people who are different.^[101] The auditing company Ernst & Young Global Ltd. increases diversity of job candidates by mentoring undergraduate students.^[102] Companies may also want to review their job advertisements to ensure that they are inclusive. For example, there is some evidence that words such as "competitive" and "dominate" may attract more men, whereas words such as "supportive" may be more appealing to women. These biases are likely to operate at an unconscious level, but in the end may yield an unbalanced candidate pool.^[103]

Idiosyncratic Deals (i-deals)

As workplaces become more diverse, companies may find that having standardized work arrangements where every employee is treated the same may no longer be fair. For example, having a standard work schedule of 9am to 5pm could be a hardship for employees with families, or employees who are interested in working fewer hours. Employees may have unique training, job content, or flexibility needs where it may be possible to tailor the job to the person more effectively. As a result, idiosyncratic deals, or i-deals are becoming more common. **I-deals** are negotiated arrangements between employees and managers that benefit the employee and the organization. I-deals have implications for workplace behaviors and attitudes. For example, one study has shown that flexibility i-deals were related to being more effective at home, which in turn predicted being more effective at work.^[104] These individualized and negotiated deals may be especially useful for managing a diverse workforce. As a case in point, one study has shown that prevalence of i-deals were related to less emotional exhaustion and higher levels of collective commitment to the organization, and predicted better client outcomes in units with higher levels of age diversity.^[105] In other words, being open to customizing work arrangements to fit the needs of the workforce by partnering with individual employees may help organizations manage a diverse workforce more effectively.

Affirmative Action Programs

Policies designed to recruit, promote, train, and retain employees belonging to a protected class are referred to as **affirmative action**. Based on Executive Order 11246 (1965), federal contractors are required to use affirmative action programs. In addition, the federal government, many state and local governments, and the U.S. military are required to have affirmative action plans. An organization may also be using affirmative action as a result of a court order or due to a past history of discrimination. Affirmative action programs are among the most controversial methods in diversity management because some people believe that they lead to an unfair advantage for minority members.

i-deals

Negotiated arrangements between employees and managers that benefit the employee and the organization.

affirmative action

Policies designed to recruit, promote, train, and retain employees belonging to a protected class.

In many cases, the negative perceptions about affirmative action can be explained by misunderstandings relating to what such antidiscrimination policies entail. Moreover, affirmative action means different things to different people, and therefore it is inaccurate to discuss affirmative action as a uniform package.

Four groups of programs can be viewed as part of affirmative action programs:^[106]

1. *Simple elimination of discrimination.* These programs are the least controversial and are received favorably by employees.
2. *Targeted recruitment.* These affirmative action plans involve ensuring that the candidate pool is diverse. These programs are also viewed as fair by most employees.
3. *Tie-breaker.* In these programs, if all other characteristics are equal, then preference may be given to a minority candidate. In fact, these programs are not widely used and their use needs to be justified by organizations. In other words, organizations need to have very specific reasons for why they are using this type of affirmative action, such as past illegal discrimination. Otherwise, their use may be illegal and lead to reverse discrimination. These programs are viewed as less fair by employees.
4. *Preferential treatment.* These programs involve hiring a less-qualified minority candidate. Strong preferential treatment programs are illegal in most cases. These programs are viewed as unfair by employees.

It is plausible that people who are against affirmative action programs may have unverified assumptions about the type of affirmative action program the company is using. Informing employees about the specifics of how affirmative action is being used may be a good way of dealing with any negative attitudes. In fact, a review of the past literature revealed that when specifics of affirmative action are not clearly defined, observers seem to draw their own conclusions about the particulars of the programs.^[107]

In addition to employee reactions to affirmative action, there is some research indicating that affirmative action programs may lead to stigmatization of the perceived beneficiaries. For example, in companies using affirmative action, coworkers of new hires may make the assumption that the new hire was chosen due to sex or race as opposed to having the necessary qualifications. These effects may even occur in the new hires themselves, who may have doubts about the fact that they were chosen because they were the best candidate for the position. Research also shows that giving coworkers information about the qualifications and performance of the new hire eliminates these potentially negative effects of affirmative action programs.^[108]

OB Toolbox: How to Be an Effective Ally

Allies are individuals who are not part of an underrepresented group, but behave in ways that support that group. Achieving an inclusive culture in the workplace demands all employees to be effective allies for each other, use their voice when they see injustice, and support their colleagues. How can you be an effective ally?

- *Educate yourself.* Part of being an ally is to learn to identify systematic reasons why discrimination happens. Understand how unconscious biases, similarity-attraction, and recruitment and hiring practices may have unintended consequences. Being familiar with barriers to inclusion will help you identify them when you see them.

- *Be a good listener.* Your colleagues may choose not to confide in you about the day-to-day hurdles of how being a minority harms them in your workplace. But if they do, listen. Do not interrupt, do not act defensive or try to play the devil's advocate, and do not try to qualify their experiences by statements such as "Not all male managers do that." Their experiences may be different from what you experience, which is normal and expected. This is an opportunity to support your colleagues, and learn how different employees may be faced with a different environment at work.
- *Speak up.* If you witness injustice, speak up. Silently protesting someone does not have a lot of power or usefulness. For example, if you are a man and see that all invited speakers to an event are men, ask questions about the lack of diverse voices. Encourage those around you to do better. If you see a colleague being interrupted, lend your voice to them; politely call out the interrupter to let the speaker finish. If you witness your colleagues making ethnic jokes, tell them that their jokes are harmful and unacceptable.
- *Take concrete actions toward ending racism.* Systematic racism developed over a long period of time. It will not end unless action is taken toward changing these established practices. However, there are many solutions that might be taken and determining which specific actions you can take toward helping end racism collectively becomes a powerful force for change.
- *You do not need special qualifications.* You may think that you know little about racial injustice, or ageism, or ableism. You may worry about saying the wrong thing, or offending others. You may think that you do not understand all the issues. Remember that being an effective ally does not require special abilities beyond awareness of a particular issue and lending your voice to support your colleagues.

Key Takeaway

Inclusive organizations benefit from diversity because they achieve higher creativity, better customer service, higher job satisfaction, higher stock prices, and lower litigation expenses. At the same time, managing a diverse workforce is challenging for several key reasons. Employees are more likely to associate with those who are similar to them early in a relationship, the distribution of demographic traits could create faultlines within a group, and stereotypes may act as barriers to advancement and fair treatment of employees. Organizations can manage demographic diversity more effectively by building a culture of respect, conducting diversity audits and goal setting, creating diversity training programs, reviewing recruitment practices, offering non-standard work arrangements such as i-deals, and under some conditions, utilizing affirmative action programs.

What do you think?

1. What does it mean for a company to manage diversity effectively? How would you know if a company is doing a good job of managing diversity?
2. How can an organization create an inclusive workplace?
3. How can organizations deal with the "similarity-attraction" phenomenon? Left unchecked, what are the problems this tendency can cause?
4. What is the earnings gap? Who does it affect? What are the reasons behind the earnings gap?
5. Do you think that laws and regulations are successful in eliminating discrimination in the workplace? Why or why not?

2.3 Cultural Diversity

Learning Objectives

1. Explain what culture is.
2. Define the four dimensions of culture that are part of Hofstede's framework.
3. Describe some ways in which national culture affects organizational behavior.

Culture refers to values, beliefs, and customs that exist in a society. In the United States, the workforce is increasingly multicultural and the world of work is becoming increasingly international. The world is going through a transformation in which China, India, and Brazil are establishing themselves as major players in world economics. Companies are realizing that doing international business provides access to raw materials, resources, and a wider customer base. For many companies, international business is where most of the profits lie; for example, at Intel Corporation, the majority of revenues come from outside the United States. For many businesses, international business is the main source of their earnings. As a case in point, *Avengers: Endgame* (2019) is the top grossing movie of all time. Of its \$2.797 billion gross earnings, \$1.939 billion was from outside the United States, where the movie was made.^[109] As a result of these trends, understanding the role of national culture for organizational behavior may provide you with a competitive advantage in your career. In fact, sometime in your career, you may find yourself working as an expatriate. An **expatriate** is someone who is temporarily assigned to a position in a foreign country. Such an experience may be invaluable for your career and challenge you to increase your understanding and appreciation of differences across cultures.

How do cultures differ from each other? If you have ever visited a country different from your own, you probably have stories to tell about what aspects of the culture were different and which were similar. Maybe you have noticed that in many parts of the United States people routinely greet strangers with a smile when they step into an elevator or see them on the street, but the same behavior of saying hello and smiling at strangers would be considered odd in many parts of Europe. In India and other parts of Asia, traffic flows with rules of its own, with people disobeying red lights, stopping and loading passengers in highways, or honking continuously for no apparent reason. In fact, when it comes to culture, we are like fish in the sea: We may not realize how culture is shaping our behavior until we leave our own and go someplace else. Cultural differences may shape how people dress, how they act, how they form relationships, how they address each other, what they eat, and many other aspects of daily life. Of course, talking about national cultures does not mean that national cultures are uniform. In many countries, it is possible to talk about the existence of cultures based on region or geography. For example, in the United States, the southern, eastern, western, and midwestern regions of the country are associated with slightly different values.

Thinking about hundreds of different ways in which cultures may differ is not very practical when you are trying to understand how culture affects work behaviors. For this reason, the work of Geert Hofstede, a Dutch social scientist, is an important contribution to the literature. Hofstede studied IBM employees in 66 countries and showed that four dimensions of national culture explain an important source of variation among cultures. Research also shows that cultural variation with respect to these four dimensions influences employee job behaviors, attitudes, well-being, motivation, leadership, negotiations, and many other aspects of organizational behavior.^[110]

culture

The values, beliefs, and customs that exist in a society.

expatriate

Someone who is temporarily assigned to a position in a foreign country.

TABLE 2.1 Hofstede's Culture Framework

Individualism	Collectivism
Cultures in which people define themselves as individuals and form looser ties with their groups	Cultures where people have stronger bonds to their groups and group membership forms a person's self- identity
USA	Guatemala
Australia	Ecuador
UK	Indonesia
Canada	Pakistan
Hungary	China

Low Power Distance	High Power Distance
A society that views an unequal distribution of power as relatively unacceptable	A society that views an unequal distribution of power as relatively acceptable
Austria	Malaysia
Denmark	Slovakia
Israel	Philippines
Ireland	Russia
New Zealand	Mexico

Low Uncertainty Avoidance	High Uncertainty Avoidance
Cultures in which people are comfortable in unpredictable situations and have high tolerance for ambiguity	Cultures in which people prefer predictable situations and have low tolerance for ambiguity
Denmark	Belgium
Jamaica	El Salvador
Singapore	Greece
China	Guatemala
Sweden	Portugal

Masculinity	Femininity
Cultures in which people value achievement and competitiveness, as well as acquisition of money and other material objects	Cultures in which people value maintaining good relationships, caring for the weak, and quality of life
Slovakia	Norway
Japan	Netherlands
Hungary	Sweden
Austria	Costa Rica
Venezuela	Chile

Hofstede's culture framework is a useful tool to understand the systematic differences across cultures on four key dimensions.
 Source: Adapted from information in Geert Hofstede cultural dimensions, accessed June 1, 2018, http://www.geert-hofstede.com/hofstede_dimensions.php.

Individualism-Collectivism

Individualistic cultures are cultures in which people define themselves as an individual and form looser ties with their groups. These cultures value autonomy and independence of the person, self-reliance, and creativity. Countries such as the United States, United Kingdom, and Australia are examples of individualistic cultures. In contrast, **collectivistic cultures** are cultures where people have stronger bonds to their groups and group membership forms a person's self-identity. Asian countries such as China and Japan, as well as countries in Latin America are higher in collectivism.

In collectivistic cultures, people define themselves as part of a group. In fact, this may be one way to detect people's individualism-collectivism level. When individualists are asked a question such as "Who are you? Tell me about yourself," they are more likely to talk about their likes and dislikes, personal goals, or accomplishments. When collectivists are asked the same question, they are more likely to define themselves in relation to others, such as "I am Chinese" or "I am the daughter of a doctor and a homemaker. I have two brothers." In other words, in collectivistic cultures, self-identity is shaped to a stronger extent by group memberships.^[111]

In collectivistic societies, family bonds are highly influential in people's daily lives. While individualists often refer to their nuclear family when thinking about their families, collectivists are more likely to define family in a broader sense, including cousins, uncles, aunts, and second cousins. Family members are more involved in each others' lives. In many collectivistic societies, the language reflects the level of interaction among extended family members such that there may be different words used to refer to maternal versus paternal grandparents, aunts, or uncles. In addition to interacting with each other more often, family members have a strong sense of obligation toward each other. Children often expect to live with their parents until they get married. In collectivistic countries such as Thailand, Japan, and India, choosing a school, career, or finding a spouse are all family affairs. In these cultures, family members feel accountable for each others' behavior such that one person's misbehavior may be a cause of shame for the rest of the family.^[112] Understanding the importance of family in collectivistic cultures is critical to understanding their work behaviors. For example, one multinational oil company in Mexico was suffering from low productivity. When the situation was investigated, it became clear that the new manager of the subsidiary had gotten rid of a monthly fiesta for company employees and their families under the assumption that it was a waste of time and money. Employees had interpreted this to mean that the company no longer cared about their families.^[113] In India, companies such as Intel organize "take your parents to work day" and involve parents in recruitment efforts, understanding the role of parents in the career and job choices of prospective employees.^[114]

Collectivists are more attached to their groups and have more permanent attachments to these groups. Conversely, individualists attempt to change groups more often and have weaker bonds to them. It is important to recognize that to collectivists the entire human universe is not considered to be their in-group. In other words, collectivists draw sharper distinctions between the groups they belong to and those they do not belong to. They may go above and beyond for their in-group members while acting much more competitively and aggressively toward out-group members. This tendency has important work implications. While individualists may evaluate the performance of their colleagues more accurately, collectivists are more likely to be generous when evaluating their in-group members. Freeborders, a software company based in San Francisco that eventually merged with the company Symbio,^[115] found that even though it was against company policy, Chinese employees were routinely sharing salary information with their coworkers. This situation led them to change their pay system by standardizing pay at job levels and then giving raises after more frequent appraisals.^[116]

Collectivistic societies emphasize conformity to the group. The Japanese saying "the nail that sticks up gets hammered down" illustrates that being different from the group is undesirable. In these cultures, disobeying or disagreeing with one's group is difficult and people may find it hard to say no to their colleagues or friends. Instead of saying no, which would be interpreted as rebellion

individualistic cultures

Cultures in which people define themselves as individuals and form looser ties with their groups.

collectivistic cultures

Cultures where people have stronger bonds to their groups, and group membership forms a person's self identity.

Due to increased globalization of businesses, understanding the role of culture for organizational behavior may provide you with a competitive advantage in your career.

or at least be considered rude, they may use indirect ways of disagreeing, such as saying "I have to think about this" or "this would be difficult." Such indirect communication prevents the other party from losing face but may cause misunderstandings in international communications with cultures that have a more direct style. Collectivist cultures may have a greater preference for team-based rewards as opposed to individual-based rewards.^[117] Further, different management techniques are suitable in individualistic versus collectivistic cultures. For example, giving employees control over their jobs was more effective in reducing stress in individualistic cultures, whereas utilizing participative management was more effective in collectivistic cultures.^[118]

Power Distance

power distance

The degree to which the society views an unequal distribution of power as acceptable.

Power distance refers to the degree to which the society views an unequal distribution of power as acceptable. Simply put, some cultures are more egalitarian than others. In low power distance cultures, egalitarianism is the norm. In high power distance cultures, people occupying more powerful positions such as managers, teachers, or those who are older are viewed as more powerful and deserving of a higher level of respect. High power distance cultures are hierarchical cultures where everyone has their place. Powerful people are supposed to act powerful, while those in inferior positions are expected to show respect. For example, Thailand is a high power distance culture and, starting from childhood, people learn to recognize who is superior, equal, or inferior to them. When passing people who are more powerful, individuals are expected to bow, and the more powerful the other person, the deeper the bow would be.^[119] Managers in high power distance cultures are treated with a higher degree of respect, which may surprise those in lower power distance cultures. A Citibank manager in Saudi Arabia was surprised when employees stood up every time he passed by.^[120] Similarly, in Turkey, students in elementary and high schools greet their teacher by standing up every time the teacher walks into the classroom. In these cultures, referring to a manager or a teacher by their first name would be extremely rude. High power distance within a culture may easily cause misunderstandings with those from low power distance societies. For example, in the cases of a limp handshake from someone in India or a job candidate from Chad who is looking at the floor throughout the interview, these candidates are in fact showing their respect, but their behaviors may be interpreted as indicating a lack of confidence or even disrespect in low power distance cultures.

One of the most important ways in which power distance is manifested in the workplace is that in high power distance cultures, employees are unlikely to question the power and authority of their manager, and conformity to the manager will be expected. Managers in these cultures may be more used to an authoritarian style with lower levels of participative leadership demonstrated. People will be more submissive to their superiors and may take orders without questioning the manager.^[121] In these cultures, management practices that encourage employee involvement are less effective.^[122] Instead, these cultures seem to prefer paternalistic leaders—leaders who are authoritarian but make decisions while showing a high level of concern toward employees as if they were family members.^[123] Further, in groups where power distance is high, displaying a humble leadership style involving admitting one's mistakes and limitations has not been found to be an effective leadership style for achieving psychological safety in the team.^[124]

FIGURE 2.3 Cultural Risk: When in Rome



Do you pride yourself on your punctuality? You may be wasting your time in Latin American countries, where the locals tend to be about 20 minutes behind schedule.



Many Muslim countries consider a woman's clothing to be inappropriate if it reveals anything beside the face and hands.



In many Asian and Arabian countries, showing the sole of your shoe is considered rude.



If you want to signal "Check please!" to catch the attention of your garcon in France or Belgium, remember that snapping your fingers is vulgar there.



Do not eat with your left hand in India or Malaysia. That hand is associated with unclean activities reserved for the bathroom.



In Japan, direct eye contact is viewed as impolite.



If everything is OK when you're in Brazil, avoid making this hand signal. It's the equivalent to giving someone the middle finger.



Do not clean your plate in China. Leaving food on the plate indicates the host was so generous that the meal could not be finished.

Source: Image courtesy of D. Ketchen and J. Short, *Mastering Strategic Management*, (Boston: FlatWorld 2020); © Shutterstock

Uncertainty Avoidance

uncertainty avoidance

The degree to which people feel threatened by ambiguous, risky, or unstructured situations.

Uncertainty avoidance refers to the degree to which people feel threatened by ambiguous, risky, or unstructured situations. Cultures high in uncertainty avoidance prefer predictable situations and have low tolerance for ambiguity. Employees in these cultures expect a clear set of instructions and clarity in expectations. Therefore, there will be a greater level of creating procedures to deal with problems and writing out expected behaviors in manuals.

Cultures high in uncertainty avoidance prefer to avoid risky situations and attempt to reduce uncertainty. For example, one study showed that when hiring new employees, companies in high uncertainty avoidance cultures are likely to use a larger number of tests, conduct a larger number of interviews, and use a fixed list of interview questions.^[125] Employment contracts tend to be more popular in cultures higher in uncertainty avoidance compared to cultures low in uncertainty avoidance.^[126] The level of change-oriented leadership seems to be lower in cultures higher in uncertainty avoidance.^[127] Companies operating in high uncertainty avoidance cultures also tend to avoid risky endeavors such as entering foreign target markets unless the target market is very large.^[128]

Germany is an example of a high uncertainty avoidance culture where people prefer structure in their lives and rely on rules and procedures to manage situations. Similarly, Greece is a culture relatively high in uncertainty avoidance, and Greek employees working in hierarchical and rule-oriented companies report lower levels of stress.^[129] In contrast, cultures such as Iran and Russia are lower in uncertainty avoidance, and companies in these regions do not have rule-oriented cultures. When they create rules, they also selectively enforce rules and make a number of exceptions to them. In fact, rules may be viewed as constraining. Uncertainty avoidance may influence the type of organizations employees are attracted to. Japan's uncertainty avoidance is associated with valuing job security, while in uncertainty-avoidant Latin American cultures, many job candidates prefer the stability of bigger and well-known companies with established career paths.

Aggressive-Nurturing (Masculinity–Femininity)

masculine (aggressive) cultures

Cultures that value achievement, competitiveness, and acquisition of money and other material objects.

feminine (nurturing) cultures

Cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life.

The terms masculinity and femininity may be misleading as gender is not a determinant of one's culture. Therefore, we are following the trend toward more accurately referring to this dimension as aggressive-nurturing. However, where the research exists using the other terms, we have included both. **Masculine (aggressive) cultures** are cultures that value achievement, competitiveness, and acquisition of money and other material objects. Japan and Hungary are examples of masculine cultures. Masculine cultures are also characterized by a separation of gender roles. In these cultures, men are more likely to be assertive and competitive compared to women. In contrast, **feminine (nurturing) cultures** are cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life. In these cultures, values are not separated by gender, and both women and men share the values of maintaining good relationships. Sweden and the Netherlands are examples of nurturing cultures. The level of masculinity inherent in the culture has implications for the behavior of individuals as well as organizations. For example, in aggressive cultures, the ratio of CEO pay to other management-level employees tends to be higher, indicating that these cultures are more likely to reward CEOs with higher levels of pay as opposed to other types of rewards.^[130] The nurturing nature of a culture affects many work practices, such as the level of work/life balance. In cultures high in nurturing, such as Norway and Sweden, work arrangements such as telecommuting seem to be more popular compared to cultures higher in aggression such as Italy and the United Kingdom.

OB Toolbox: Prepare Yourself for a Global Career

With the globalizing economy, boundaries with respect to careers are also blurring. How can you prepare yourself for a career that crosses national boundaries?

- *Learn a language.* If you already know that you want to live in China after you finish school, now may be the time to start learning the language. It is true that business is often conducted in English, but it is becoming increasingly ethnocentric to speak only one language while many in the rest of the world can speak two or more. For example, 20% of those living in the United States can speak their native language plus another language fluently, and 56% of Europeans speak two or more languages.⁽¹³¹⁾ Plus, even if business is conducted in English and it is your first language, your adaptation to a different society, making friends, and leading a satisfying life will be much easier if you can speak more than one language.
- *Immerse yourself in different cultures.* Visit different cultures. This does not mean visiting five countries in five days. Plan on spending more time in one locale, and get to know, observe, and understand the culture. Better yet, take advantage of study abroad programs, doing an internship, or volunteering abroad. These programs give you a reason to get integrated into the culture and interact with locals in a professional capacity.
- *Develop an openness to different experiences.* Be open to different cuisines, different languages, and different norms of working and living. If you feel very strongly that your way of living and working is the right way, you will have a hard time adjusting to a different culture.
- *Develop a strong social support network.* Once you arrive in the culture you will live in, be proactive in making friends. Being connected to people in a different culture will have an influence on your ability to adjust to living there. If you are planning on taking family members with you, their level of readiness will also influence your ability to function within a different culture.
- *Develop a sense of humor.* Adjusting to a different culture is often easier if you can laugh at yourself and the mistakes you make. If you take every mistake too personally, your stay will be less enjoyable and more frustrating.
- *Plan your return.* If you have plans to come back and work in your home country, you will need to plan your return in advance. When people leave home for a long time, they often adapt to the foreign culture they live in and may miss many elements of it when they go back home. Your old friends may have moved on, local employers may not immediately appreciate your overseas experience, and you may even find that cultural aspects of your home country may have changed in your absence. Be ready for a reverse culture shock!

Strength of Norms: Tightness-Looseness of Culture

Hofstede's five dimensional framework is influential and a useful way of thinking about culture. This framework describes cultural differences by referencing differences in five core values. A more recent and complementary way of thinking about culture instead describes it with respect to how tightly or loosely cultural values are held. This conceptualization is referred to as tightness-looseness of culture, which refers to strength of social norms that reside in a culture. In tight cultures, norms are highly pervasive, visible, and the society does not tolerate deviance from these norms. In

looser cultures, norms are more divergent, and there is a much greater tolerance for behavior that deviates from norms. Japan, Singapore, and South Korea are examples of tight cultures, whereas Estonia, Ukraine, and Hungary are loose, with the United States somewhere between two extremes. Research has shown that cultural tightness and looseness has past reasons such as historical conflicts, resource scarcity, and a history of contagious diseases tightening cultures.^[132]

Tightness and looseness affects everyday behavior of people raised in a particular culture. Michele Gelfand, a cross-cultural psychologist at the University of Maryland who is well known for her work on tight and loose cultures and the author of the book *Rule Makers, Rule Breakers*, describes both tightness and looseness as having value at different times. The greater tolerance for a diverse set of values and behaviors grants loose cultures an advantage with respect to creativity and innovation. However, she explained that when dealing with a crisis such as COVID-19 where coordination across the whole nation is valuable, the same cultural traits serve as a downside. She attributed the difficulties local authorities experienced in controlling the COVID-19 pandemic in the United States to the looseness of culture.^[133] Understanding tightness and looseness of a culture is also useful in understanding how open to change a society is, what type of leadership individuals in a society will feel more comfortable with, and how harsh they will be when they confront someone who deviates from norms.



The Secret Life of Social Norms

Michele Gelfand, University of Maryland

View the video online at: <http://www.youtube.com/embed/oqkzp9C2Vyl?rel=0>

Suggestions for Managing Cultural Diversity

With the increasing importance of international business as well as the culturally diverse domestic workforce, what can organizations do to manage cultural diversity?

Develop a Global Mindset

Global mindset is a person's openness to learning about other cultures and ability to communicate across cultural boundaries. Developing a global mindset is important because the days when organizations could prepare their employees for international work simply by sending them to long seminars on a particular culture are gone. Presently, international business is not necessarily conducted between pairs of countries. A successful domestic manager is not necessarily assigned to work on a long-term assignment in China. Of course such assignments still happen, but it is more likely that the employees will continually work with others from diverse cultural backgrounds. This means employees will not necessarily have to become experts in one culture. Instead, they should have the ability to work with people from many diverse backgrounds all at the same time. For these types of assignments, employees will need to develop an awareness of overall cultural differences and learn how to recognize cultural principles that are operating in different situations. In other words, employees will need to be selected based on cultural sensitivity and understanding and trained to enhance such qualities.^[134] For example, GlobeSmart by Aperian Global is an online tool that helps employees learn how to deal with people from around the world. The process starts by completing a survey about your cultural values, and then these values are compared to those of different cultures. The tool provides specific advice about interpersonal interactions with these cultures.^[135]

global mindset

A person's openness to learning about other cultures and communicating effectively in different cultural contexts.

Avoid Ethnocentrism

Ethnocentrism is the belief that one's own culture is superior to other cultures one comes across. Ethnocentrism leads organizations to adopt universal principles when doing business around the globe, which may backfire. In this chapter, we highlighted research findings showing how culture affects employee expectations of work life such as work-life balance, job security, or the level of empowerment. Ignoring cultural differences, norms, and local habits may be costly for businesses and may lead to unmotivated and dissatisfied employees. Successful global companies modify their management styles, marketing, and communication campaigns to fit with the culture in which they are operating. For example, Disney-owned Pixar was praised for its culturally sensitive treatment of cultural traditions in the movie *Coco*. The company used numerous cultural consultants and sought feedback throughout all stages of the creative process.^[136]

ethnocentrism

The belief that one's own culture is superior to other cultures one comes across.

Listen to Locals

When doing cross-cultural business, locals are a key source of information. To get timely and accurate feedback, companies will need to open lines of communication and actively seek feedback. For example, Convergys, a Cincinnati-based call-center company that was acquired by Synnex Corporation in 2018,^[137] built a cafeteria for the employees in India. During the planning phase, the Indian vice president pointed out that because Indian food is served hot and employees would expect to receive hot meals for lunch, building a cafeteria that served only sandwiches would create dissatisfied employees. By opening the lines of communication in the planning phase of the project, Convergys was alerted to this important cultural difference in time to change the plans.^[138]

Recognize That Culture Evolves

Cultures are not static—they evolve over the years. A piece of advice that was true five years ago may no longer hold true. For example, in the deeply conservative Saudi Arabia, the ban on women's driving was lifted in 2017, and the country allowed the screening of the movie *Black Panther* in 2018,

which was the first movie screening in more than 30 years. These changes are just two examples of how businesses need to continuously update their knowledge about different cultures.^[139]

Do Not Always Assume That Culture Is the Problem

When doing business internationally, failure may occur due to culture as well as other problems. Attributing all misunderstandings or failures to culture may enlarge the cultural gap and shift the blame to others. In fact, managing people who have diverse personalities or functional backgrounds may create misunderstandings that are not necessarily due to cultural differences. When marketing people from the United States interact with engineers in India, misunderstandings may be caused by the differences in perceptions between marketing and engineering employees. While familiarizing employees about culture, emphasizing the importance of interpersonal skills regardless of cultural background will be important.

Key Takeaway

With the increasing prevalence of international business as well as diversification of the domestic workforce in many countries, understanding how culture affects organizational behavior is becoming important. Individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity are four key dimensions in which cultures vary. The position of a culture on these dimensions affects the suitable type of management style, reward systems, employee selection, and ways of motivating employees.

What do you think?

1. What is culture? Do countries have uniform national cultures?
2. How would you describe your own home country's values on the four dimensions of culture?
3. Reflect on a time when you experienced a different culture or interacted with someone from a different culture. How did the cultural differences influence your interaction?
4. How does culture influence the proper leadership style and reward system that would be suitable for organizations?
5. Imagine that you will be sent to live in a foreign country different from your own in a month. What are the types of preparations you would benefit from doing?

2.4 Focus on Diversity, Ethics, Technology, and National Culture

Learning Objectives

1. Consider the relationship between diversity and ethics.
2. Consider the relationship between diversity and technology.
3. Consider the role of national culture in diversity.

Diversity and Ethics

When managing a diverse group of employees, ensuring the ethicality of organizational behavior will require special effort. This is because employees with different backgrounds or demographic traits may vary in their standards of ethics. For example, research shows that there are some gender differences when it comes to evaluating the degree of ethicality of hypothetical scenarios, with women utilizing higher standards. Men and women seem to have similar standards when judging the ethicality of monetary issues but differ on issues such as the ethicality of breaking organizational rules. Interestingly, gender differences seem to disappear as people grow older. Age is another demographic trait that influences the standards of ethics people use, with older employees being bothered more by unethical behaviors compared to younger employees. Similarly, one study showed that older respondents found some questionable negotiation behaviors such as misrepresenting information and bluffing to be more unethical compared to younger respondents.^[140]

In addition to demographic diversity, cultural diversity introduces challenges to managing ethical behavior, given that cultures differ in the actions they view as ethical. Cultural differences are particularly important when doing cross-cultural business. For example, one study compared Russian and American subjects on their reactions to ethics scenarios. Americans viewed scenarios such as an auditing company sharing information regarding one client with another client as more unethical compared to how Russian subjects viewed the same scenarios.^[141] A study comparing U.S., Korean, and Indian managers found differences in attitudes toward business ethics, particularly with Koreans thinking that being ethical was against the goal of being profitable. Indian and Korean subjects viewed questionable practices such as software piracy, nepotism, or the sharing of insider information as relatively more ethical compared to subjects in the United States. At the same time, Korean and Indian subjects viewed injury to the environment as more unethical compared to the U.S. subjects.^[142] In other words, the ethical standards held in different societies may emphasize different behaviors as ethical or unethical.

When dealing with unethical behavior overseas, companies will need to consider the ethical context. Having internal reporting mechanisms may help, but research shows that in very high power distant societies, these mechanisms often go unused.^[143] Even when a multinational company has ethical standards that are different from local standards, using the headquarters' standards in all cross-cultural interactions will not be possible or suitable. The right action often depends on the specifics of the situation and a consideration of the local culture. For example, in the 1990s, Levi-Strauss & Company found that some of its contractors in Bangladesh were using child labor consisting of children under 14 years old in its factories. One option they had was to demand that their contractors fire those children immediately. Yet, when they looked at the situation more closely, they found that it was common for young children to be employed in factories, and in many cases these children were the sole breadwinners in the family. Firing these children would have caused significant hardship for the families and could have pushed the children into more dangerous working conditions. Therefore, Levi-Strauss reached an agreement to send the children back to school while continuing to receive their wages partly from the contractor companies and partly from Levi-Strauss. The school expenses were met by Levi-Strauss and the children were promised work when they were older. In short, the diverse ethical standards of the world's cultures make it unlikely that one approach can lead to fair outcomes in all circumstances.

Diversity and Technology

Artificial intelligence and machine learning are being quickly and enthusiastically embraced in the field of recruitment and selection. **Artificial intelligence (AI)** refers to technology that performs some of the decision making functions of humans, such as learning and problem solving. A subset of artificial intelligence is **machine learning**, or a computer algorithm that automatically learns and improves over time as it analyzes more data. Companies are able to use AI to sort through résumés, select which job candidates to interview, or even which job candidates see the company's job advertisements. No doubt these tools save companies time and money.

artificial intelligence

Technology that performs some of the decision making functions of humans.

machine learning

A computer algorithm that automatically learns and improves over time as it analyzes more data.

AI and machine learning have important implications for diversity and inclusion, and the quick and unquestioning embracing of these technologies necessitates caution. These technologies have the veneer of being scientific. They essentially analyze patterns in an existing dataset to identify the characteristics that are related to performance, retention, and other outcomes companies care about. However, these technologies are only as good as the data that are being used to train the algorithm. As a case in point, in 2018, Amazon abandoned work on their AI recruitment tool that had been in development for the past four years. The AI had learned to analyze résumés to decide which ones would be desirable to Amazon recruiters. However, the real data the AI was using to learn from and make predictions from came from a highly male dominated workforce. Not surprisingly, the AI had learned that there was a preference for male résumés, and had decided to systematically downgrade résumés from women, assigning résumés revealing a female candidate (such as membership in women's chess club or graduation from an all-female college) lower scores. Amazon was willing to question and rectify what the AI was doing, which eventually meant abandoning the project. What is more troublesome is that these algorithms are not transparent to decision makers, and many end users are not as highly motivated or skilled to be able to look "under the hood" to see which criteria the algorithm is learning to use.^[144]

AI and machine learning are here to stay and they have the promise to make positive contributions to organizations. For example, they can speed up résumé screening by quickly searching through particular keywords and eliminate some mistakes human decision makers can introduce. It can alert decision makers when a job posting contains male or female biased words.^[145] Ultimately, how technology affects diversity and inclusion depends on how it is used, and its users need to be knowledgeable about their promise, as well as their limitations.

Diversity Around the Globe

Demographic diversity is a fact of life in the United States. The situation is somewhat different in other parts of the world. Attitudes toward gender, race, disabilities, or sexual orientation differ around the world, and each country approaches the topic of diversity differently. As a case in point, Japan is a relatively homogeneous society that sees the need to diversify itself. With the increasing age of the population, the country expects to lose 650,000 workers per year. At the same time, the country famously underutilizes female employees. Overt sexism is rampant, and stereotypes about female employees as unable to lead are part of the culture. While there is anti-discrimination legislation and the desire of the Japanese government to deal with this issue, women are seriously underrepresented in management. The country has the second fewest percentage of women in managerial positions (11.5%), following S. Korea (10.7%).^[146] At the same time, countries are not static, and they change and evolve over time in response to economic factors and current events. For example, Saudi Arabia's Vision 2030 initiative seeks to diversify the economy to make them less reliant on oil. The initiative seeks to increase women's labor force participation from 22 to 30%. The conservative country has been relaxing some barriers to employment such as allowing women to drive for the first time in 2017. These changes are slowly changing the face of workplaces there.^[147]

Attitudes toward concepts such as affirmative action are also culturally determined. For example, France experiences different employment situations for employees with different backgrounds. According to one study conducted by a University of Paris professor in which fake résumés were sent to a large number of companies, even when all qualifications were the same, candidates with French-sounding names were three times more likely to get a callback compared to those with North African sounding names. However, affirmative action is viewed as unfair in French society, leaving the situation in the hands of corporations. Some companies such as PSA Peugeot Citroën started utilizing human resource management systems in which candidate names are automatically stripped from résumés before HR professionals personally investigate them.^[148] In summary, due to differences in the legal environment as well as cultural context, "managing diversity effectively" may carry a different meaning across the globe.

Key Takeaway

Ethical behavior is affected by the demographic and cultural composition of the workforce. Studies indicate that men and women, as well as younger and older employees, differ in the types of behaviors they view as ethical. Different cultures also hold different ethical standards, which become important when managing a diverse workforce or doing business within different cultures. Around the globe, diversity has a different meaning and different overtones. In addition to different legal frameworks protecting employee classes, the types of stereotypes that exist in different cultures and whether and how the society tackles prejudice against different demographic categories vary from region to region.

What do you think?

1. Do you believe that multinational companies should have an ethics code that they enforce around the world? Why or why not?
2. What are the barriers to global organizations having uniform policies around diversity and inclusion in their offices around the world?
3. In your opinion, what is the connection between the technology industry's lack of diversity and the potential negative implications of technology for workplace diversity?
4. How can organizations manage a workforce with diverse personal ethical values?

2.6 Conclusion

In conclusion, in this chapter we reviewed the implications of demographic and cultural diversity for organizational behavior. Management of diversity effectively promises a number of benefits for companies and may offer a competitive advantage. Yet challenges such as natural human tendencies to associate with those similar to us and using stereotypes in decision making often act as barriers to achieving this goal. By creating a work environment where people of all origins and traits feel welcome, organizations will make it possible for all employees to feel engaged with their work and remain productive members of the organization.

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Clarify What's Important to You

THE ESSENCE OF BEING REAL, of acting with authenticity, is in knowing what you care about and then doing your best to be true to these values and aspirations. The exercises you'll do in this chapter will help you articulate these most important aspects of your life's purpose, and so provide the foundation for everything else you'll do in the rest of this book.

You can't help but like Kerry Tanaka right from the start. She works in marketing for a pharmaceutical company, for which she travels a lot, especially to Europe. At twenty-seven, she's single and keeps her five-foot-four-inch frame fit by running in marathons. Kerry is a first-generation American, born in the United States to parents who were both from Japan. "Growing up as a Japanese American in an upper-middle-class, white community—looking different on the outside—forced me to focus on shaping the type of person that I am on the inside," she said. She lives alone in the pastel-colored condo she bought recently in San Francisco.

Her perky enthusiasm for everything she does makes her a real pleasure to be around.

When I asked Kerry, at the beginning of her Total Leadership journey, to describe in the best case what her future would look like, fifteen years hence, she wrote:

Fifteen years from now, I look back with some amazement on the growth of the ten-year-old company I am running, having overseen its expansion from seventeen people at the start to the nearly one thousand employees today. The executive team has fostered a culture of belonging. People feel like part of a family, and all employees know their contributions to the bottom line are essential. They look forward to coming to work each day and are committed not only to the products we are developing and marketing, but also to the people they work with. We are proud of our portfolio of innovative products, which makes a real difference to the physicians who prescribe them and the patients who use them.

People see me as a leader with integrity, humility, and compassion. They know I don't forget my roots. I remember my employees' names and know them as people, not just as workers. I know their families and they know me. Many women think of me as their mentor. I recognize the potential and abilities of the future stars of my company and care about cultivating the next generation of leaders.

I have a family of my own. My kids are in grade school. I have the type of relationship with them that I have had with my mom. I am involved in their lives—going on field trips, supporting them in their extracurricular activities, and being a friend, disciplinarian, and caregiver. My kids are growing up to be kind, compassionate adults. Helping to make this happen is the most important thing I've done.

Let me take you back from Kerry's imagined future to the present. Kerry typically puts in an eleven-hour day. Her hectic travel schedule doesn't get her to where she would most like to go: to see her parents and brother. They live far away; she misses them. She makes up for the absence of family, in part, with her diverse circle of friends, a few very close ones and many casual ones. Outgoing and social, Kerry loves to join her boyfriend and other friends for dinner, movies, and concerts. Yet, despite all of her activities, something's missing.

When I asked her to say why she wanted to try the Total Leadership program, Kerry answered that "being a single woman, I tend to focus like a laser on work and professional development. Ultimately, this has left me feeling empty. I want to make time for my close friends, so we can just have fun and chat about the things that are important in our lives. People at work are fairly supportive, but I don't think they understand my desire to better sync my home life with my life at work."

You just read excerpts from Kerry's responses to some of the exercises in this chapter, all of which are designed to help you to pay attention to yourself and your world—to see things in a new light. Clarifying what's important lets you identify gaps between what you value, how you're acting in your life, and how you are interacting with the people who matter most to you. This then enables you to imagine meaningful change.

By the end of this chapter, you'll have done some introspection about your life's important events, your heroes, your desired future, and your core values. All told, these exercises should take about three hours. (Some people spend more time and some less; you certainly don't have to do it all in one sitting.) My main advice is to take the time—don't rush it—and be honest with yourself. You'll get the most out of this important foundation building if you write openly and candidly. Keep in mind that the versions you produce in these exercises, for your own private use, need not be the same as the versions you might choose to show others.

Where Have You Come From?

To deepen your awareness—of who you are and who you want to be—look back and assess what events and people have shaped you, and then write about them. You are addressing big questions here: Who am I? Where do I come from? Doing this will make it easier and more meaningful, in the following exercises, to write about where you're going and what you care about most. And this, in turn, makes it easier for you to talk about these things in a comfortable and engaging way with the people who matter most.

WHERE HAVE YOU COME FROM?

For this exercise, find a comfortable place to reflect, and then compose your responses—in a journal, in a blog (perhaps on www.totalleadership.org), on an audiotape, or anywhere—to the two questions below. Give yourself ample time to do both, in one sitting or in multiple sittings.

Your Story: Critical Events in Your Life

Think back over your personal history and identify the four or five most important events or episodes in your life, the moments that have defined who you are today. Tell the story of these events, in chronological order, and for each one, briefly describe the impact the event had on your values and on your direction in life.

Your Hero: Someone You Admire

In a paragraph or so, describe someone you admire. Think of this person as someone you see as heroic in an important way. It might be someone whom you know personally or someone you only know about but have never met. After you describe him or her, write a sentence or two about what makes this person admirable to you.

To convey a story that inspires others, you have to find a way, somehow, to make sense of your personal history and then connect it to the collective—whether that collective means people at work, your family, or friends and community members. Thinking through these connections starts with the events that have influenced the ideals you hold most dear.

Martin Luther King Jr. wove the strands of *his* own life into our collective history and passionately communicated an image of what an entire nation could achieve in his “I have a dream” speech—a call to action in 1963 that moved a generation of Americans to produce lasting change. It's the best example I know of the power that comes from connecting a personal story with a collective narrative. When, at the start of that speech, he recounted the litany of historical injustices, we knew he had suffered them personally. And when he spoke about the future, it was his vision for *his* family, but also for *our* country: “I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin but by the content of their character.” None of us can be King, of course, but we can all emulate him, in our own way, because we all have the capacity to relate our own story to the larger one of which we're a part.

I really do mean for you to tell a story. “The story is a basic human cognitive form,” writes Howard Gardner in *Leading Minds*. “The artful creation and articulation of stories constitutes a fundamental part of the leader's vocation.” Gardner adds, “Narratives that help individuals think about and feel who they are, where they come from, and where they are headed . . . constitute the single most powerful weapon in the leader's literary arsenal.”¹

When you tell your leadership story, you articulate your “defining moments,” as leadership scholar Joseph Badaracco calls them. They often involve choices you've made in your life in which your values are revealed, shaped, and put to the test. These episodes create clarity about the things that matter to you, about your abiding commitments. Steve

2005 and told a story about when he was fired at thirty years old from the company he'd created in his parents' garage ten years earlier:

It was a very public failure, and I even thought about running away from the Valley. But something slowly began to dawn on me—I still loved what I did. The turn of events at Apple had not changed that one bit. I had been rejected, but I was still in love. And so I decided to start over.

I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.²

16 Jobs told this story to teach a lesson, to illustrate the importance of staying true to yourself, of authenticity, and choosing to pursue work that is meaningful. His story speaks volumes about persisting in the face of rejection to find the freedom to be the leader you want to be.

I'm convinced that the only thing that kept me going was that I loved what I did. You've got to find what you love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle.

Roxanne's Story

When you meet Roxanne Pappas-Grant in a work situation, you are struck by her focus and the degree to which she is in control, and takes

control, of any situation. In her early forties, she has well-coiffed hair, perfect teeth, and subtle makeup that enhance the natural beauty of her soft eyes and nose. She's every inch the consummate business manager of the twenty-first century: strongly driven to succeed, Roxanne is an engineer heading up sales development for a division of a multinational chemical company. "I have always been incredibly focused on my career," she said about herself, "and on accomplishment through career progression."

Roxanne, though, has another side. She's also a wife and mother who, when I first met her, had been growing less and less satisfied with her life as she felt increasingly disconnected from her family, especially her children. Work is really important to Roxanne, but it's not everything: "I have learned through hardship that my career accomplishments do not define who I am, and I've discovered that I have a lot to offer in ways that are not always rewarded in the work world." When asked about her goals for Total Leadership, she said, "I believe that I should have a clearer vision of what I want to accomplish in my life, not only in my work life, and uncover what constitutes success in this arena. It is this journey to uncover what is most important to me—I am not sure I yet know—that has led me here."

Early in her Total Leadership experience, Roxanne came to see that the person she is at work—the values and interests she pursues in that area of her life—is not the person she wants to be outside of work. This disappointed her, and she looked to find ways to be her true self at work to build her relationship with her children, which would also enhance her sense of self and, she hoped, make her more effective in her career.

To begin the process of redefining her work persona, Roxanne wrote about the critical events in her life:

My father has had a strong impact on my life. He has very high standards for performance, believes there is no substitute for hard work, and believes one should always look inward to discover how

to improve. My birth was his last chance for a son—there was even a boy's name picked out for me. Instead of being disappointed, he decided I would be “the son he never had” by transferring a lot of his own hopes and dreams to me. He came to the United States as an immigrant from Greece and trained as an electrician's apprentice. He guided me to become an electrical engineer, to learn how to think and to have more opportunity than he had.

In school, I wasn't one of the popular kids, and I studied more than socialized. I found it liberating not to be part of the “cool crowd.” I could take actions that I thought were more principled; I didn't have to concern myself with what my friends would think or do. This led me to value being respected over being liked—a value I've found important as a leader. I must admit, though, that it's nice to be liked.

In college, I did become a “popular kid.” While I still valued being respected over being liked, I discovered that I had a knack for motivating people. In my senior year, I was president of four campus organizations and very active in four others. I found that I had a genuine desire to work with people, and although I was strongly pursued by the engineering school for the doctoral program in electrical engineering, I opted for a role in managing people and teams.

Writing about critical events in her life helped Roxanne see more clearly how she came to be who she is and what matters to her. For one thing, it reinforced her sense of being on the right track in her career. And it helped her to understand why she tends to focus on work in a way that detracts from achieving other important goals in her life.

Everyone has a story to tell, and each one is different. Everyone's leadership journey is, and must be, a unique one. Further, the more you're able to draw on the actual story of your life, and tell it, when you're trying to convey what's important to you and where you're headed, the more the people around you will know, understand, and relate well to you.

I urge you to practice so that you can become a good storyteller. Learn to tell inspiring stories about who you are and where you are going. As Noel Tichy explains in his classic, *The Leadership Engine*, “The most effective leaders are those who are in touch with their leadership stories . . . When we know our stories, we know ourselves.” Your stories, though, are not just for you. They are important because, as Tichy writes, “they allow other people to know us. Stories create real, human connections by allowing others to get inside our minds and our lives.”³

Heroes of Kerry and André

It's also useful to explore the people you have admired and their stories. Describing a hero of yours and explaining what you admire about him or her helps you visualize a real person who embodies qualities you'd like to emulate. It's another window on the leader you want to become. Kerry chose as her hero her younger brother, Dan.

At the age of twenty-four, Dan enlisted in the U.S. Army. Throughout his tour of duty, he has shown incredible resolve and discipline. Since enlisting, he has been completely focused on two things: finishing up his college degree and becoming a Green Beret. He is well on the way to accomplishing both goals. After researching the details of the strenuous Green Beret/Special Forces qualifying course, he trained for several months to prepare himself both physically and mentally. Dan was selected and begins his Green Beret/Combat Medic training in three weeks. I have no doubt that he will successfully complete the rigorous two-year training program. Dan is my hero because he has relentlessly pursued his objectives. But more importantly, I have a great deal of respect for how he has pursued them. He has demonstrated character and passion throughout.

Kerry's choice reflects not only the importance of her brother to her, but the value of perseverance, pursuing goals that matter, and doing so

in a way that generates respect. Describing her brother as her hero led her to see more clearly that these are important values for her own life.

André Washington chose his mother as his hero.

She was born in the segregated South, and is the third of ten children. Her mother died from a respiratory illness resulting from poor working conditions, and at the age of sixteen my mother moved to Chicago, where she was then raised by her aunt. After marrying my father and moving west—and after suffering several years of spousal abuse—she divorced him and found herself alone raising two children. Over the next several years, working for wages below the poverty line, she successfully sent her two children to college and, following their graduation, earned her own BA in social work. All personal, professional, and spiritual growth I have achieved over my lifetime I owe to the selfless dedication and determination of my mother. Her life continues to inspire my every motivation to achieve.

André sees his mother as a model for how to persevere in the face of adversity. Reflecting on people you admire taps into strong emotions, because people we admire usually demonstrate a dramatic triumph of resolve over harsh realities. Everyone can relate to this kind of struggle and, in itself, it's useful as a reminder that the achievements of most leaders—people who aim to change things, to make things better—are hard won.

Telling the story of people who matter to you, and why they matter, is also a powerful means for conveying your values to others. It's a way of revealing things about yourself in an authentic way—in a way to which others can easily relate. You'll see just how useful this is as we move along in the Total Leadership process, when you talk with the people closest to you about what's most important to you.

Your Leadership Vision

The next step in clarifying what's important is to write what I'll refer to as your *leadership vision*—a *compelling image* of an *achievable future*. It is an essential means for focusing your attention on what matters most to you—what you want to accomplish in your life and what kind of leader you wish to become. A useful leadership vision must be rooted in your past and address the future while dealing with today's realities. It represents who you are and what you stand for, and it inspires you, and the people whose commitment you need, to act to make constructive change toward a future you all want to see.

It's important that this story of the future you're inventing is indeed a compelling image of an achievable future. Let's examine each of the four key words.

- A *compelling* story of the future is engaging; it captures the heart, forces you to pay attention. Those who hear it want to be a part of it somehow. And they are moved. Think of King's stirring language and the ideas—freedom and justice—that appeal to our highest aspirations.
- And if others could travel into the future with you, what would they find? What does your future look like—what's the *image*? A well-crafted leadership vision is described in concrete terms that are easy to visualize and remember. Think of King again: “One day right there in Alabama little black boys and black girls will be able to join hands with little white boys and white girls as sisters and brothers.” Everyone can picture that and know what it means.
- Your vision, the story of your future, should be a stretch, but it must be *achievable*, too. If it were not achievable, you would have little motivation to even bother trying. Again, King: “With

this faith, we will be able to work together, to pray together, to struggle together, to go to jail together, to stand up for freedom together, knowing that we will be free one day." It's not a pie in the sky. It is possible.

- Finally, *future* simply means out there—some time from this moment forward, but not so far away that's it's out of reach. In his sensational conclusion, King calls for sounding the chimes of freedom *now* so that a new, changed world arrives, faster: "When we let it ring from every village and every hamlet, from every state and every city, we will be able to speed up that day."

94 While you may want to write the story of your future in the form of a detailed plan that charts specific milestones for the road ahead, don't get so hung up on particular targets that if you fail to hit them, you'll be disappointed. This isn't meant to be an exercise in project management but, rather, an opportunity for you to dream, with your head in the clouds *and* your feet on the ground. So, while you should say a few things about how you've gotten to where you are fifteen years hence—the journey, that is—write as much in this story about the destination, what your everyday life actually looks like once you're there.

Also, understand that inspiration is a function of great aspirations. What contributions to our world do you dream of making? Try to focus part of what you compose on how you will, in the future, be making the world a better place in some way, for other people. You might think of this as your legacy. If, in other words, fifteen years more is all you have, what you will leave behind after you're gone? What will your life have meant to others?

Like all the exercises here in this first part of the book, describing your leadership vision in writing raises your awareness of what is important to you. It will likely give you new ideas for what you might do to better align your actions with your values. It should provide inspiration

YOUR LEADERSHIP VISION

In this exercise, describe the kind of leader you want to become by writing a short story of your life between now and fifteen years in the future.

Take your time to think about it and start writing as soon as you're ready. Write vividly. Make it come alive and don't hold back. The more of yourself you can pour into this, the more valuable it will be to you as you progress through this book.

What if you don't even know where you want to go with your life or what you want it to look like? Give it your best shot. Open your mind to your imagination, and try not to be constrained by what you think others want and need from you. (In the next part of the book, we'll deal with the expectations of others.) Take the leap.

Ideally, your finished draft will be about one page. It will be a compelling image of an achievable future. It will also describe the journey, how you got there, and the destination, what a typical day looks like. Finally, it will show how you're making the world better in some way.

for the choices you're making now—and in the long run—about how to spend your precious time.

It's natural to have some trepidation about writing the story of your future. (In fact, it's natural to have some anxiety about many of the exercises in the Total Leadership process.) There are risks involved when you articulate your leadership vision: what if it doesn't come true? Another possibly inhibiting thought is what others might make of it. How much of what's inside—your goals and aspirations—can you trust other people to respect? Don't worry about that for now. I'll get to the subject

of how to communicate your vision to others after you've written your first draft. Remember that throughout this whole process, you control your information, and you need not reveal anything to anyone if you don't want to.

Some people find it difficult to write a story about the future because they do not want to make the choices it requires. A leader chooses goals, after all, a purpose that establishes something to aim for and move toward, even if it's only to help focus on what matters most right now. The aim of doing this exercise here, at the start, is to build your foundation: a story of your future is a point of departure and, as you'll see later, a point of return.

This leadership vision is not fixed or immutable. You will adjust it as you change and as things change around you. New information, new opportunities, new obstacles will compel you to revise it. And when you put the story of your future out there for others to comment on it, you might hear some things you don't want to hear. People might say you can't do it or that it's foolish. But if you don't let others know about it, then the likelihood of achieving it is reduced.

The more genuine your story of your future and the more people that know it, the more others will want, and know how, to contribute to making it come true, even if they may not value it now. A real leadership challenge is to show how *your* vision is the one that *others* also want, need, and will find real value in. Indeed, what is the essence of leadership if not in finding creative ways of describing a vision that others see as what they are trying to achieve?

Victor's Leadership Vision

Victor Gardner wrote the story of his future when he was in his midthirties. A classic Englishman, Victor is reserved and inscrutable, with a wry sense of humor. His wire-rimmed glasses and sharply parted blond hair give him an air of thoughtful authority, befitting his role as direc-

tor of an information technology unit in a major investment bank in New York, where he resides with his wife and two children—a six-year-old boy and three-year-old daughter.

Victor's job involves important responsibilities: he comanages a group that is building a new trading software system, he coordinates the interactions of this group with users at the executive level, and he is responsible for driving this team of twenty high-performing engineers while nurturing their careers. Yet he doesn't always feel stretched. He yearns to do something that allows him to "be able to build new things—computer systems, houses, companies, anything." Further, he wants to feel that his work is "making a meaningful difference to something or someone." He wants to "spark the passion" he once felt.

Some of Victor's leadership vision appears below. This was his first draft, less important as a model of what a "good" leadership vision *should* be, than an illustration of what it *might* be.

Fifteen years ago, I turned the corner in my working life. I climbed out of my "going through the motions" rut and rediscovered what I liked about working in technology. I also managed to crack the code of how to inspire people by making them feel good about themselves and the work they were doing. I actually learned this by working with my kids, teaching them to read and to play their first musical instruments.

The team was very successful, and its software went on to become my company's dominant desktop platform . . . [Its success] gave me freedom to focus on working in a more entrepreneurial way within the bank, building and delivering systems for many of our new business ventures . . .

I continued to work at the bank for the next five years, but I was able to embark on a couple of side ventures with colleagues

and friends. In one I was able to leverage my interest in real estate to put together a syndicate that purchased an old warehouse building, renovated it, and turned it into upscale residential apartments. Each member of my family was involved in these ventures, and this was one of the ways in which I managed to teach the kids that they could do pretty much anything that they choose to, if they set their mind to it.

I finally moved from the large corporate world to a smaller entrepreneurial situation. I had been tinkering with some artificial intelligence applications and had built a prototype of software I believed had real market value. I set up shop with a small group of people who had complementary skills, and we built a company that revolutionized how new technology is constructed.

A couple of years ago, I felt that it was time to step aside from day-to-day operations. I love gardening and began overseeing restoration projects in my local park. I also started fund-raising efforts for local botanical gardens.

Victor's leadership vision says a lot about what mattered to him at the time he wrote it. And it shows that he was beginning to see new ways of applying resources gained from his experiences in one life domain (teaching his children) to get things done in another (inspiring his employees). Writing the story of his future transformation—from working in a senior managerial position at a large bank to being his own boss, working with friends in non-bank-like settings—helped propel him faster in that direction. In reflecting about it afterward, he began to see that the task of integrating the domains of his life is an ongoing challenge and that he need not wait until he's retired to do the things he enjoys in life. And he came to see new meaning in, and opportunities for, contributions to community and society. Most importantly, writing his vision, and

then talking about it, encouraged Victor to make constructive changes in the present.

When it comes to communicating your leadership vision, you've got to have some passion. And when you paint an image of the future for others to see, you want your excitement to be contagious. It takes practice to do this in a way that is natural for you. And you will get better at it, if you try, even if you're not a gifted speaker.

The source of passion about the future you're creating is in your past. The trick is to tap into feelings about the past, which people spontaneously do when they talk about the most meaningful incidents in their lives. When you tell the story of your future, to yourself and to others, it's useful to include a story from your real past. Doing so makes the story of your future authentic, grounded as it is in the truth of your own real experience.

The answer to a common question, "What if I don't feel passionate about my career?" is to think back on our lives and focus on what has been most meaningful—and, preferably, enjoyable—so far. This leads to fruitful ideas about how to create a future in which talents and passions find outlets.

As a leader in all areas of life, you've got to look back in order to move forward.

Your Core Values

Just as every organization has its own unique set of values, so does every person. Your values—what you hold most dear and are willing to strive or even fight for—determine your actions as a leader and how you view the world around you. In order to act in a way that is consistent with your values—to be authentic, that is—you have to be conscious of what those values are. You'll describe yours in this next exercise, which can be done quickly but merits enough time to be done completely.

YOUR CORE VALUES

On one page, list the values (between five and nine is ideal) that are most important to you. For each one, explain why it's important to you in one or two sentences. To spur your thinking, here is a list of values excerpted from Robert Lee and Sara King's *Discovering the Leader in You*.^a Of course, you may choose terms that don't appear on this list.

Achievement: a sense of accomplishment or mastery

Advancement: growth, seniority, and promotion resulting from work well done

Adventure: new and challenging opportunities, excitement, risk

Aesthetics: appreciation of beauty in things, ideas, surroundings

Affiliation: interaction with other people, recognition as a member of a group, belonging

Affluence: high income, financial success, prosperity

Authority: position and power to control events and other people's activities

Autonomy: ability to act independently with few constraints, self-reliance

Challenge: continually facing complex and demanding tasks and problems

Change and variation: absence of routine, unpredictability

Collaboration: close, cooperative working relationships with groups

Community: serving and supporting a purpose that supersedes personal desires

Competency: demonstrating high proficiency and knowledge

Competition: rivalry with winning as the goal

Courage: willingness to stand up for beliefs

Creativity: discovering, developing, or designing new ideas or things; demonstrating imagination

Diverse perspectives: unusual ideas and opinions that may not seem right or be popular at first

Duty: respect for authority, rules, and regulations

Economic security: steady and secure employment, adequate reward, low risk

Enjoyment: fun, joy, and laughter

Family: spending time with partner, children, parents, extended family

Friendship: close personal relationships with others

Health: physical and mental well-being, vitality

Helping others: helping people attain their goals, providing care and support

Humor: the ability to laugh at myself and at life

Influence: having an impact on attitudes or opinions of others

Inner harmony: happiness, contentment, being at peace with yourself

Justice: fairness, doing the right thing

Knowledge: the pursuit of understanding, skill, and expertise; continual learning

Location: choice of a place to live that is conducive to a desired lifestyle

Love: involvement in close, affectionate relationships; intimacy

Loyalty: faithfulness; dedication to individuals, traditions, or organizations

Order: stability, routine, predictability, clear lines of authority, standardization

Personal development: dedication to maximizing potential

Physical fitness: staying in shape through physical activity and healthy nutrition

Recognition: positive feedback and public credit for work well done; respect and admiration

Responsibility: dependability, accountability for results

Self-respect: pride, self-esteem, sense of knowing oneself

Spirituality: strong spiritual or religious beliefs, moral fulfillment

Status: being respected for a job or an association with a prestigious group or organization

Trustworthiness: being known as reliable and sincere

Wisdom: sound judgment based on knowledge, experience, and understanding

a. Adapted from Robert J. Lee and Sara N. King, *Discovering the Leader in You* (San Francisco: Jossey-Bass, 2001), 60–61. Reprinted with permission of John Wiley & Sons, Inc.

Most people don't change their values during the course of the Total Leadership program. Core values spring, indeed, from your *core*—they are usually long-standing and resistant to change. Like all the work you've done so far in this chapter, what you just wrote is a unique list, particular to your constitution, background, and experience.

I'm sure it's different from Victor's. Here's the list of his most important values, with his reason for each entry.

Authenticity—I must believe in what I am doing. Without that, people can see the lack of passion, and leadership becomes ineffective.

Honesty and trust—With honesty comes trust, and without trust, the only effective leadership style is coercion. Conversely, I think it's also important to trust others: to get their job done, to do the right thing.

Inspiration—The most effective leaders can make people feel that they want to show up every day and give it their best shot. They make people feel good about who they are and the work that they are doing. They inspire the best out of people.

Respect and being respected—It is important to respect others, from all walks of life. Everyone has something worthy of respect; it's important to find that.

Courage—Too many leaders avoid the hard questions, avoid the groundbreaking moves. Courage and the willingness to be wrong is a must-have.

Family—Work is work, but your family is your life. When all is said and done, my wife and kids are the most important things to me. Apparently, this is not a credo I live by every minute of every day, but when the chips are down, they are the most important.

Your distinctive values are an important part of what will make your own particular brand of leader. At this point it's useful to think about how your everyday life squares with what you said was important to you here, and what you might try to do that would result in a better fit than currently exists.

Pause and Reflect

Having completed the exercises so far, you have taken important steps in building your leadership capacity, improving your performance, and integrating the different parts of your life. You've spent time clarifying your motivations for reading this book, depicting important events in your life and their meaning to you, characterizing someone you've admired and what you've learned from him or her, inventing a story of your desired future, and identifying your core values.

You've become familiar with terms that might be new for you and that I'll be using the rest of the way—like leadership vision—and you may have started to think about things you can do now to make changes that will strengthen your sense of yourself as a leader who acts with authenticity, integrity, and creativity. Jot down any such ideas as they're percolating. Some people find it useful to keep a file, "Ideas for Action," that will become especially useful when you're designing your experiments.

You've met others who, each starting from a different place, have taken a journey of their own. (You'll meet the rest of the group in coming chapters.) You might think of these fellow travelers as making up a virtual learning community. They are people from whom you can learn by comparing your thoughts and reactions with theirs.

And if you're working on Total Leadership with people you know—with a coaching trio or with another person—now is a good time to speak with them about what you've been thinking and writing. Ideally, you'll have two conversations. First, find a mutually convenient time, about an hour, to review the material you've produced in this chapter with your coach. Then find another time to serve as a coach for someone else who's just completed the exercises so far. Appendix A is a guide for how to get the most out of your Total Leadership experience through serving as both a coach and a client.

PAUSE AND REFLECT ON WHAT'S IMPORTANT

Whether you pause and reflect on your own or supplement your thinking with coaching conversations, in person or online at www.totalleadership.org, here are things to keep in mind as you synthesize what you've done in chapter 2 before moving on to chapter 3.

Read through your responses to the previous exercises in this chapter. Consider the following questions. Write about them and then, if possible, talk about them with your coach.

1. What are the main ideas you take away from what you've just read?
2. Tell the story of your critical events and your leadership vision to someone. What do you learn from how they react?
3. What are the main connections between your past and your vision for the future?
4. What changes might you make to live more closely in accord with what really matters to you?

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Harvard Business Review



APRIL 2011
REPRINT R1104C

FAILURE: UNDERSTAND IT

Ethical Breakdowns

Good people often let bad things happen. Why?
by Max H. Bazerman and Ann E. Tenbrunsel

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Ethical Breakdowns

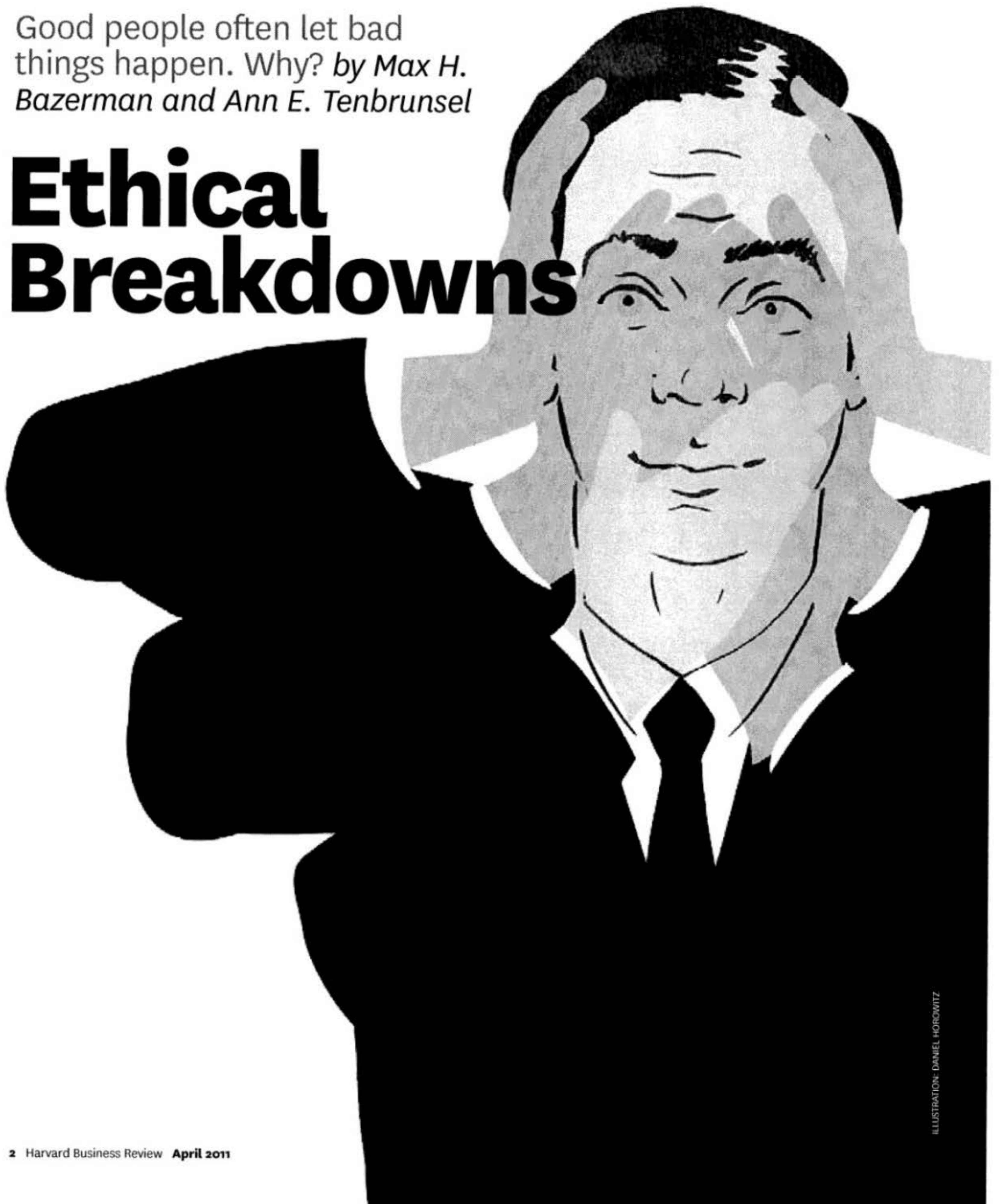
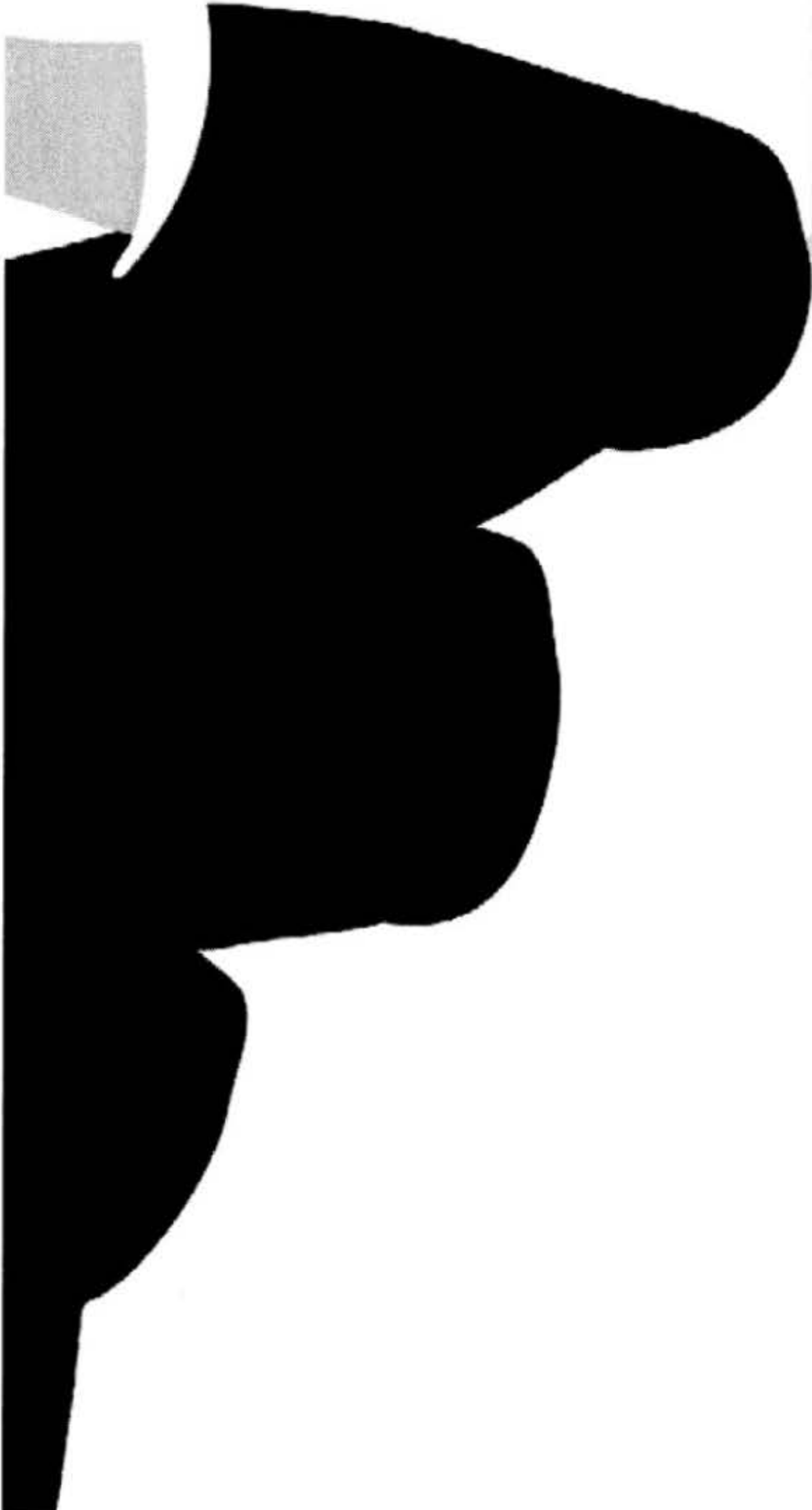


ILLUSTRATION: DANIEL HOROWITZ



THE VAST MAJORITY of managers mean to run ethical organizations, yet corporate corruption is widespread. Part of the problem, of course, is that some leaders are out-and-out crooks, and they direct the malfeasance from the top. But that is rare. Much more often, we believe, employees bend or break ethics rules because those in charge are blind to unethical behavior and may even unknowingly encourage it.

Consider an infamous case that, when it broke, had all the earmarks of conscious top-down corruption. The Ford Pinto, a compact car produced during the 1970s, became notorious for its tendency in rear-end collisions to leak fuel and explode into flames. More than two dozen people were killed or injured in Pinto fires before the company issued a recall to correct the problem. Scrutiny of the decision process behind the model's launch revealed that under intense competition from Volkswagen and other small-car manufacturers, Ford had rushed the Pinto into production. Engineers had discovered the potential danger of ruptured fuel tanks in preproduction crash tests, but the assembly line was ready to go, and the company's leaders decided to proceed. Many saw the decision as evidence of the callousness, greed, and mendacity of Ford's leaders—in short, their deep unethicality.

But looking at their decision through a modern lens—one that takes into account a growing understanding of how cognitive biases distort ethical decision making—we come to a different conclusion. We suspect that few if any of the executives involved in the Pinto decision believed that they were making an unethical choice. Why? Apparently because they thought of it as purely a business decision rather than an ethical one.

Taking an approach heralded as rational in most business school curricula, they conducted a formal cost-benefit analysis—putting dollar amounts on a redesign, potential lawsuits, and even lives—and determined that it would be cheaper to pay off lawsuits than to make the repair. That methodical process colored how they viewed and made their choice. The moral dimension was not part of the equation. Such “ethical fading,” a phenomenon first described by Ann Tenbrunsel and her colleague David Messick, takes ethics out of consideration and even increases unconscious unethical behavior.

What about Lee Iacocca, then a Ford executive VP who was closely involved in the Pinto launch? When the potentially dangerous design flaw was first discovered, did anyone tell him? “Hell no,” said one high company official who worked on the Pinto, according to a 1977 article in *Mother Jones*. “That person would have been fired. Safety wasn't a popular subject around Ford in those days. With Lee it was taboo.

FOCUS ON FAILURE



My life has been nothing but a failure, and all that's left for me to do is to destroy my paintings before I disappear."

CLAUDE MONET
PAINTER



Whenever a problem was raised that meant a delay on the Pinto, Lee would chomp on his cigar, look out the window and say "Read the product objectives and get back to work."

We don't believe that either Iacocca or the executives in charge of the Pinto were consciously unethical or that they intentionally sanctioned unethical behavior by people further down the chain of command. The decades since the Pinto case have allowed us to dissect Ford's decision-making process and apply the latest behavioral ethics theory to it. We believe that the patterns evident there continue to recur in organizations. A host of psychological and organizational factors diverted the Ford executives' attention from the ethical dimensions of the problem, and executives today are swayed by similar

rather than profits. The lesson is clear: When employees behave in undesirable ways, it's a good idea to look at what you're encouraging them to do. Consider what happened at Sears, Roebuck in the 1990s, when management gave automotive mechanics a sales goal of \$147 an hour—presumably to increase the speed of repairs. Rather than work faster, however, employees met the goal by overcharging for their services and "repairing" things that weren't broken.

Sears is certainly not unique. The pressure at accounting, consulting, and law firms to maximize billable hours creates similarly perverse incentives. Employees engage in unnecessary and expensive projects and creative bookkeeping to reach their goals. Many law firms, increasingly aware that goals are driving some unethical billing practices, have made billing more transparent to encourage honest reporting. Of course, this requires a detailed allotment of time spent, so some firms have assigned codes to hundreds of specific activities. What is the effect? Deciding where in a multitude of categories an activity falls and assigning a precise number of minutes to it involves some guesswork—which becomes a component of the billable hour. Research shows that as the uncertainty involved in completing a task increases, the guesswork becomes more unconsciously self-serving. Even without an intention to pad hours, overbilling is the outcome. A system designed to promote ethical behavior backfires.

It's a good idea to look at what you're encouraging employees to do. A sales goal of \$147 an hour led auto mechanics to "repair" things that weren't broken.

forces. However, few grasp how their own cognitive biases and the incentive systems they create can conspire to negatively skew behavior and obscure it from view. Only by understanding these influences can leaders create the ethical organizations they aspire to run.

Ill-Conceived Goals

In our teaching we often deal with sales executives. By far the most common problem they report is that their sales forces maximize sales rather than profits. We ask them what incentives they give their salespeople, and they confess to actually rewarding sales

Let's look at another case in which a well-intentioned goal led to unethical behavior, this time helping to drive the recent financial crisis. At the heart of the problem was President Bill Clinton's desire to increase homeownership. In 2008 the *BusinessWeek* editor Peter Coy wrote:

Add President Clinton to the long list of people who deserve a share of the blame for the housing bubble and bust. A recently re-exposed document shows that his administration went to ridiculous lengths to increase the national homeownership rate. It promoted paper-thin down payments and pushed for ways to get lenders to give mortgage

Idea in Brief

Companies have poured time and money into ethics training and compliance programs, but unethical behavior in business is nevertheless widespread. That's because cognitive biases and organizational systems blind managers to unethical behavior, whether their own or that of others.

All these serve to derail even the best-intentioned managers:

- Goals that reward unethical behavior
- Conflicts of interest that motivate people to ignore bad behavior when they have something to lose by recognizing it
- A tendency to overlook dirty work that's been outsourced to others
- An inability to notice when behavior deteriorates gradually
- A tendency to overlook unethical decisions when the outcome is good

Surveillance and sanctioning systems won't work by themselves to improve the ethics of your organization. You must be aware of these biases and incentives and carefully consider the ethical implications of every decision.

loans to first-time buyers with shaky financing and incomes. It's clear now that the erosion of lending standards pushed prices up by increasing demand, and later led to waves of defaults by people who never should have bought a home in the first place.

The Sears executives seeking to boost repair rates, the partners devising billing policies at law firms, and the Clinton administration officials intending to increase homeownership never meant to inspire unethical behavior. But by failing to consider the effects of the goals and reward systems they created, they did.

Part of the managerial challenge is that employees and organizations require goals in order to excel. Indeed, among the best-replicated results in research on managerial behavior is that providing specific, moderately difficult goals is more effective than vague exhortations to "do your best." But research also shows that rewarding employees for achieving narrow goals such as exact production quantities may encourage them to neglect other areas, take undesirable "ends justify the means" risks, or—most important from our perspective—engage in more unethical behavior than they would otherwise.

Leaders setting goals should take the perspective of those whose behavior they are trying to influence and think through their potential responses. This will help head off unintended consequences and prevent employees from overlooking alternative goals, such as honest reporting, that are just as important to reward if not more so. When leaders fail to meet this responsibility, they can be viewed as not only promoting unethical behavior but blindly engaging in it themselves.

Motivated Blindness

It's well documented that people see what they want to see and easily miss contradictory information when it's in their interest to remain ignorant—a psy-

chological phenomenon known as motivated blindness. This bias applies dramatically with respect to unethical behavior. At Ford the senior-most executives involved in the decision to rush the flawed Pinto into production not only seemed unable to clearly see the ethical dimensions of their own decision but failed to recognize the unethical behavior of the subordinates who implemented it.

Let's return to the 2008 financial collapse, in which motivated blindness contributed to some bad decision making. The "independent" credit rating agencies that famously gave AAA ratings to collateralized mortgage securities of demonstrably low quality helped build a house of cards that ultimately came crashing down, driving a wave of foreclosures that pushed thousands of people out of their homes. Why did the agencies vouch for those risky securities?

Part of the answer lies in powerful conflicts of interest that helped blind them to their own unethical behavior and that of the companies they rated. The agencies' purpose is to provide stakeholders with an objective determination of the creditworthiness of financial institutions and the debt instruments they sell. The largest agencies, Standard & Poor's, Moody's, and Fitch, were—and still are—paid by the companies they rate. These agencies made their profits by staying in the good graces of rated companies, not by providing the most accurate assessments of them, and the agency that was perceived to have the laxest rating standards had the best shot at winning new clients. Furthermore, the agencies provide consulting services to the same firms whose securities they rate.

Research reveals that motivated blindness can be just as pernicious in other domains. It suggests, for instance, that a hiring manager is less likely to notice ethical infractions by a new employee than are people who have no need to justify the hire—

particularly when the infractions help the employee's performance. (We've personally heard many executives describe this phenomenon.) The manager may either not see the behavior at all or quickly explain away any hint of a problem.

Consider the world of sports. In 2007 Barry Bonds, an outfielder for the San Francisco Giants, surpassed Hank Aaron to become the all-time leader in career home runs—perhaps the most coveted status in Major League Baseball. (Bonds racked up 762 versus Aaron's 755.) Although it was well known that the use of performance-enhancing drugs was common in baseball, the Giants' management, the players' union, and other interested MLB groups failed to fully investigate the rapid changes in Bonds's physical appearance, enhanced strength, and dramatically increased power at the plate. Today Bonds stands accused of illegally using steroids and lying to a grand jury about it; his perjury trial is set for this spring. If steroid use did help bring the home runs that swelled ballpark attendance and profits, those with a stake in Bonds's performance had a powerful motivation to look the other way: They all stood to benefit financially.

Managers routinely delegate unethical behaviors to others, and not always consciously.

It does little good to simply note that conflicts of interest exist in an organization. A decade of research shows that awareness of them doesn't necessarily reduce their untoward impact on decision making. Nor will integrity alone prevent them from spurring unethical behavior, because honest people can suffer from motivated blindness. Executives should be mindful that conflicts of interest are often not readily visible and should work to remove them from the organization entirely, looking particularly at existing incentive systems.

Indirect Blindness

In August 2005 Merck sold off two cancer drugs, Mustargen and Cosmegen, to Ovation, a smaller pharmaceutical firm. The drugs were used by fewer than 5,000 patients and generated annual sales of only about \$1 million, so there appeared to be a clear logic to divesting them. But after selling the rights to manufacture and market the drugs to Ovation, Merck

continued to make Mustargen and Cosmegen on a contract basis. If small-market drugs weren't worth the effort, why did Merck keep producing them?

Soon after the deal was completed, Ovation raised Mustargen's wholesale price by about 1,000% and Cosmegen's even more. (In fact, Ovation had a history of buying and raising the prices on small-market drugs from large firms that would have had public-relations problems with conspicuous price increases.) Why didn't Merck retain ownership and raise the prices itself? We don't know for sure, but we assume that the company preferred a headline like "Merck Sells Two Products to Ovation" to one like "Merck Increases Cancer Drug Prices by 1,000%."

We are not concerned here with whether pharmaceutical companies are entitled to gigantic profit margins. Rather, we want to know why managers and consumers tend not to hold people and organizations accountable for unethical behavior carried out through third parties, even when the intent is clear. Assuming that Merck knew a tenfold price increase on a cancer drug would attract negative publicity, we believe most people would agree that using an intermediary to hide the increase was unethical. At the same time, we believe that the strategy worked because people have a cognitive bias that blinds them to the unethicity of outsourcing dirty work.

Consider an experiment devised by Max Bazerman and his colleagues that shows how such indirectness colors our perception of unethical behavior. The study participants read a story, inspired by the Merck case, that began this way: "A major pharmaceutical company, X, had a cancer drug that was minimally profitable. The fixed costs were high and the market was limited. But the patients who used the drug really needed it. The pharmaceutical was making the drug for \$2.50/pill (all costs included), and was only selling it for \$3/pill."

Then a subgroup of study participants was asked to assess the ethicality of "A: The major pharmaceutical firm raised the price of the drug from \$3/pill to \$9/pill," and another subgroup was asked to assess the ethicality of "B: The major pharmaceutical X sold the rights to a smaller pharmaceutical. In order to recoup costs, company Y increased the price of the drug to \$15/pill."

Participants who read version A, in which company X itself raised the price, judged the company more harshly than did those who read version B, even though the patients in that version ended up paying more. We asked a third subgroup to read both versions and judge which scenario was more

Five Barriers to an Ethical Organization

Even the best-intentioned executives are often unaware of their own or their employees' unethical behavior. Here are some of the reasons—and what to do about them.

	ILL-CONCEIVED GOALS	MOTIVATED BLINDNESS	INDIRECT BLINDNESS	THE SLIPPERY SLOPE	OVERVALUING OUTCOMES
DESCRIPTION	We set goals and incentives to promote a desired behavior, but they encourage a negative one.	We overlook the unethical behavior of others when it's in our interest to remain ignorant.	We hold others less accountable for unethical behavior when it's carried out through third parties.	We are less able to see others' unethical behavior when it develops gradually.	We give a pass to unethical behavior if the outcome is good.
EXAMPLE	The pressure to maximize billable hours in accounting, consulting, and law firms leads to unconscious padding.	Baseball officials failed to notice they'd created conditions that encouraged steroid use.	A drug company deflects attention from a price increase by selling rights to another company, which imposes the increase.	Auditors may be more likely to accept a client firm's questionable financial statements if infractions have accrued over time.	A researcher whose fraudulent clinical trial saves lives is considered more ethical than one whose fraudulent trial leads to deaths.
REMEDIES	Brainstorm unintended consequences when devising goals and incentives. Consider alternative goals that may be more important to reward.	Root out conflicts of interest. Simply being aware of them doesn't necessarily reduce their negative effect on decision making.	When handing off or outsourcing work, ask whether the assignment might invite unethical behavior and take ownership of the implications.	Be alert for even trivial ethical infractions and address them immediately. Investigate whether a change in behavior has occurred.	Examine both "good" and "bad" decisions for their ethical implications. Reward solid decision processes, not just good outcomes.

unethical. Those people saw company X's behavior as less ethical in version B than in version A. Further experiments using different stories from inside and outside business revealed the same general pattern: Participants judging on the basis of just one scenario rated actors more harshly when they carried out an ethically questionable action themselves (directly) than when they used an intermediary (indirectly). But participants who compared a direct and an indirect action based their assessment on the outcome.

These experiments suggest that we are instinctively more lenient in our judgment of a person or an organization when an unethical action has been delegated to a third party—particularly when we have incomplete information about the effects of the outsourcing. But the results also reveal that when we're presented with complete information and reflect on it, we can overcome such "indirect blindness" and see unethical actions—and actors—for what they are.

Managers routinely delegate unethical behaviors to others, and not always consciously. They may tell subordinates, or agents such as lawyers and accountants, to "do whatever it takes" to achieve some goal, all but inviting questionable tactics. For example, many organizations outsource production to countries with lower costs, often by hiring another company to do the manufacturing. But the offshore

manufacturer frequently has lower labor, environmental, and safety standards.

When an executive hands off work to anyone else, it is that executive's responsibility to take ownership of the assignment's ethical implications and be alert to the indirect blindness that can obscure unethical behavior. Executives should ask, "When other people or organizations do work for me, am I creating an environment that increases the likelihood of unethical actions?"

The Slippery Slope

You've probably heard that if you place a frog in a pot of boiling water, the frog will jump out. But if you put it in a pot of warm water and raise the temperature gradually, the frog will not react to the slow change and will cook to death. Neither scenario is correct, but they make a fine analogy for our failure to notice the gradual erosion of others' ethical standards. If we find minor infractions acceptable, research suggests, we are likely to accept increasingly major infractions as long as each violation is only incrementally more serious than the preceding one.

Bazerman and the Harvard Business School professor Francesca Gino explored this in an experiment in which the participants—"auditors"—were asked to decide whether to approve guesses provided by "estimators" of the amount of money in jars. The



Rewarding unethical decisions because they have good outcomes is a recipe for disaster over the long term.

auditors could earn a percentage of a jar's contents each time they approved an estimator's guess—and thus had an incentive to approve high estimates—but if they were caught approving an exaggerated estimate, they'd be fined \$5. Over the course of 16 rounds, the estimates rose to suspiciously high levels either incrementally or abruptly; all of them finished at the same high level. The researchers found that auditors were twice as likely to approve the high final estimates if they'd been arrived at through small incremental increases. The slippery-slope change blinded them to the estimators' dishonesty.

Now imagine an accountant who is in charge of auditing a large company. For many years the client's financial statements are clean. In the first of two scenarios, the company then commits some clear transgressions in its financial statements, even breaking the law in certain areas. In the second scenario, the auditor notices that the company stretched but did not appear to break the law in a few areas. The next year the company's accounting is worse and includes a minor violation of federal accounting standards. By the third year the violation has become more severe. In the fourth year the client commits the same clear transgressions as in the first scenario.

The auditors-and-estimators experiment, along with numerous similar ones by other researchers, suggest that the accountant above would be more likely to reject the financial statements in the first scenario. Bazerman and colleagues explored this effect in depth in "Why Good Accountants Do Bad Audits" (HBR November 2002).

To avoid the slow emergence of unethical behavior, managers should be on heightened alert for even trivial-seeming infractions and address them immediately. They should investigate whether there has been a change in behavior over time. And if something seems amiss, they should consider inviting a colleague to take a look at all the relevant data and evidence together—in effect creating an "abrupt" experience, and therefore a clearer analysis, of the ethics infraction.

Overvaluing Outcomes

Many managers are guilty of rewarding results rather than high-quality decisions. An employee may make a poor decision that turns out well and be rewarded for it, or a good decision that turns out poorly and be punished. Rewarding unethical decisions because they have good outcomes is a recipe for disaster over the long term.

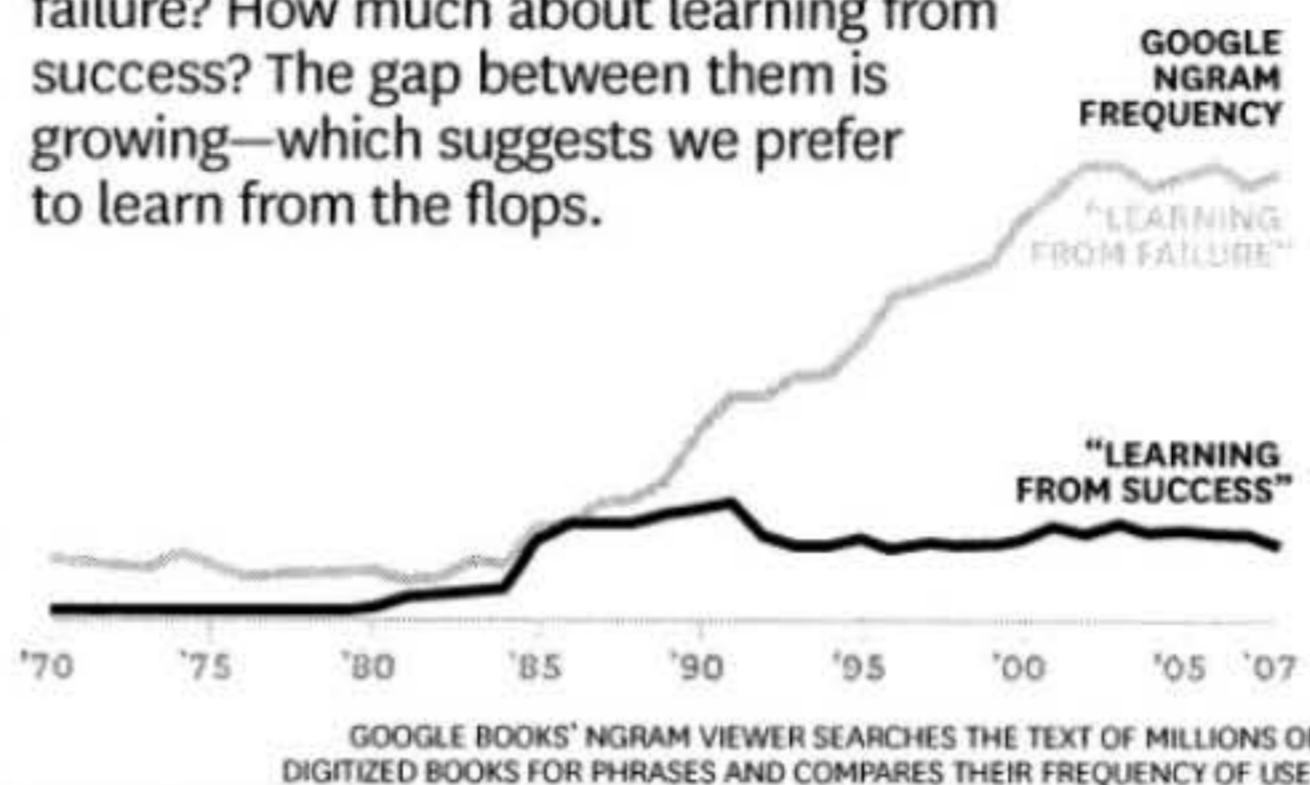
The Harvard psychologist Fiery Cushman and his colleagues tell the story of two quick-tempered brothers, Jon and Mark, neither of whom has a criminal record. A man insults their family. Jon wants to kill the guy: He pulls out and fires a gun but misses, and the target is unharmed. Matt wants only to scare the man but accidentally shoots and kills him. In the United States and many other countries, Matt can expect a far more serious penalty than Jon. It is clear that laws often punish bad outcomes more aggressively than bad intentions.

Bazerman's research with Francesca Gino and Don Moore, of Carnegie Mellon University, high-

FOCUS ON FAILURE

SCHOOL OF HARD KNOCKS

How much do we talk about learning from failure? How much about learning from success? The gap between them is growing—which suggests we prefer to learn from the flops.



lights people's inclination to judge actions on the basis of whether harm follows rather than on their actual ethicality. We presented the following stories to two groups of participants.

Both stories begin: "A pharmaceutical researcher defines a clear protocol for determining whether or not to include clinical patients as data points in a study. He is running short of time to collect sufficient data points for his study within an important budgetary cycle in his firm."

Story A continues: "As the deadline approaches, he notices that four subjects were withdrawn from the analysis due to technicalities. He believes that the data in fact are appropriate to use, and when he adds those data points, the results move from not quite statistically significant to significant. He adds these data points, and soon the drug goes to market. This drug is later withdrawn from the market after it kills six patients and injures hundreds of others."

Story B continues: "He believes that the product is safe and effective. As the deadline approaches, he notices that if he had four more data points for how subjects are likely to behave, the analysis would be significant. He makes up these data points, and soon the drug goes to market. This drug is a profitable and effective drug, and years later shows no significant side effects."

After participants read one or the other story, we asked them, "How unethical do you view the researcher to be?" Those who read story A were much more critical of the researcher than were those who read story B, and felt that he should be punished more harshly. Yet as we see it, the researcher's behavior was more unethical in story B than in story A. And that is how other study participants saw it when we removed the last sentence—the outcome—from each story.

Managers can make the same kind of judgment mistake, overlooking unethical behaviors when outcomes are good and unconsciously helping to undermine the ethicality of their organizations. They should beware this bias, examine the behaviors that drive good outcomes, and reward quality decisions, not just results.

The Managerial Challenge


Companies are putting a great deal of energy into efforts to improve their ethicality—installing codes of ethics, ethics training, compliance programs, and in-house watchdogs. Initiatives like these don't

come cheap. A recent survey of 217 large companies indicated that for every billion dollars of revenue, a company spends, on average, \$1 million on compliance initiatives. If these efforts worked, one might argue that the money—a drop in the bucket for many organizations—was well spent. But that's a big if. Despite all the time and money that have gone toward these efforts, and all the laws and regulations that have been enacted, observed unethical behavior is on the rise.

This is disappointing but unsurprising. Even the best-intentioned ethics programs will fail if they don't take into account the biases that can blind us to unethical behavior, whether ours or that of others. What can you do to head off rather than exacerbate unethical behavior in your organization? Avoid "forcing" ethics through surveillance and sanctioning systems. Instead ensure that managers and employees are aware of the biases that can lead to unethical behavior. (This simple step might have headed off the disastrous decisions Ford managers made—and employees obeyed—in the Pinto case.) And encourage your staff to ask this important question when considering various options: "What ethical implications might arise from this decision?"

Above all, be aware as a leader of your own blind spots, which may permit, or even encourage, the unethical behaviors you are trying to extinguish. ♥

HBR Reprint R1104C

 **Max H. Bazerman** is the Jesse Isidor Straus Professor of Business Administration at Harvard Business School. **Ann E. Tenbrunsel** is the Rex and Alice A. Martin Professor of Business Ethics and the Research Director of the Institute for Ethical Business Worldwide at the University of Notre Dame. They are the authors of *Blind Spots: Why We Fail to Do What's Right and What to Do about It* (Princeton University Press, 2011), from which this article was developed.

Chapter 7: Motivation Concepts

MOTIVATED TOWARD CORPORATE SOCIAL RESPONSIBILITY

As organizations face increasing public pressure for sustainability, corporate social responsibility (CSR) has become a major part of most CEOs' agendas. The motivation for these CEOs is clear: the media, customers, employees, and governments herald sustainability initiatives like GE's Ecomagination, which pioneers technology efficiency, and philanthropy programs like Richard Branson's Re*Generation, which supports homeless youth. But how does an organization motivate employees for huge and ongoing volunteer efforts like Lowe's Heroes, shown in the picture, which helps rebuild homes after disasters and revitalize communities?

According to research in the United Kingdom, a good portion of employees may already be motivated toward CSR work. Some employees are motivated by a sense of reciprocity, giving back to the communities in which they live or aiding organizations from which they've previously benefited. An example is Lowe's Hero James Jackson, who helped revitalize an Indianapolis park. "I'm so thrilled to have been a part of this transformational journey for the JV Hill Park," he said. "The community has new life again, which impacts so many youth for years to come." Other employees are motivated by the opportunity to socialize with people within the organization and community, while still others want to develop business networks for future use. Many seem to like exercising the networks they already have, drawing upon their contacts for CSR

projects. And most like to use volunteering opportunities to learn more. For example, one study participant who has been mentoring students in business said, “It’s nice to meet other people in Derby and around, see how they do things, get tips and lots of business information.”

How do organizations influence their employees to volunteer? Research suggests that half the organizations in Canada actively encourage employee volunteering. As a result, fully one-quarter of all the volunteer work in the country is done by employee volunteers. The study found that the availability of organizational support—use of work time, paid time to volunteer, facility space, organizational resources—was critical to employee CSR motivation. Such support was correlated with an increase in annual volunteer hours, particularly among women. Furthermore, support yielded higher participation for almost all types of organizational volunteer CSR activities.

However, the study found employees age 35 and older, with less education than a high school diploma, or who were married, received less support. The reasons for these differences are not known. Women also received less support than men when it came to flexible hours and time off needed for volunteering. It also seems that women might make fewer requests for support. Although these findings are from just one study, the message is clear: Organizations may increase their overall CSR contributions by clearly offering tangible support for *everyone*, along with opportunities to serve.

One final employee motivator is the intrinsic reward from working with your organization’s team to accomplish a worthy project. After a tough day cleaning up in the aftermath of the 2014 tornado in Tupelo, Mississippi, Tad Agoglia of the First Response Team of America told the Lowe’s Heroes team, “You guys, your attitudes, [you do] just anything and everything to get it done, just do it, you really took your time to help this family, and it meant a lot. So this was a great day, and you guys made it a great day. Thank you.”

Sources: Lowe’s in the Community, May 5, 2015, <http://Lowesinthecommunity.Tumblr.Com/Post/118215046887/The-Week-Leading-Up-To-The-Final-Four>; F. Macphail and P. Bowles, “Corporate Social Responsibility as Support for Employee Volunteers: Impacts, Gender Puzzles and Policy Implications in Canada,” *Journal of Business Ethics* 84 (2009): 405–16; and J. N. Muthuri, D. Matten, and J. Moon, “Employee Volunteering and Social Capital: Contributions to Corporate Social Responsibility,” *British Journal of Management* 20 (2009): 75–89.

As we read in the opening story, employees don’t always volunteer just because it’s a good thing to do; they have to be motivated. A significant part of their motivation comes from an internal desire to contribute, but organizations can also play an important role by encouraging and enabling them. Motivating employees—to volunteer *and* to work—is one of the most important and challenging aspects of management. As we will see, there is no shortage of advice about how to do it.

OB POLL

Asking for a Raise: Business Executives

When you asked for a pay raise, did you receive one?



Note: Survey of 3,900 executives from 31 countries.

Source: Based on Accenture, "The Path Forward" (2012), <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-IWD-Research-Deck-2012-FINAL.pdf#zoom=50>, 36.

Motivation is one of the most frequently researched topics in organizational behavior (OB).¹ In one survey, 69 percent of workers reported wasting time at work every day, and nearly a quarter said they waste between 30 and 60 minutes each day. How? Usually by surfing the Internet (checking the news and visiting social network sites) and chatting with coworkers.² So, though times change, the problem of motivating a workforce stays the same.

In this chapter, we'll review the basics of motivation, assess motivation theories, and provide an integrative model that fits theories together. But first, take a look at the potential that a little motivation to ask for a raise can yield, shown in the OB Poll.

Motivation and Early Theories

7-1 Describe the three key elements of motivation.

motivation The processes that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.

Some individuals seem driven to succeed. The same young student who struggles to read a textbook for more than 20 minutes may devour a *Harry Potter* book in a day. The difference is the situation. As we analyze the concept of motivation, keep in mind that the level of motivation varies both between individuals and within individuals at different times.

We define **motivation** as the processes that account for an individual's *intensity*, *direction*, and *persistence* of effort toward attaining a goal.³ While general motivation is concerned with effort toward *any* goal, we'll narrow the focus to *organizational* goals.

Intensity describes how hard a person tries. This is the element most of us focus on when we talk about motivation. However, high intensity is unlikely to lead to favorable job-performance outcomes unless the effort is channeled in a *direction* that benefits the organization. Therefore, we consider the quality of effort as well as its intensity. Effort directed toward, and consistent with, the organization's goals is the kind of effort we should be seeking. Finally, motivation has a *persistence* dimension. This measures how long a person can maintain effort. Motivated individuals stay with a task long enough to achieve their goals.

7-2 Compare the early theories of motivation.

hierarchy of needs Abraham Maslow's hierarchy of five needs—physiological, safety, social, esteem, and self-actualization—in which, as each need is substantially satisfied, the next need becomes dominant.

Early Theories of Motivation

Three theories of employee motivation formulated during the 1950s are probably the best known. Although they are now of questionable validity (as we'll discuss), they represent a foundation, and practicing managers still use their terminology.

Hierarchy of Needs Theory

The best-known theory of motivation is Abraham Maslow's **hierarchy of needs**,⁴ which hypothesizes that within every human being there is a hierarchy of five needs. Recently, a sixth need has been proposed for a highest level—intrinsic values—which is said to have originated from Maslow, but it has yet to gain widespread acceptance.⁵ The original five needs are:

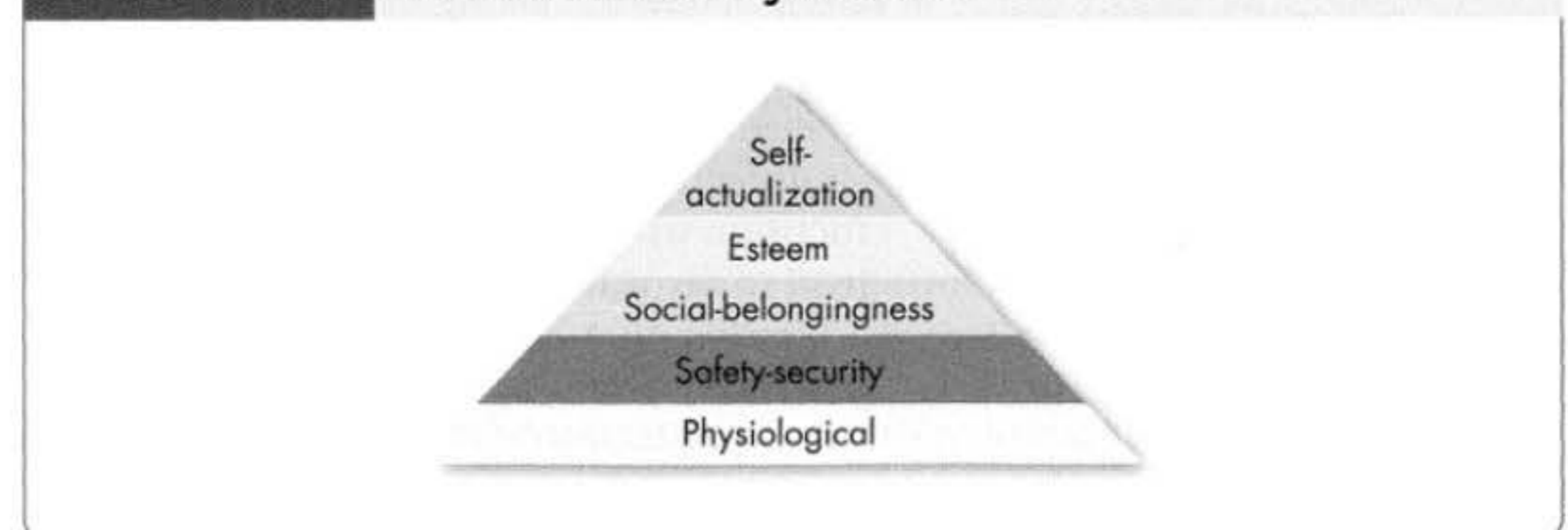
1. **Physiological.** Includes hunger, thirst, shelter, sex, and other bodily needs.
2. **Safety-security.** Security and protection from physical and emotional harm.
3. **Social-belongingness.** Affection, belongingness, acceptance, and friendship.
4. **Esteem.** Internal factors such as self-respect, autonomy, and achievement, and external factors such as status, recognition, and attention.
5. **Self-actualization.** Drive to become what we are capable of becoming; includes growth, achieving our potential, and self-fulfillment.

According to Maslow, as each need becomes substantially satisfied, the next one becomes dominant. So if you want to motivate someone, you need to understand what level of the hierarchy that person is currently on and focus on satisfying needs at or above that level. We depict the hierarchy as a pyramid in Exhibit 7-1 since this is its best-known presentation, but Maslow referred to the needs only in terms of levels.

Maslow's theory has received long-standing wide recognition, particularly among practicing managers. It is intuitively logical and easy to understand, and some research has validated it.⁶ Unfortunately, however, most research does not, especially when the theory is applied to diverse cultures,⁷ with the possible exception of physiological needs.⁸ But old theories, especially intuitively

Exhibit 7-1

Maslow's Hierarchy of Needs



Source: H. Skelsey, "Maslow's Hierarchy of Needs—the Sixth Level," *Psychologist* (2014): 982–83.

logical ones, die hard. It is thus important to be aware of the prevailing public acceptance of the hierarchy when discussing motivation.

Two-Factor Theory

Believing an individual's relationship to work is basic, and that the attitude toward work can determine success or failure, psychologist Frederick Herzberg wondered, "What do people want from their jobs?" He asked people to describe, in detail, situations in which they felt exceptionally *good* or *bad* about their jobs. The responses differed significantly and led Herzberg to his **two-factor theory** (also called *motivation-hygiene theory*, but this term is not used much today).⁹

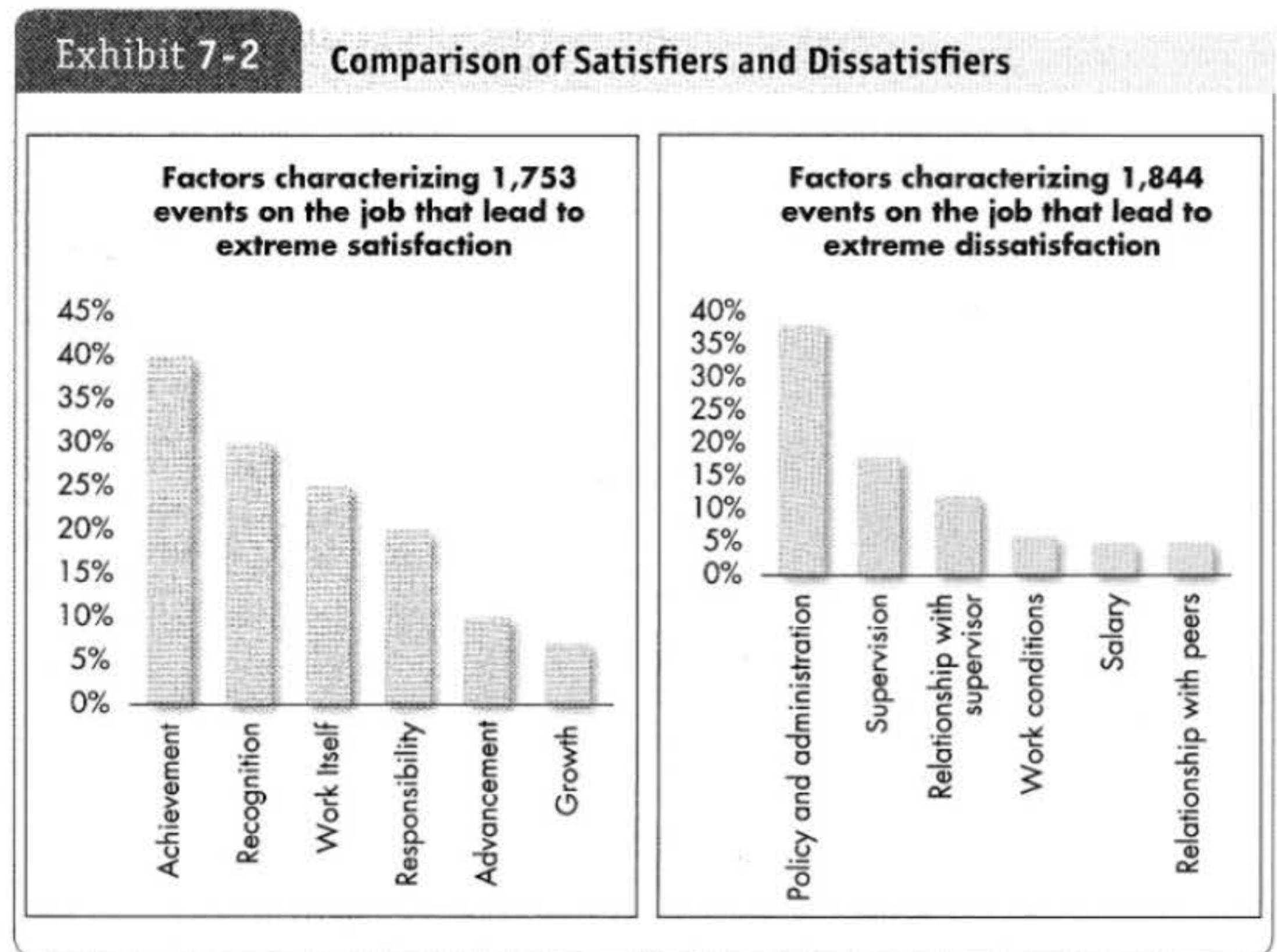
As shown in Exhibit 7-2, intrinsic factors such as advancement, recognition, responsibility, and achievement seem related to job satisfaction. Respondents who felt good about their work tended to attribute these factors to their situations, while dissatisfied respondents tended to cite extrinsic factors, such as supervision, pay, company policies, and work conditions.

To Herzberg, the data suggest that the opposite of satisfaction is not dissatisfaction, as was traditionally believed. Removing dissatisfying characteristics from a job does not necessarily make the job satisfying. Herzberg proposed a dual continuum: The opposite of "satisfaction" is "no satisfaction," and the opposite of "dissatisfaction" is "no dissatisfaction" (see Exhibit 7-3).

Under two-factor theory, the factors that lead to job satisfaction are separate and distinct from those that lead to job dissatisfaction. Therefore, managers who seek to eliminate factors that can create job dissatisfaction may bring about peace, but not necessarily motivation. They will be placating rather than motivating their workers. Conditions such as quality of supervision, pay, company policies, physical work conditions, relationships with others, and job security are **hygiene factors**. When they're adequate, people will not be dissatisfied; neither

two-factor theory A theory that relates intrinsic factors to job satisfaction and associates extrinsic factors with dissatisfaction. Also called motivation-hygiene theory.

hygiene factors Factors—such as company policy and administration, supervision, and salary—that, when adequate in a job, placate workers. When these factors are adequate, people will not be dissatisfied.



Source: Based on Harvard Business Review. "Comparison of Satisfiers and Dissatisfiers." An exhibit from One More Time: How Do You Motivate Employees? by Frederick Herzberg, January 2003. Copyright © 2003 by the Harvard Business School Publishing Corporation. All rights reserved.



will they be satisfied. If we want to *motivate* people on their jobs, we should emphasize factors associated with the work itself or with outcomes directly derived from it, such as promotional opportunities, personal growth opportunities, recognition, responsibility, and achievement. These are the characteristics people find intrinsically rewarding.

The two-factor theory has not been well supported in research. Criticisms center on Herzberg's original methodology and his assumptions, such as the statement that satisfaction is strongly related to productivity. Subsequent research has also shown that if hygiene and motivational factors are equally important to a person, both are capable of motivating.

Regardless of the criticisms, Herzberg's theory has been quite influential and currently is very much in use in research in Asia.¹⁰ Few managers worldwide are unfamiliar with its recommendations.

McClelland's Theory of Needs

You have one beanbag and five targets set up in front of you, each farther away than the last. Target A sits almost within arm's reach. If you hit it, you get \$2. Target B is a bit farther out and pays \$4, but only about 80 percent of the people who try can hit it. Target C pays \$8, and about half the people who try can hit it. Very few people can hit Target D, but the payoff is \$16 for those who do. Finally, Target E pays \$32, but it's almost impossible to achieve. Which would you try for? If you selected C, you're likely to be a high achiever. Why? Read on.

McClelland's theory of needs was developed by David McClelland and his associates.¹¹ As opposed to, say, Maslow's hierarchy, these needs are more like motivating factors than strict needs for survival. There are three:

- **Need for achievement (nAch)** is the drive to excel, to achieve in relationship to a set of standards.
- **Need for power (nPow)** is the need to make others behave in a way they would not have otherwise.
- **Need for affiliation (nAff)** is the desire for friendly and close interpersonal relationships.

McClelland and subsequent researchers focused most of their attention on nAch. High achievers perform best when they perceive their probability of success as 0.5—that is, a 50–50 chance. They dislike gambling with high odds because they get no achievement satisfaction from success that comes by pure chance. Similarly, they dislike low odds (high probability of success) because

McClelland's theory of needs A theory that states achievement, power, and affiliation are three important needs that help explain motivation.

need for achievement (nAch) The drive to excel, to achieve in relationship to a set of standards, and to strive to succeed.

need for power (nPow) The need to make others behave in a way in which they would not have behaved otherwise.

need for affiliation (nAff) The desire for friendly and close interpersonal relationships.

then there is no challenge to their skills. They like to set goals that require stretching themselves a little.

Relying on an extensive amount of research, we can predict some relationships between achievement need and job performance. First, when jobs have a high degree of personal responsibility, feedback, and an intermediate degree of risk, high achievers are strongly motivated. Second, a high need to achieve does not necessarily make someone a good manager, especially in large organizations. People with a high achievement need are interested in how well they do personally, and not in influencing others to do well. Third, needs for affiliation and power tend to be closely related to managerial success. The best managers may be high in their need for power and low in their need for affiliation.¹²

The view that a high achievement need acts as an internal motivator presupposes two cultural characteristics—willingness to accept a moderate degree of risk (which excludes countries with strong uncertainty-avoidance characteristics), and concern with performance (which applies to countries with strong achievement characteristics). This combination is found in Anglo-American countries such as the United States, Canada, and Great Britain, and much less in Chile and Portugal.

McClelland's theory has research support, particularly cross-culturally (when cultural dimensions including power distance are taken into account).¹³ The concept of the need for achievement has received a great deal of research attention and acceptance in a wide array of fields, including organizational behavior, psychology, and general business.¹⁴ Therefore, in this text we utilize the concept descriptively. The need for power also has research support, but it may be more familiar to people in broad terms than in relation to the original definition.¹⁵ We will discuss power much more in Chapter 13. The need for affiliation is well established and accepted in research. Although it may seem like an updated version of Maslow's social need, it is actually quite separate. Many people take for granted the idea that human beings have a drive toward relationships, so none of us may completely lack this motivation. However, recent research of Cameroonian and German adults suggests we may be

Why won't he take my advice?

The new guy in the office is nice enough, but he's straight out of college, and I have 20 years of experience in the field. I'd like to help him out, but he won't take it no matter how I approach him. Is there anything I can do to motivate him to accept my advice? He badly needs a few pointers.

—James

Dear James:

It's great that you want to help, and surely you have wisdom to offer. But let's start with this: When is the last time you took someone else's advice? Chances are it's easier for you to remember the last time you *didn't* take someone's advice than when you did. That's because we want success on our own terms, and we don't like the idea that a ready answer was out there all along (and we missed it). "When somebody says, 'You should do something,' the subtext is: 'You're an idiot for not already doing it,'" said psychologist Alan Goldberg. "Nobody takes advice under those conditions." So under what conditions do people take advice?

There are two parts to the motivation equation for advice: what your coworker wants to hear, and how you can

approach him. For the first part, keep this rule in mind: He wants to hear that whatever decisions he's made are brilliant. If he hears anything different from that, he's likely to tune you out or keep talking until you come over to his side.

For the second part, your coworker's motivation to accept and, more importantly, act on advice has a lot to do with how you approach him. Are you likely to "impart your wisdom to the younger generation?" Anything like "I wish I had known this when I was just starting out like you" advice will likely have him thinking you (and your advice) are out of date. Are you going to give "if I were you, I would do this" advice? He may resent your intrusion. According to research, what is most likely to work is a gentle suggestion, phrased as a request. Ravi Dhar, a director at Yale, said, "Interrogatives have less reactance and may be more effective." You might say, for instance, "Would you consider trying out this idea?"

Take heart, the problem isn't that we don't like advice—we do, as long as we seek it. According to research, we are more motivated toward advice when

we are facing important decisions, so good timing may work in your favor. When he does ask, you may suggest that he writes down the parameters of his choices and his interpretations of the ethics of each decision. Researcher Dan Ariely has found that we are much more motivated to make morally right decisions when we've considered the moral implications in a forthright manner. In this way, your coworker may motivate himself to make the right decisions.

Keep trying!

Sources: D. Ariely, "What Price for the Soul of a Stranger?" *The Wall Street Journal*, May 10–11, 2014, C12; J. Queenan, "A Word to the Wise," *The Wall Street Journal*, February 8–9, 2014, C1–C2; and S. Reddy, "The Trick to Getting People to Take the Stairs? Just Ask," *The Wall Street Journal*, February 17, 2015, R4.

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constrained by our personalities to the extent that we are high in neuroticism. Agreeableness supports our pursuit of affiliation, while extraversion has no significant effect.¹⁶

The degree to which we have each of the three needs is difficult to measure, and therefore the theory is difficult to put into practice. It is more common to find situations in which managers aware of these motivational drivers label employees based on observations made over time. Therefore, the concepts are helpful, but not often used objectively.

Contemporary Theories of Motivation

Contemporary theories of motivation have one thing in common: Each has a reasonable degree of valid supporting documentation. We call them "contemporary theories" because they represent the latest thinking in explaining employee motivation. This doesn't mean they are unquestionably right.

7-3 Contrast the elements of self-determination theory and goal-setting theory.

Self-Determination Theory

“It’s strange,” said Marcia. “I started work at the Humane Society as a volunteer. I put in 15 hours a week helping people adopt pets. And I loved coming to work. Then, 3 months ago, they hired me full-time at \$11 an hour. I’m doing the same work I did before. But I’m not finding it as much fun.”

Does Marcia’s reaction seem counterintuitive? There’s an explanation for it. It’s called **self-determination theory**, which proposes that people prefer to feel they have control over their actions, so anything that makes a previously enjoyed task feel more like an obligation than a freely chosen activity will undermine motivation.¹⁷ The theory is widely used in psychology, management, education, and medical research.

Much research on self-determination theory in OB has focused on **cognitive evaluation theory**, a complementary theory hypothesizing that extrinsic rewards will reduce intrinsic interest in a task. When people are paid for work, it feels less like something they *want* to do and more like something they *have* to do. Self-determination theory proposes that in addition to being driven by a need for autonomy, people seek ways to achieve competence and make positive connections with others. Its major implications relate to work rewards.

What does self-determination theory suggest about providing rewards? It suggests that some caution in the use of extrinsic rewards to motivate is wise, and that pursuing goals from intrinsic motives (such as a strong interest in the work itself) is more sustaining to human motivation than are extrinsic rewards. Similarly, cognitive evaluation theory suggests that providing extrinsic incentives may, in many cases, undermine intrinsic motivation. For example, if a computer programmer values writing code because she likes to solve problems, a bonus for writing a certain number of lines of code every day could feel coercive, and her intrinsic motivation would suffer. She may or may not increase her number of lines of code per day in response to the extrinsic motivator. In support, a recent meta-analysis confirms that intrinsic motivation contributes to the quality of work, while incentives contribute to the quantity of work. Although intrinsic motivation predicts performance whether or not there are incentives, it may be less of a predictor when incentives are tied to performance directly (such as with monetary bonuses) rather than indirectly.¹⁸

A more recent outgrowth of self-determination theory is **self-concordance**, which considers how strongly people’s reasons for pursuing goals are consistent with their interests and core values. OB research suggests that people who pursue work goals for intrinsic reasons are more satisfied with their jobs, feel they fit into their organizations better, and may perform better.¹⁹ Across cultures, if individuals pursue goals because of intrinsic interest, they are more likely to attain goals, are happier when they do, and are happy even if they do not.²⁰ Why? Because the process of striving toward goals is fun whether or not the goal is achieved. Recent research reveals that when people do not enjoy their work for intrinsic reasons, those who work because they feel obligated to do so can still perform acceptably, though they experience higher levels of strain as a result.²¹ In contrast, people who pursue goals for extrinsic reasons (money, status, or other benefits) are less likely to attain goals and less happy even when they do. Why? Because the goals are less meaningful to them.²²

What does all this mean? For individuals, it means you should choose your job for reasons other than extrinsic rewards. For organizations, it means managers should provide intrinsic as well as extrinsic incentives. Managers need to make the work interesting, provide recognition, and support employee growth and development. Employees who feel that what they do is within their control and a result of free choice are likely to be more motivated by their work and committed to their employers.²³

self-determination theory A theory of motivation that is concerned with the beneficial effects of intrinsic motivation and the harmful effects of extrinsic motivation.

cognitive evaluation theory A version of self-determination theory that holds that allocating extrinsic rewards for behavior that had been previously intrinsically rewarding tends to decrease the overall level of motivation if the rewards are seen as controlling.

self-concordance The degree to which people’s reasons for pursuing goals are consistent with their interests and core values.

Helping Others and Being a Good Citizen Is Good for Your Career

We might think we should motivate employees to display organizational citizenship behavior (OCB), and that helping others would benefit their careers. We would probably also believe our own OCB will yield us career benefits. Surprisingly, there is some evidence that these assumptions are false, at least in certain organizations. Why?

In some organizations, employees are evaluated more on *how* their work gets done than on *how much*. If they possess the requisite knowledge and skills, or if they demonstrate the right behaviors on the job (for example, always greeting customers with a smile), they are determined by management to be motivated, “good” performers. In these

situations, OCBs are considered as the next higher level of good employee behavior. Employees’ careers thus benefit as a result of their helpfulness toward coworkers.

However, in other organizations, employees are evaluated more on *what* gets done. Here, employees are determined to be “good” performers if they meet objective goals such as billing clients a certain number of hours or reaching a certain sales volume. When managers overlook employee OCB, frown on helpful behaviors, or create an overly competitive organizational culture, employees become unmotivated to continue their helpful actions. Those who still engage in OCB can find their career progress is

slowed when they take time away from core tasks to be helpful.

The upshot? There may be a trade-off between being a good performer and being a good citizen. In organizations that focus more on behaviors, following your motivation to be a good citizen can help to accomplish your career goals. However, in organizations that focus more on objective outcomes, you may need to consider the cost of your good deeds.

Sources: D. M. Bergeron, “The Potential Paradox of Organizational Citizenship Behavior: Good Citizens at What Cost?” *Academy of Management Review* 32, no. 4 (2007); and D. M. Bergeron, A. J. Shipp, B. Rosen, and S. A. Furst, “Organizational Citizenship Behavior and Career Outcomes: The Cost of Being a Good Citizen,” *Journal of Management* 39, no. 4 (2013): 958–84.

goal-setting theory A theory that says that specific and difficult goals, with feedback, lead to higher performance.

Goal-Setting Theory

You’ve likely heard the sentiment a number of times: “Just do your best. That’s all anyone can ask.” But what does “do your best” mean? Do we ever know whether we’ve achieved that vague goal? Research on **goal-setting theory**, proposed by Edwin Locke, reveals the impressive effects of goal specificity, challenge, and feedback on performance. Under the theory, intentions to work toward a goal are considered a major source of work motivation.²⁴

Goal-setting theory is well supported. Evidence strongly suggests that *specific* goals increase performance; that *difficult* goals, when accepted, result in higher performance than do easy goals; and that *feedback* leads to higher performance than does nonfeedback.²⁵ Why? First, specificity itself seems to act as an internal stimulus. When a trucker commits to making 12 round-trip hauls between Toronto and New York each week, this intention gives him a specific objective to attain. All things being equal, he will outperform a counterpart with no goals or the generalized goal “do your best.”

Second, if factors such as acceptance of goals are held constant, the more difficult the goal, the higher the level of performance. Of course, it’s logical to assume easier goals are more likely to be accepted. But once a hard task has been accepted, we can expect the employee to exert a high level of effort to try to achieve it.

Third, people do better when they get feedback on how well they are progressing toward their goals because it helps identify discrepancies between what they have done and what they want to do next—that is, feedback guides behavior. But all feedback is not equally potent. Self-generated feedback—with which

employees are able to monitor their own progress or receive feedback from the task process itself—is more powerful than externally generated feedback.²⁶

If employees can participate in the setting of their own goals, will they try harder? The evidence is mixed. In some studies, participatively set goals yielded superior performance; in others, individuals performed best when assigned goals by their boss. One study in China found, for instance, that participative team goal setting improved team outcomes.²⁷ Another study found that participation results in more achievable goals for individuals.²⁸ Without participation, the individual pursuing the goal needs to clearly understand its purpose and importance.²⁹

Three personal factors influence the goals–performance relationship: *goal commitment*, *task characteristics*, and *national culture*.

Goal Commitment Goal-setting theory assumes an individual is committed to the goal and determined not to lower or abandon it. The individual (1) believes he or she can achieve the goal and (2) wants to achieve it.³⁰ Goal commitment is most likely to occur when goals are made public, when the individual has an internal locus of control, when the goals are self-set rather than assigned, and when they are based at least partially on individual ability.³¹

Task Characteristics Goals themselves seem to affect performance more strongly when tasks are simple rather than complex, well learned rather than novel, independent rather than interdependent, and on the high end of achievable.³² On interdependent tasks, group goals are preferable. Paradoxically, goal abandonment following an initial failure is more likely for individuals who self-affirm their core values, possibly because they more strongly internalize the implications of failure than others.³³

National Culture Setting specific, difficult, individual goals may have different effects in different cultures. In collectivistic and high-power-distance cultures, achievable moderate goals can be more motivating than difficult ones.³⁴ Finally, assigned goals appear to generate greater goal commitment in high than in low

power-distance cultures.³⁵ However, research has not shown that group-based goals are more effective in collectivist than in individualist cultures. More research is needed to assess how goal constructs might differ across cultures.

Although goal-setting has positive outcomes, it's not unequivocally beneficial. For example, some goals may be *too* effective.³⁶ When learning something is important, goals related to performance undermine adaptation and creativity because people become too focused on outcomes and ignore the learning process. Nor are all goals equally effective. For rote tasks with quantifiable standards of productivity, goals that reward quantity can be highly motivating. For other jobs that require complex thinking and personal investment, goals and rewards for quantity may not be effective.³⁷ Finally, individuals may fail to give up on an unattainable goal even when it might be beneficial to do so.

Research has found that people differ in the way they regulate their thoughts and behaviors during goal pursuit. Generally, people fall into one of two categories, though they could belong to both. Those with a **promotion focus** strive for advancement and accomplishment and approach conditions that move them closer toward desired goals. This concept is similar to the approach side of the approach-avoidance framework discussed in Chapter 5. Those with a **prevention focus** strive to fulfill duties and obligations and avoid conditions that pull them away from desired goals. Aspects of this concept are similar to the avoidance side of the approach-avoidance framework. Although you would be right in noting that both strategies are in the service of goal accomplishment, the manner in which they get there is quite different. As an example, consider studying for an exam. You could engage in promotion-focused activities such as reading class materials, or you could engage in prevention-focused activities such as refraining from doing things that would get in the way of studying, such as playing video games.

You may ask, "Which is the better strategy?" Well, the answer depends on the outcome you are striving for. While a promotion (but not a prevention) focus is related to higher levels of task performance, citizenship behavior, and innovation, a prevention (but not a promotion) focus is related to safety performance. Ideally, it's probably best to be both promotion *and* prevention oriented.³⁸ Keep in mind a person's job satisfaction will be more heavily impacted by low success when that person has an avoidance (prevention) outlook,³⁹ so set achievable goals, remove distractions, and provide structure for these individuals.⁴⁰

Implementing Goal-Setting How do managers make goal-setting theory operational? That's often left up to the individual. Some managers set aggressive performance targets—what General Electric called "stretch goals." Some leaders, such as Procter & Gamble's former CEO Robert McDonald and Best Buy's CEO Hubert Joly, are known for their demanding performance goals. But many managers don't set goals. When asked whether their jobs had clearly defined goals, a minority of survey respondents said yes.⁴¹

A more systematic way to utilize goal-setting is with **management by objectives (MBO)**, an initiative most popular in the 1970s but still used today. MBO emphasizes participatively set goals that are tangible, verifiable, and measurable. As in Exhibit 7-4, the organization's overall objectives are translated into specific cascading objectives for each level (divisional, departmental, individual). But because lower-unit managers jointly participate in setting their own goals, MBO works from the bottom up as well as from the top down. The result is a hierarchy that links objectives at one level to those at the next. For the individual employee, MBO provides specific personal performance objectives.

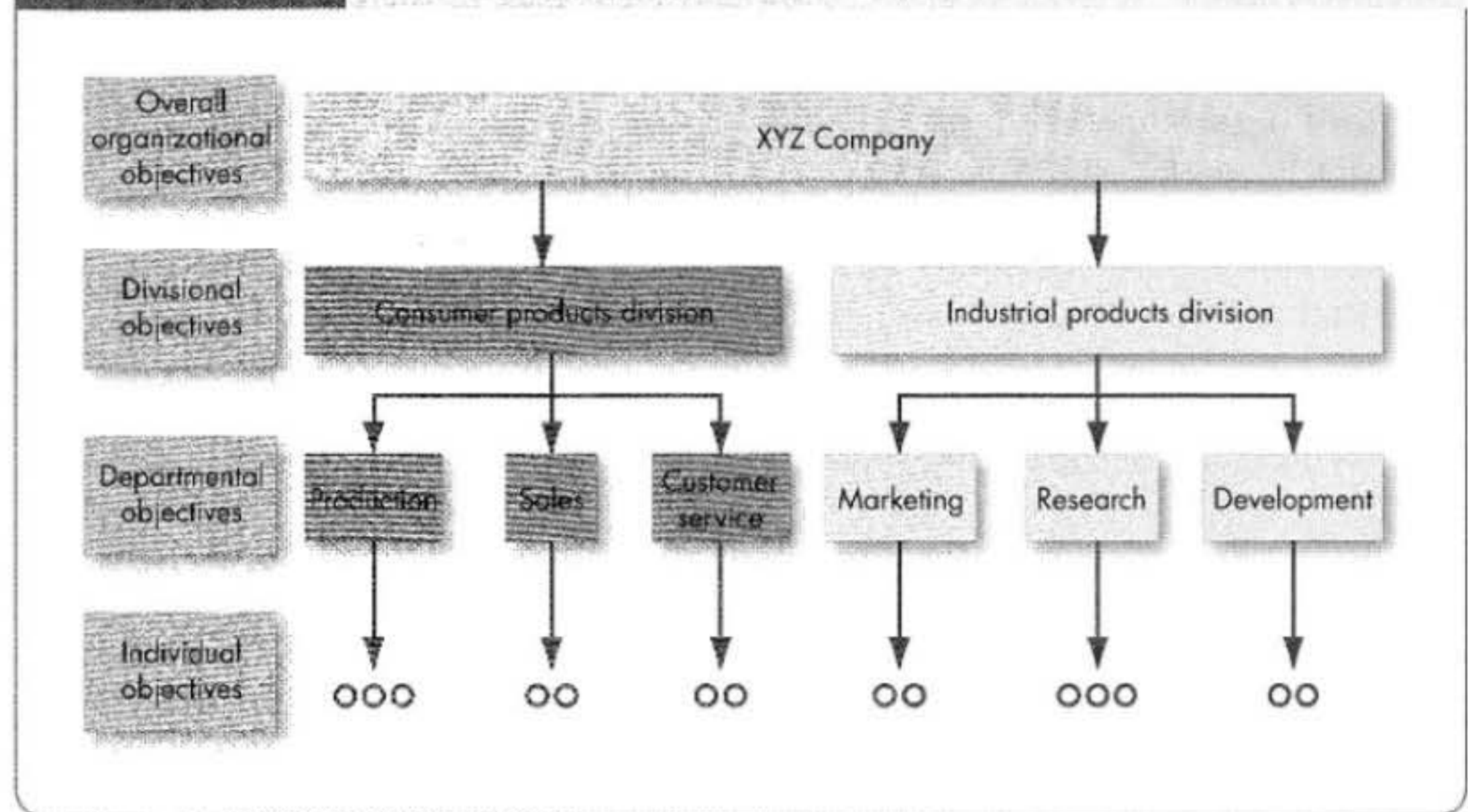
promotion focus A self-regulation strategy that involves striving for goals through advancement and accomplishment.

prevention focus A self-regulation strategy that involves striving for goals by fulfilling duties and obligations.

management by objectives (MBO)

A program that encompasses specific goals, participatively set, for an explicit time period, with feedback on goal progress.

Exhibit 7-4 Cascading of Objectives



Four ingredients are common to MBO programs: goal specificity, participation in decision making (including the setting of goals or objectives), an explicit time period, and performance feedback.⁴² Many elements in MBO programs match the propositions of goal-setting theory.

You'll find MBO programs in many business, health care, educational, government, and nonprofit organizations.⁴³ A version of MBO, called Management by Objectives and Results (MBOR), has been used for 30 years in the governments of Denmark, Norway, and Sweden.⁴⁴ However, the popularity of these programs does not mean they always work.⁴⁵ When MBO fails, the culprits tend to be unrealistic expectations, lack of commitment by top management, and inability or unwillingness to allocate rewards based on goal accomplishment.

Goal-Setting and Ethics The relationship between goal-setting and ethics is quite complex: If we emphasize the attainment of goals, what is the cost? The answer is probably found in the standards we set for goal achievement. For example, when money is tied to goal attainment, we may focus on getting the money and become willing to compromise ourselves ethically. If we are instead primed with thoughts about how we are spending our time when we are pursuing the goal, we are more likely to act more ethically.⁴⁶ However, this result is limited to thoughts about how we are spending our time. If we are put under time pressure and worry about that, thoughts about time turn against us. Time pressure often increases as we are nearing a goal, which can tempt us to act unethically to achieve it.⁴⁷ Specifically, we may forego mastering tasks and adopt avoidance techniques so we don't look bad,⁴⁸ both of which can incline us toward unethical choices.

Other Contemporary Theories of Motivation

7-4 Demonstrate the differences among self-efficacy theory, reinforcement theory, equity theory, and expectancy theory.

Self-determination theory and goal-setting theory are well supported contemporary theories of motivation. But they are far from the only noteworthy OB theories on the subject. Self-efficacy, reinforcement, equity/organizational justice, and expectancy theories reveal different aspects of our motivational processes and tendencies. We begin with the concept of self-efficacy.

self-efficacy theory An individual's belief that he or she is capable of performing a task.

Self-Efficacy Theory

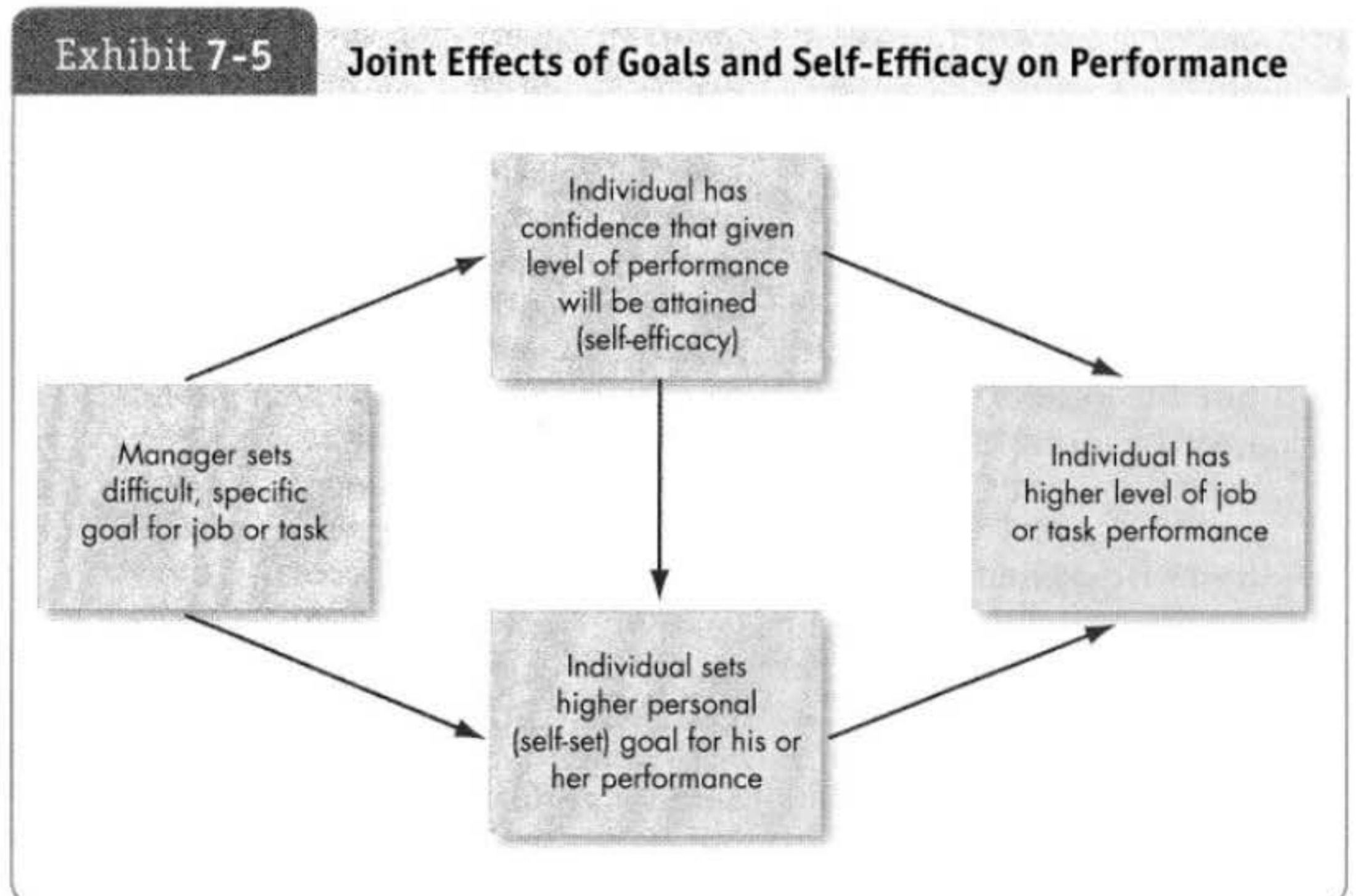
Self-efficacy theory, also known as *social cognitive theory* or *social learning theory*, refers to an individual's belief that he or she is capable of performing a task.⁴⁹ The higher your self-efficacy, the more confidence you have in your ability to succeed. So, in difficult situations, people with low self-efficacy are more likely to lessen their effort or give up altogether, while those with high self-efficacy will try harder to master the challenge.⁵⁰ Self-efficacy can create a positive spiral in which those with high efficacy become more engaged in their tasks and then, in turn, increase performance, which increases efficacy further.⁵¹ One recent study introduced a further explanation, in that self-efficacy was associated with a higher level of focused attention, which led to increased task performance.⁵²

Feedback influences self-efficacy; individuals high in self-efficacy seem to respond to negative feedback with increased effort and motivation, while those low in self-efficacy are likely to lessen their effort after negative feedback.⁵³ Changes in self-efficacy over time are related to changes in creative performance as well.⁵⁴ How can managers help their employees achieve high levels of self-efficacy? By bringing goal-setting theory and self-efficacy theory together.

Goal-setting theory and self-efficacy theory don't compete; they complement each other. As Exhibit 7-5 shows, employees whose managers set difficult goals for them will have a higher level of self-efficacy and set higher goals for their own performance. Why? Setting difficult goals for people communicates your confidence in them.

Increasing Self-Efficacy in Yourself The researcher who developed self-efficacy theory, Albert Bandura, proposes four ways self-efficacy can be increased:⁵⁵

1. Enactive mastery.
2. Vicarious modeling.
3. Verbal persuasion.
4. Arousal.



Source: Based on E. A. Locke and G. P. Latham, "Building a Practically Useful Theory of Goal Setting and Task Motivation: A 35-Year Odyssey," *American Psychologist* (September 2002): 705-17.

The most important source of increasing self-efficacy is *enactive mastery*—that is, gaining relevant experience with the task or job. If you've been able to do the job successfully in the past, you're more confident you can do it in the future.

The second source is *vicarious modeling*—becoming more confident because you see someone else doing the task. If your friend quits smoking, it increases your confidence that you can quit, too. Vicarious modeling is most effective when you see yourself as similar to the person you are observing. Watching Tiger Woods play a difficult golf shot might not increase your confidence in being able to play the shot yourself, but if you watch a golfer with a handicap similar to yours, it's persuasive.

The third source is *verbal persuasion*: we become more confident when someone convinces us we have the skills necessary to be successful. Motivational speakers use this tactic.

Finally, *arousal* increases self-efficacy. Arousal leads to an energized state, so we get “psyched up,” feel up to the task, and perform better. But if the task requires a steady, lower-key perspective (say, carefully editing a manuscript), arousal may in fact hurt performance even as it increases self-efficacy because we might hurry through the task.

Intelligence and personality are absent from Bandura's list, but they too can increase self-efficacy.⁵⁶ People who are intelligent, conscientious, and emotionally stable are so much more likely to have high self-efficacy that some researchers argue self-efficacy is less important than prior research would suggest.⁵⁷ They believe it is partially a by-product in a smart person with a confident personality.

Influencing Self-Efficacy in Others The best way for a manager to use verbal persuasion is through the *Pygmalion effect*, a term based on a Greek myth about a sculptor (Pygmalion) who fell in love with a statue he carved. The Pygmalion effect is a form of *self-fulfilling prophecy* in which believing something can make it true. Here, it is often used to describe “that what one person expects of another can come to serve a self-fulfilling prophecy.”⁵⁸ An example should make this clear. In studies, teachers were told their students had very high IQ scores when, in fact, they spanned a range from high to low. Consistent with the Pygmalion effect, the teachers spent more time with the students they *thought* were smart, gave them more challenging assignments, and expected more of them—all of which led to higher student self-efficacy and better achievement outcomes.⁵⁹ This strategy has been used in the workplace too, with replicable results and enhanced effects when leader-subordinate relationships are strong.⁶⁰

Training programs often make use of enactive mastery by having people practice and build their skills. In fact, one reason training works is that it increases self-efficacy, particularly when the training is interactive and feedback is given after training.⁶¹ Individuals with higher levels of self-efficacy also appear to reap more benefits from training programs and are more likely to use their training on the job.⁶²

Reinforcement Theory

Goal-setting is a cognitive approach, proposing that an individual's purposes direct his or her action. **Reinforcement theory**, in contrast, takes a behavioristic view, arguing that reinforcement conditions behavior. The two theories are clearly philosophically at odds. Reinforcement theorists see behavior as environmentally caused. You need not be concerned, they would argue, with internal cognitive events; what controls behavior are reinforcers—any consequences that, when they immediately follow responses, increase the probability that the behavior will be repeated.

reinforcement theory A theory that says that behavior is a function of its consequences.

Motivated by Big Brother

Technology is a great thing. The Internet provides us with instant access to an abundance of information, and smartphones allow us to stay easily connected with others through e-mail, texting, tweeting, and conversation. Yet that ease of connectivity has also given employees the sinking feeling they are being watched...and they are right. But is it ethical?

Some companies are using technology to track their employees' activities, and some of this tracking is done in the name of science. For example, Bank of America Corp. wanted to learn whether face-to-face interaction made a difference to the productivity of its call-center teams, so it asked around 100 workers to wear badges for a few weeks that tracked their whereabouts. Discovering that the most productive workers interacted most frequently with others, the company scheduled work breaks for groups rather than individually. This is a

nice outcome, but how did the monitoring affect the behavior and motivation of the workers?

Other companies track employees to ensure they are hard at work, which risks completely demotivating some. Accurate Biometrics, for example, uses computer monitoring to oversee its telecommuters. Says Timothy Daniels, VP of operations, looking at websites his employees have visited "enables us to keep a watchful eye without being overinvasive." Currently, around 70 percent of organizations monitor their employees.

Practically speaking, managers may not want to adopt technologies that demotivate their employees through micromanagement. Perhaps more importantly, though, how can they use monitoring technology ethically in workplace applications? First and foremost, employees should be informed their activities will be tracked. Second,

the purpose of tracking should be made clear to employees. Are workers being monitored to learn something that might help them and the organization as a whole? Or are they being monitored to ensure they never slack off? Finally, it should be made clear which behaviors are inappropriate. Taking a legitimate work break is different from spending hours on a social networking site. These guidelines should increase the likelihood that monitoring programs are accepted and perceived to be fair.

Sources: S. Shellenbarger, "Working from Home without Slacking Off," *The Wall Street Journal*, July 13–15, 2012, 29; R. Richmond, "3 Tips for Legally and Ethically Monitoring Employees Online," *Entrepreneur*, May 31, 2012, <http://www.entrepreneur.com/article/223686>; and R. E. Silverman, "Tracking Sensors Invade the Workplace," *The Wall Street Journal*, March 7, 2003, www.wsj.com.

Reinforcement theory ignores the inner state of the individual and concentrates solely on what happens when he or she takes some action. Because it does not concern itself with what initiates behavior, it is not, strictly speaking, a theory of motivation. But it does provide a powerful means of analyzing what controls behavior, and this is why we typically consider it in discussions of motivation.⁶³

Operant Conditioning/Behaviorism and Reinforcement *Operant conditioning theory*, probably the most relevant component of reinforcement theory for management, argues that people learn to behave to get something they want or to avoid something they don't want. Unlike reflexive or unlearned behavior, operant behavior is influenced by the reinforcement or lack of reinforcement brought about by consequences. Reinforcement strengthens a behavior and increases the likelihood it will be repeated.⁶⁴

B. F. Skinner, one of the most prominent advocates of operant conditioning, demonstrated that people will most likely engage in desired behaviors if they are positively reinforced for doing so; rewards are most effective if they immediately follow the desired response; and behavior that is not rewarded, or is punished, is less likely to be repeated. The concept of operant conditioning was part of Skinner's broader concept of **behaviorism**, which argues that behavior follows stimuli in a relatively unthinking manner. Skinner's form of radical behaviorism rejects feelings, thoughts, and other states of mind as causes of behavior. In short, people learn to associate stimulus and response, but their conscious awareness of this association is irrelevant.⁶⁵

behaviorism A theory that argues that behavior follows stimuli in a relatively unthinking manner.

You can see illustrations of operant conditioning everywhere. For instance, a commissioned salesperson wanting to earn a sizable income finds doing so is contingent on generating high sales in his territory, so he sells as much as possible. Of course, the linkage can also teach individuals to engage in behaviors that work against the best interests of the organization. Assume your boss says if you work overtime during the next 3-week busy season you'll be compensated for it at your next performance appraisal. However, when performance-appraisal time comes, you are given no positive reinforcement for your overtime work. The next time your boss asks you to work overtime, what will you do? You'll probably decline!

Social-Learning Theory and Reinforcement Individuals can learn by being told or by observing what happens to other people, as well as through direct experience. Much of what we have learned comes from watching models—parents, teachers, peers, film and television performers, bosses, and so forth. The view that we can learn through both observation and direct experience is called **social-learning theory**.⁶⁶

social-learning theory The view that we can learn through both observation and direct experience.

Although social-learning theory is an extension of operant conditioning—that is, it assumes behavior is a function of consequences—it also acknowledges the effects of observational learning and perception. People respond to the way they perceive and define consequences, not to the objective consequences themselves.

Models are central to the social-learning viewpoint. Four processes determine their influence on an individual:

1. **Attentional processes.** People learn from a model only when they recognize and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly available, important to us, or similar to us (in our estimation).
2. **Retention processes.** A model's influence depends on how well the individual remembers the model's action after the model is no longer readily available.

3. **Motor reproduction processes.** After a person has seen a new behavior by observing the model, watching must be converted to doing. This process demonstrates that the individual can perform the modeled activities.
4. **Reinforcement processes.** Individuals are motivated to exhibit the modeled behavior if positive incentives or rewards are provided. Positively reinforced behaviors are given more attention, learned better, and performed more often.

Equity Theory/Organizational Justice

Ainsley is a student working toward a bachelor’s degree in finance. In order to gain some work experience and increase her marketability, she has accepted a summer internship in the finance department at a pharmaceutical company. She is quite pleased at the pay: \$15 an hour is more than other students in her cohort receive for their summer internships. At work she meets Josh, a recent graduate working as a middle manager in the same finance department. Josh makes \$30 an hour.

On the job, Ainsley is a go-getter. She’s engaged, satisfied, and always seems willing to help others. Josh is the opposite. He often seems disinterested in his job and entertains thoughts about quitting. When pressed one day about why he is unhappy, Josh cites his pay as the main reason. Specifically, he tells Ainsley that, compared to managers at other pharmaceutical companies, he makes much less. “It isn’t fair,” he complains. “I work just as hard as they do, yet I don’t make as much. Maybe I should go work for the competition.”

How could someone making \$30 an hour be less satisfied with his pay than someone making \$15 an hour and be less motivated as a result? The answer lies in **equity theory** and, more broadly, in principles of organizational justice. According to equity theory, employees compare what they get from their job (their “Outcomes,” such as pay, promotions, recognition, or a bigger office) to what they put into it (their “Inputs,” such as effort, experience, and education). They take the ratio of their outcomes to their inputs and compare it to the ratio of others, usually someone similar like a coworker or someone doing the same job. This is shown in Exhibit 7-6. If we believe our ratio is equal to those with whom we compare ourselves, a state of equity exists and we perceive our situation as fair.

Based on equity theory, employees who perceive inequity will make one of six choices:⁶⁷

1. **Change inputs** (exert less effort if underpaid or more if overpaid).
2. **Change outcomes** (individuals paid on a piece-rate basis can increase their pay by producing a higher quantity of units of lower quality).

equity theory A theory that says that individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities.

Ratio Comparisons*	Perception
$\frac{O}{I_A} < \frac{O}{I_B}$	Inequity due to being underrewarded
$\frac{O}{I_A} = \frac{O}{I_B}$	Equity
$\frac{O}{I_A} > \frac{O}{I_B}$	Inequity due to being overrewarded

*Where $\frac{O}{I_A}$ represents the employee and $\frac{O}{I_B}$ represents relevant others

3. **Distort perceptions of self** (“I used to think I worked at a moderate pace, but now I realize I work a lot harder than everyone else”).
4. **Distort perceptions of others** (“Mike’s job isn’t as desirable as I thought”).
5. **Choose a different referent** (“I may not make as much as my brother-in-law, but I’m doing a lot better than my Dad did when he was my age”).
6. **Leave the field** (quit the job).

Equity theory has support from some researchers, but not from all.⁶⁸ There are some concerns with the propositions. First, inequities created by overpayment do not seem to significantly affect behavior in most work situations. So don’t expect an employee who feels overpaid to give back part of his salary or put in more hours to make up for the inequity. Although individuals may sometimes perceive that they are overrewarded, they restore equity by rationalizing their situation (“I’m worth it because I work harder than everyone else”). Second, not everyone is equally equity-sensitive, for various reasons, including feelings of entitlement.⁶⁹ Others actually prefer outcome–input ratios lower than the referent comparisons. Predictions from equity theory are not likely to be very accurate about these “benevolent types.”⁷⁰

Although equity theory’s propositions have not all held up, the hypothesis served as an important precursor to the study of **organizational justice**, or more simply fairness, in the workplace.⁷¹ Organizational justice is concerned more broadly with how employees feel authorities and decision-makers at work treat them. For the most part, employees evaluate how fairly they are treated, as shown in Exhibit 7-7.

organizational justice An overall perception of what is fair in the workplace, composed of distributive, procedural, informational, and interpersonal justice.

distributive justice Perceived fairness of the amount and allocation of rewards among individuals.

Distributive Justice **Distributive justice** is concerned with the fairness of the outcomes, such as pay and recognition that employees receive. Outcomes can



be allocated in many ways. For example, we could distribute raises equally among employees, or we could base them on which employees need money the most. However, as we discussed about equity theory, employees tend to perceive their outcomes are fairest when they are distributed equitably.

Does the same logic apply to teams? At first glance, it would seem that distributing rewards equally among team members is best for boosting morale and teamwork—that way, no one is favored more than another. A study of U.S. National Hockey League teams suggests otherwise. Differentiating the pay of team members on the basis of their inputs (how well they performed in games) attracted better players to the team, made it more likely they would stay, and increased team performance.⁷²

The way we have described things so far, it would seem that individuals gauge distributive justice and equity in a rational, calculative way as they compare their outcome–input ratios to those of others. But the experience of justice, and especially of injustice, is often not so cold and calculated. Instead, people base distributive judgments on a feeling or an emotional reaction to the way they think they are being treated relative to others, and their reactions are often “hot” and emotional rather than cool and rational.⁷³

Procedural Justice Although employees care a lot about *what* outcomes are distributed (distributive justice), they also care about *how* they are distributed. While distributive justice looks at *what* outcomes are allocated, **procedural justice** examines *how*.⁷⁴ For one, employees perceive that procedures are fairer when they are given a say in the decision-making process. Having direct influence over how decisions are made, or at the very least being able to present our opinion to decision makers, creates a sense of control and makes us feel empowered (we discuss empowerment more in the next chapter). Employees also perceive that procedures are fairer when decision makers follow several “rules.” These include making decisions in a consistent manner (across people and over time), avoiding bias (not favoring one group or person over another), using accurate information, considering the groups or people their decisions affect, acting ethically, and remaining open to appeals or correction.

procedural justice The perceived fairness of the process used to determine the distribution of rewards.

If outcomes are favorable and individuals get what they want, they care less about the process, so procedural justice doesn't matter as much when distributions are perceived to be fair. It's when outcomes are unfavorable that people pay close attention to the process. If the process is judged to be fair, then employees are more accepting of unfavorable outcomes.⁷⁵

Why is this the case? It's likely that employees believe fair procedures, which often have long-lasting effects, will eventually result in a fair outcome, even if the immediate outcome is unfair. Think about it. If you are hoping for a raise and your manager informs you that you did not receive one, you'll probably want to know how raises were determined. If it turns out your manager allocated raises based on merit and you were simply outperformed by a coworker, then you're more likely to accept your manager's decision than if raises were based on favoritism. Of course, if you get the raise in the first place, then you'll be less concerned with how the decision was made.

Informational justice The degree to which employees are provided truthful explanations for decisions.

Informational Justice Beyond outcomes and procedures, research has shown that employees care about two other types of fairness that have to do with the way they are treated during interactions with others. The first type is **informational justice**, which reflects whether managers provide employees with explanations for key decisions and keep them informed of important organizational matters. The more detailed and candid managers are with employees, the more fairly treated those employees feel.

Though it may seem obvious that managers should be honest with their employees and not keep them in the dark about organizational matters, many managers are hesitant to share information. This is especially the case with bad news, which is uncomfortable for both the manager delivering it and the employee receiving it. Explanations for bad news are beneficial when they take the form of excuses after the fact ("I know this is bad, and I wanted to give you the office, but it wasn't my decision") rather than justifications ("I decided to give the office to Sam, but having it isn't a big deal").⁷⁶

Interpersonal justice The degree to which employees are treated with dignity and respect.

Interpersonal Justice The second type of justice relevant to interactions between managers and employees is **interpersonal justice**, which reflects whether employees are treated with dignity and respect. Compared to the other forms of justice we've discussed, interpersonal justice is unique in that it can occur in everyday interactions between managers and employees.⁷⁷ This quality allows managers to take advantage of (or miss out on) opportunities to make their employees feel fairly treated. Many managers may view treating employees politely and respectfully as too "soft," choosing more aggressive tactics out of a belief that doing so will be more motivating. Although displays of negative emotions such as anger may be motivating in some cases,⁷⁸ managers sometimes take this too far. Consider former Rutgers University men's basketball coach Mike Rice who was caught on video verbally and even physically abusing players and was subsequently fired.⁷⁹

Justice Outcomes After all this talk about types of justice, how much does justice really matter to employees? A great deal, as it turns out. When employees feel fairly treated, they respond in a number of positive ways. All the types of justice discussed in this section have been linked to higher levels of task performance and citizenship behaviors such as helping coworkers, as well as lower levels of counterproductive behaviors such as shirking job duties. Distributive and procedural justice are more strongly associated with task performance, while informational and interpersonal justice are more strongly associated with citizenship behavior. Even more physiological

outcomes, such as how well employees sleep and the state of their health, have been linked to fair treatment.⁸⁰

Why does justice have these positive effects? Fair treatment enhances commitment to the organization and makes employees feel it cares about their well-being. In addition, employees who feel fairly treated trust their supervisors more, which reduces uncertainty and fear of being exploited by the organization. Finally, fair treatment elicits positive emotions, which in turn prompts behaviors like citizenship.⁸¹

Despite all attempts to enhance fairness, perceived injustices are still likely to occur. Fairness is often subjective; what one person sees as unfair, another may see as perfectly appropriate. In general, people see allocations or procedures favoring themselves as fair.⁸² So, when addressing perceived injustices, managers need to focus their actions on the source of the problem. In addition, if employees feel they have been treated unjustly, having opportunities to express their frustration has been shown to reduce their desire for retribution.⁸³

Ensuring Justice How can an organization affect the justice perceptions and rule adherence of its managers? This depends upon the motivation of each manager. Some managers are likely to calculate justice by their degree of adherence to the justice rules of the organization. These managers will try to gain greater subordinate compliance with behavioral expectations, create an identity of being fair to their employees, or establish norms of fairness. Other managers may be motivated in justice decisions by their emotions. When they have a high positive affect and/or a low negative affect, these managers are most likely to act fairly.

It might be tempting for organizations to adopt strong justice guidelines in attempts to mandate managerial behavior, but this isn't likely to be universally effective. In cases where managers have more rules and less discretion, those who calculate justice are more likely to act fairly, but managers whose justice behavior follows from their affect may act more fairly when they have greater discretion.⁸⁴

Culture and Justice Across nations, the same basic principles of procedural justice are respected in that workers around the world prefer rewards based on performance and skills over rewards based on seniority.⁸⁵ However, inputs and outcomes are valued differently in various cultures.⁸⁶

We may think of justice differences in terms of Hofstede's cultural dimensions (see Chapter 5). One large-scale study of over 190,000 employees in 32 countries and regions suggested that justice perceptions are most important to people in countries with individualistic, feminine, uncertainty avoidance, and low power-distance values.⁸⁷ Organizations can tailor programs to meet these justice expectations. For example, in countries that are highest in individualism, such as Australia and the United States, competitive pay plans and rewards for superior individual performance will enhance feelings of justice. In countries dominated by uncertainty avoidance, such as France, fixed pay compensation and employee participation may help employees feel more secure. The dominant dimension in Sweden is femininity, so relational concerns are considered important. Swedish organizations may therefore want to provide work-life balance initiatives and social recognition. Austria, in contrast, has a strong low power-distance value. Ethical concerns may be foremost to individuals in perceiving justice in Austrian organizations, so it will be important for organizations to justify inequality between leaders and workers and provide symbols of ethical leadership.

We can also look at other cultural factors. Some cultures emphasize status over individual achievement as a basis for allocating resources. Materialistic cultures are more likely to see cash compensation and rewards as the most relevant



outcomes of work, whereas relational cultures will see social rewards and status as important outcomes. International managers must consider the cultural preferences of each group of employees when determining what is “fair” in different contexts.

Expectancy Theory

One of the most widely accepted explanations of motivation is Victor Vroom’s **expectancy theory**.⁸⁸ Although it has critics, most evidence supports the theory.⁸⁹

Expectancy theory argues that the strength of our tendency to act a certain way depends on the strength of our expectation of a given outcome and its attractiveness. In practical terms, employees will be motivated to exert a high level of effort when they believe that it will lead to a good performance appraisal, that a good appraisal will lead to organizational rewards such as salary increases and/or intrinsic rewards, and that the rewards will satisfy their personal goals. The theory, therefore, focuses on three relationships (see Exhibit 7-8):

1. **Effort–performance relationship.** The probability perceived by the individual that exerting a given amount of effort will lead to performance.
2. **Performance–reward relationship.** The degree to which the individual believes performing at a particular level will lead to the attainment of a desired outcome.

expectancy theory A theory that says that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

3. Rewards–personal goals relationship. The degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual.⁹⁰

Expectancy theory helps explain why a lot of workers aren't motivated on their jobs and do only the minimum necessary to get by. Let's frame the theory's three relationships as questions employees need to answer in the affirmative if their motivation is to be maximized.

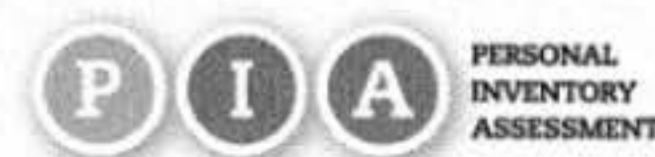
First, *if I give maximum effort, will it be recognized in my performance appraisal?* For many employees, the answer is "no." Why? Their skill level may be deficient, which means no matter how hard they try, they're not likely to be high performers. Or the organization's performance appraisal system may be designed to assess non-performance factors such as loyalty, initiative, or courage, which means more effort won't necessarily result in a higher evaluation. Another possibility is that employees, rightly or wrongly, perceive the boss doesn't like them. As a result, they expect a poor appraisal, regardless of effort. These examples suggest that people will be motivated only if they perceive a link between their effort and their performance.

Second, *if I get a good performance appraisal, will it lead to organizational rewards?* Many organizations reward things besides performance. When pay is based on factors such as having seniority, being cooperative, or "kissing up" to the boss, employees are likely to see the performance–reward relationship as weak and demotivating.

Finally, *if I'm rewarded, are the rewards attractive to me?* The employee works hard in the hope of getting a promotion but gets a pay raise instead. Or the employee wants a more interesting and challenging job but receives only a few words of praise. Unfortunately, many managers are limited in the rewards they can distribute, which makes it difficult to tailor rewards to individual employee needs. Some managers incorrectly assume all employees want the same thing, thus overlooking the motivational effects of differentiating rewards. In these cases, employee motivation is submaximized.

As a vivid example of how expectancy theory can work, consider stock analysts. They make their living trying to forecast a stock's future price; the accuracy of their buy, sell, or hold recommendations is what keeps them in work or gets them fired. But the dynamics are not simple. Analysts place few sell ratings on stocks, although in a steady market, by definition, as many stocks are falling as are rising. Expectancy theory provides an explanation: Analysts who place a sell rating on a company's stock have to balance the benefits they receive by being accurate against the risks they run by drawing that company's ire. What are these risks? They include public rebuke, professional blackballing, and exclusion from information. When analysts place a buy rating on a stock, they face no such trade-off because, obviously, companies love it when analysts recommend that investors buy their stock. So the incentive structure suggests the expected outcome of buy ratings is higher than the expected outcome of sell ratings, and that's why buy ratings vastly outnumber sell ratings.⁹¹

PERSONAL INVENTORY ASSESSMENTS



Work Motivation Indicator

Do you find that some jobs motivate you more than others? Take this PIA to determine your work motivation.

7-5 Identify the implications of employee job engagement for managers.

job engagement The investment of an employee's physical, cognitive, and emotional energies into job performance.

Job Engagement

When Joseph reports to his job as a hospital nurse, it seems that everything else in his life goes away, and he becomes completely absorbed in what he is doing. His emotions, thoughts, and behavior are all directed toward patient care. In fact, he can get so caught up in his work that he isn't even aware of how long he's been there. As a result of this total commitment, he is more effective in providing patient care and feels uplifted by his time at work.

Joseph has a high level of **job engagement**, the investment of an employee's physical, cognitive, and emotional energies into job performance.⁹² Practicing managers and scholars have become interested in facilitating job engagement, believing factors deeper than liking a job or finding it interesting drives performance. Studies attempt to measure this deeper level of commitment.

The Gallup organization has been studying the extent to which employee engagement is linked to positive work outcomes for millions of employees over the past 30 years.⁹³ They have found there are far more engaged employees in highly successful organizations than in average ones, and groups with more engaged employees have higher levels of productivity, fewer safety incidents, and lower turnover. Academic studies have also found positive outcomes. For instance, one review found higher levels of engagement were associated with task performance and citizenship behavior.⁹⁴

What makes people more likely to be engaged in their jobs? One key is the degree to which an employee believes it is meaningful to engage in work. This is partially determined by job characteristics and access to sufficient resources to work effectively.⁹⁵ Another factor is a match between the individual's values and those of the organization.⁹⁶ Leadership behaviors that inspire workers to a greater sense of mission also increase employee engagement.⁹⁷

One of the critiques of the concept of engagement is that the construct is partially redundant with job attitudes like satisfaction or stress.⁹⁸ However, engagement questionnaires usually assess motivation and absorption in a task, quite unlike job satisfaction questionnaires. Engagement may also predict important work outcomes better than traditional job attitudes.⁹⁹ Other critics note there may be a "dark side" to engagement, as evidenced by positive relationships between engagement and work-family conflict.¹⁰⁰ It is possible individuals might grow so engaged in their work roles that family responsibilities become an unwelcome intrusion. Also, an overly high level of engagement can lead to a loss of perspective and, ultimately, burnout. Further research exploring how engagement relates to these negative outcomes may help clarify whether some highly engaged employees might be getting "too much of a good thing."

7-6 Describe how the contemporary theories of motivation complement one another.

Integrating Contemporary Theories of Motivation

Our job might be simpler if, after presenting a half dozen theories, we could say only one was found valid. But many of the theories in this chapter are complementary. We now tie them together to help you understand their interrelationships.

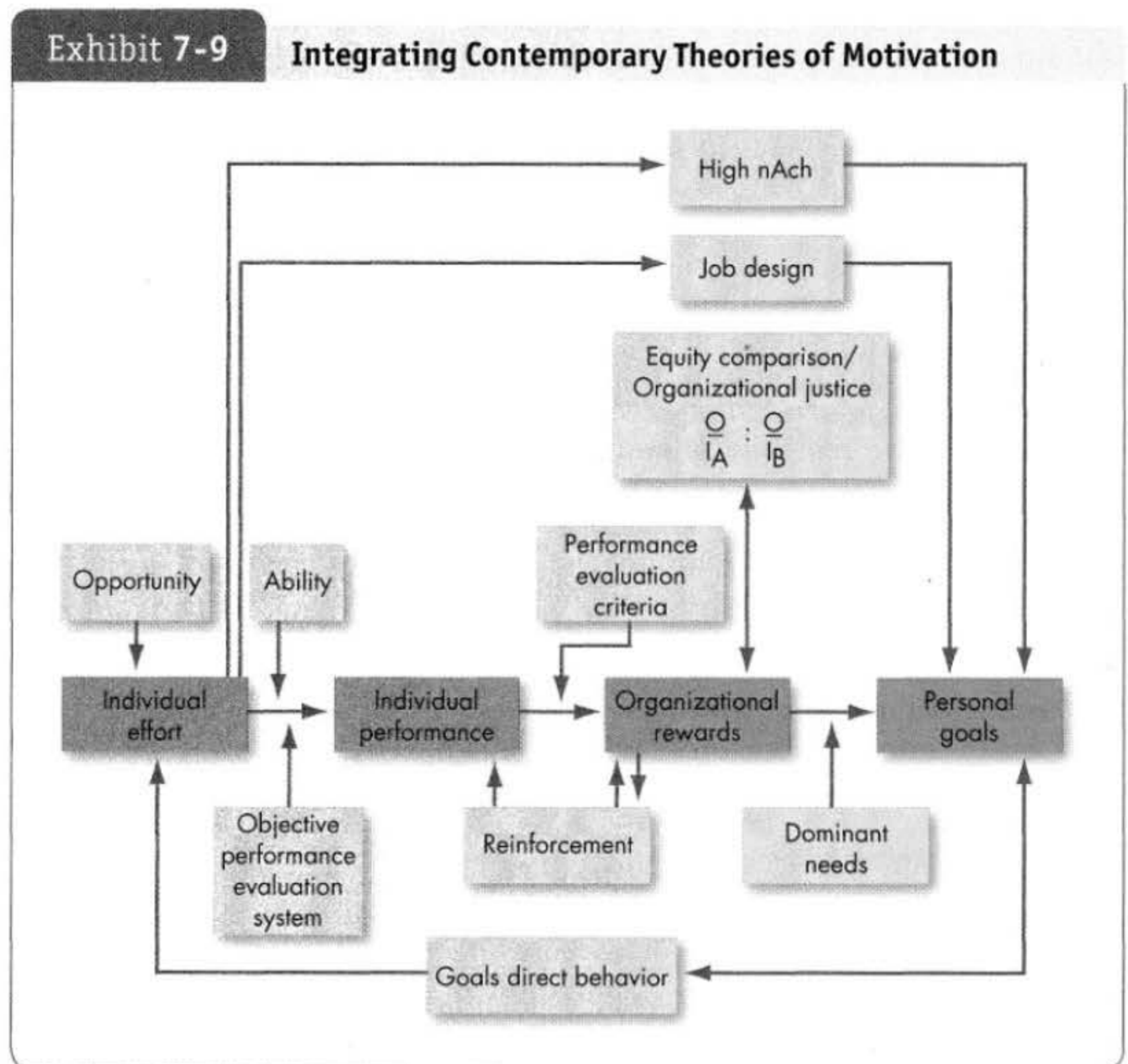


Exhibit 7-9 integrates much of what we know about motivation. Its basic foundation is the expectancy model that was shown in Exhibit 7-8. Let's walk through Exhibit 7-9. (We will look at job design closely in Chapter 8.)

We begin by explicitly recognizing that opportunities can either aid or hinder individual effort. The individual effort box on the left also has another arrow leading into it, from the person's goals. Consistent with goal-setting theory, the goals–effort loop is meant to remind us that goals direct behavior.

Expectancy theory predicts employees will exert a high level of effort if they perceive a strong relationship between effort and performance, performance and reward, and rewards and satisfaction of personal goals. Each of these relationships is, in turn, influenced by other factors. For effort to lead to good performance, the individual must have the ability to perform and perceive the performance appraisal system as fair and objective. The performance–reward relationship will be strong if the individual perceives that performance (rather than seniority, personal favorites, or other criteria) is rewarded. If cognitive evaluation theory were fully valid in the actual workplace, we would predict that basing rewards on performance should decrease the individual's intrinsic motivation. The final link in expectancy theory is the rewards–goals relationship. Motivation is high if the rewards for high performance satisfy the dominant needs consistent with individual goals.

A closer look at Exhibit 7-9 also reveals that the model considers achievement motivation, job design, reinforcement, and equity theories/organizational justice. A high achiever is not motivated by an organization's assessment of performance or organizational rewards, hence the jump from effort to personal

goals for those with a high nAch. Remember, high achievers are internally driven as long as their jobs provide them with personal responsibility, feedback, and moderate risks. They are not concerned with the effort–performance, performance–reward, or rewards–goal linkages.

Reinforcement theory enters the model by recognizing that the organization's rewards reinforce the individual's performance. If employees see a reward system as “paying off” for good performance, the rewards will reinforce and encourage good performance. Rewards also play a key part in organizational justice research. Individuals will judge the favorability of their outcomes (for example, their pay) relative to what others receive but also with respect to how they are treated: When people are disappointed in their rewards, they are likely to be sensitive to the perceived fairness of the procedures used and the consideration given to them by their supervisors.

Summary

The motivation theories in this chapter differ in their predictive strength. Maslow's hierarchy, two-factor theory, and McClelland's theory focus on needs. Self-determination theory and related theories have merits to consider. Goal-setting theory can be helpful but does not cover absenteeism, turnover, or job satisfaction. Self-efficacy theory contributes to our understanding of personal motivation. Reinforcement theory can also be helpful, but not regarding employee satisfaction or the decision to quit. Equity theory provided the spark for research on organizational justice. Expectancy theory can be helpful, but assumes employees have few constraints on decision making, and this limits its applicability. Job engagement goes a long way toward explaining employee commitment.

Implications for Managers

- Make sure extrinsic rewards for employees are not viewed as coercive, but instead provide information about competence and relatedness.
- Consider goal-setting theory: Clear and difficult goals often lead to higher levels of employee productivity.
- Consider reinforcement theory regarding quality and quantity of work, persistence of effort, absenteeism, tardiness, and accident rates.
- Consult equity theory to help understand productivity, satisfaction, absence, and turnover variables.
- Expectancy theory offers a powerful explanation of performance variables such as employee productivity, absenteeism, and turnover.

Goals Get You to Where You Want to Be

POINT

Of course this is a true statement. Goal-setting theory is one of the best-supported theories in the motivation literature. Study after study has consistently shown the benefits of goals. Want to excel on a test, lose a certain amount of weight, secure a job with a particular income level, or improve your golf game? If you want to be a high performer, merely set a specific, difficult goal and let nature take its course. That goal will dominate your attention, cause you to focus, and make you try harder.

All too often, people are told by others to simply “do their best.” Could anything be more vague? What does “do your best” actually mean? Maybe you feel that your “best” on one day is to muster a grade of 50 percent on an exam, while your “best” on another day is an 80. But if you were given a more difficult goal—say, to score a 95 on the exam—and you were committed to that goal, you would ultimately perform better.

Edwin Locke and Gary Latham, the researchers best known for goal-setting theory, put it best when they said: “The effects of goal setting are very reliable.” In short, goal-setting theory is among the most valid and practical theories of motivation in organizational psychology.

COUNTERPOINT

Sure, a lot of research has shown the benefits of goal-setting, but those studies ignore the harm that’s often done. For one, how often have you set a “stretch” goal, only to see yourself later fail? Goals create anxiety and worry about reaching them, and they often create unrealistic expectations as well. Imagine those who set a goal to earn a promotion in a certain period of time (a specific, difficult goal), only to find themselves laid off once a recession hit. Or how about those who envision a retirement of leisure yet are forced to take on a part-time job or delay retirement altogether in order to continue making ends meet. When too many influential factors are out of our control, our difficult goals become impossible.

Or, consider this: Goals can lead to unethical behavior and poorer performance. How many reports have you heard over the years about teachers who “fudged” students’ test scores in order to achieve educational standards? Another example: When Ken O’Brien, as a professional quarterback for the New York Jets, was penalized for every interception he threw, he achieved his goal of fewer interceptions quite easily—by refusing to throw the ball even when he should have.

In addition to this anecdotal evidence, research has directly linked goal-setting to cheating. We should heed the warning of Professor Maurice E. Schweitzer—“Goal-setting is like a powerful medication”—before blindly accepting that specific, difficult goal.

Sources: E. A. Locke and G. P. Latham, “Building a Practically Useful Theory of Goal Setting and Task Motivation,” *American Psychologist* 57 (2002): 705–71; A. Tugend, “Expert’s Advice to the Goal-Oriented: Don’t Overdo It,” *The New York Times*, October 6, 2012, B5; and C. Richards, “Letting Go of Long-Term Goals,” *The New York Times*, August 4, 2012.

A ZERO WAGE INCREASE AGAIN?

Karen MacMillan wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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Version: 2017-02-21

The owner of a large hardware, furniture and building centre faced a dilemma regarding how to manage the upcoming wage review process. After two consecutive years of frozen wages, employees were impatient for financial progress, but there was no spare money in the budget. It was possible to pump savings from upcoming process improvement initiatives into wage increases; however, the owner had limited motivation to channel hard-won funds to underperforming employees. On the other hand, he was eager to reward the people who added value. A plan that rewarded only some employees could result in an angry backlash. He had to decide if he wanted to divert the savings into compensation and if so, he needed an effective distribution plan.

As store owner Mark Coglin walked up to the service desk, he heard Simon, the floor manager, finishing a phone conversation. Mark paused at the counter as he listened to the tail end of the interchange. Simon said, "Are you sure you can't make it in? This is kind of leaving me in a bind, Dougie. Yeah, I get it. Okay. Hopefully we'll see you tomorrow." Replacing the receiver into the cradle, Simon glanced up, shrugged in response to Mark's raised eyebrow, and said, "That was Dougie Suzor calling in again. He thinks he has the flu." Mark rolled his eyes and the two men started walking towards the front of the large home hardware and building centre.

Once they were out of earshot of any customers or other staff members, Mark commented under his breath, "It's funny how that flu bug always seems to hit Dougie the Monday following a long weekend."

Simon nodded, and said, "He's not the only one. Four other employees called in before him, and I have a feeling there will be a couple more calls from people whose shifts start in the afternoon."

Mark sighed loudly in exasperation. "What is it about us that makes people think we are dumb, Simon?" He pointed to his freshly-pressed button-up shirt with the company logo embroidered on the left side, and said, "This says the name of the store is 'House, Hearth & Home,' not 'House of the-ones-who-will-believe-anything,' right?" Simon chuckled, but didn't comment or break stride. This wasn't the first time he had heard this joke. Mark continued, "Do they think we're not going to notice that they miss every Monday after a long weekend? Especially when they come in on the Tuesday talking about the great road trip they had. Is it really that likely that they will catch the flu for *one day only* every time? Sheesh."

Simon laughed as he reached for the buzzing cell phone clipped to his belt. After a quick glance at the text display, he paused and shoved several pieces of paper into Mark's hand. Changing direction, he asked over his shoulder, "Would you mind giving these to Donna at the front for me? They're about to send out that order for the Avondale project, and I want to check a few things with Wesley in the yard before it goes." Not waiting for an answer, Simon took off towards the warehouse.

Watching Simon's retreating back, Mark was impressed once again by the dedication he had to doing things right, even though it had unfortunately interrupted his venting. As the floor manager, Simon never had a shortage of issues clamouring for his attention. Somehow he managed to juggle a lot of balls at the same time, very rarely dropping any of them. As one of the owners of House, Hearth & Home, it was very reassuring for Mark to have Simon on the job. He was a key employee.

Mark knew a business as big as his needed employees like Simon. As he made his way to the front of the store, he was able to glimpse only part of the 39,000 square feet devoted to hardware, houseware, and building supplies. An additional 12,000 square feet were filled with home furnishings, leaving 8,000 square feet as warehouse space. No one person could manage the one hundred staff members, the truckloads of inventory, and the annual sales of more than Cdn\$20 million. Although every employee could make a difference in the success of the establishment, there were certain employees who would be very hard to replace and Simon was one of them.

After delivering the papers to Donna and chatting with her for a few minutes, Mark walked towards the kitchen department to check out how the new displays looked. Customers really seemed enthusiastic about the kitchen displays, but they took up a lot of valuable floor space. Mark wanted to reassure himself that the new ones were as nice as or even better than the old ones. As he came around the end of an aisle, he noticed Marie and Anne, two employees from the flooring department, talking and laughing as they stocked a shelf. He could hear they were talking about a television show that had been on the night before. Part way down the aisle, a customer was looking perplexed as she scanned the upper shelves. Annoyed, but trying not to show it, Mark smiled as he paused beside Marie and Anne, and said, "I think you have a customer, ladies." Looking around, they acted as though they hadn't noticed her before. Marie mumbled an apology and jumped up to ask her if she needed assistance.

Mark shook his head as he walked away. He thought, "We have trained our employees to make customer service a priority, yet those two acted like that customer was invisible. Why will certain employees not do the right thing unless someone is standing over them? And why do they think I would be so gullible as to believe they hadn't seen her?"

Before he could find an answer to this question, Mark was distracted by the sight of the new kitchen displays. They looked very impressive and he stopped to congratulate the kitchen designer for her good work. Glancing at his watch, Mark realized it was almost time for his meeting with Aaron, the company controller. As he excused himself and started heading towards Aaron's back office, Mark thought about the reason for this meeting and felt a little nervousness in his stomach. He had asked Aaron to figure out if there was any money for wage increases this year. Mark knew enough about the balance sheet to suspect the news would not be good.

Like many other businesses, the global downturn had negatively affected House, Hearth & Home. Sales had shrunk by almost Cdn\$4 million a year. Profit margins had tightened or disappeared in several areas. Employees had seemed to understand why there had been no raises in 2009 and in 2010. However, Mark felt it would be hard to sell a zero per cent increase for the third year in a row.

As usual, Aaron was behind his desk with a spreadsheet open on his computer and a cup of coffee half-forgotten amongst the many papers on his desk. With the company for over six years, Aaron adeptly handled many of the accounting and human resource issues, freeing up Mark to spend more time out on the floor troubleshooting. He smiled as Mark came in and said, "Hey, you're right on time. Grab a seat. I'm just printing out a little report for our meeting." The printer behind him started to whirr, and Aaron rolled over in his chair to pull two sheets as they emerged.

Rubbing his eyes as he handed one to Mark, he said, "You asked me if I could find any money for raises this year. Well, I've gone over the latest numbers and the quick answer, I'm afraid, is no." Aaron waited a moment to let Mark scan the sheet before he continued. "As you know, sales have been down, we've written off some old inventory this year, and there have been a few unexpected expenses that have really cut into profits. I've laid it out in broad brush strokes in this table. I don't think any of it will be surprising to you."

Mark exhaled loudly as he began to go through each line with Aaron. He was surprised by how disappointed he was feeling. Listening to Aaron as he walked him through the numbers, Mark let a part of his brain consider why he felt such disquiet at the idea of another year with no increases. What was he afraid would happen? A mutiny? A mass exodus? Sabotage?

The sound of the printer running again made Mark realize that he had not been giving the conversation enough attention. He said, "I'm sorry, Aaron. I didn't catch all of that. What was the last part?"

As he handed Mark another sheet, Aaron replied, "I was saying that the first sheet is a fair accounting of the business. There aren't more than a few thousand spare dollars to go towards raises. However, there may be some ways we can 'find' some money in there."

Mark cleared his throat and asked, "Legally?"

Aaron rolled his eyes and said:

Of course. I wouldn't recommend anything the auditors would pull apart. I'm just saying that if we change what we're spending money on, we might be able to divert some towards a wage increase. For example, I've heard you say that we're not getting much of a return from our advertising spending. We could "save" some money there. Or there may be room to reduce our inventory even further. Of course, you may decide that savings made by process improvements should go to things other than wages. The downturn isn't over yet. If we do find some money, there are many other places in this company where you could invest it. For example, we could use a better security system. Or we could pay down some of our debt. Or we could do some overdue building maintenance to ensure we look good for the customers. It's a tough decision. You think about it.

Mark looked at the second sheet with interest. Aaron had listed a number of different areas where they could cut expenses or save some money. Some of them had been raised before, but they had never been presented in such a detailed fashion. Beside each he had given an estimate of the dollar amounts that could be saved. If they were able to implement all of these ideas, there would be enough money to give all employees maybe a 2.5 to 3.0 per cent increase. This was a little higher than the annual inflation rate. This type of increase would not make up for the two years of zero increases, but it would be a movement in the right direction.

Mark waited for a sense of relief to wash over him, but for some reason, he did not feel as excited about this news as he had expected. This didn't make sense. He had been so disappointed the moment before when he thought there was no chance. Aaron had given him an opening to make this raise happen.

Knowing that Aaron had put a lot of work into this idea, Mark made an effort to show some enthusiasm and to thank Aaron for his creative thinking. However, he ended the meeting shortly afterwards with an assurance that he would think about everything Aaron had presented. Mark needed to let his thoughts settle down before he could sort them out.

Walking back onto the floor, Mark decided that some fresh air might do him some good. He headed outside to the side yard where the lumber, drywall, and other large materials were transferred directly to customers or to the delivery trucks. He scanned the yard for Wesley, the yard foreman. An eight year employee, Wes had the responsibility to keep the yard organized and safe. When things got sloppy in the yard, accidents increased, people were more likely to get hurt, and inventory was more likely to be lost or damaged. Like Simon the floor manager inside, Wes was always ready to step up and make sure things were done correctly.

Wesley was in the far end of the yard speaking to a young man on a forklift. As Mark walked closer, he could hear them discussing the best way to prep large customer orders. Instead of interrupting, Mark paused to straighten out a pile of lumber that a customer had just finished picking through. At the sound of the forklift moving off, Mark looked up to see Wes watching him work while leaning against a skid of siding.

With a smirk, Mark asked, "You enjoying yourself over there?"

Wes nodded but stepped over to pick up a few boards that had fallen to the ground. Placing them back with the others, Wes said, "Hey, it's not every day that I get to see you actually working."

Looking at the neat pile with satisfaction, Mark straightened out his back and replied, "From what I can see, that young kid is doing most of the work out here."

Wes laughed out loud and said, "Ouch! But good catch, Mark. Kyle is doing a lot out here. I wish I had 10 more just like him. He just brought me another great idea for doing things better. He has only been here for two months, and he already seems to understand how everything should flow together. There are guys who have been here for five years who can't do that." As Wes talked, they watched Kyle expertly maneuver the forklift as he picked an order of drywall for a contractor.

Looking back at Mark, Wes said, "Hey, I don't think you came out here to pick up boards or talk about Kyle. Did you need me to do something?"

Mark shook his head and replied, "Nah. Just hanging out. Maybe I'm wondering if I could leave my problems inside and get a job with you cleaning up the yard. Seems like it would be a lot less stressful, and I could get lots of fresh air. What do you say?"

Wes laughed again, and replied as he looked down at his cell phone, "Sorry, no openings. You don't really want to work here anyway. Kyle would just make you look bad! Gotta go." Wes turned away to sort out a delivery problem that was holding up a job on the other side of town, and Mark found himself on his own again.

Realizing the answers he sought were not in the yard, Mark wandered back to his office. Shutting the door, he turned off his phone and sat back in his leather office chair so he could try again to straighten out his thinking like he had straightened up the pile of lumber.

Pulling out a blank notepad, Mark wrote down the thoughts that were rolling around his head. He knew it was probably unreasonable to ask his employees to accept a wage freeze for the third year in a row. A subgroup of the employees already seemed to dislike their jobs and it was scary to imagine how hard they would be to deal with if their morale level sunk even lower. There were already issues with “lost” inventory—perhaps the employee theft problem would skyrocket if there was no wage increase. Employees who felt cheated might feel entitled to help themselves to a different sort of raise. The store was full of items that most people would want—it would be easy for a disgruntled employee to smuggle some of the smaller items out of the store in lieu of a raise.

The ideas for cost savings given by Aaron could probably be accomplished, but it would be a lot of work. Thinking about the time and effort that would be necessary to make it happen, Mark wasn't sure if he wanted it bad enough. He already worked long hours, six days a week. If he was honest with himself, he had to admit that he was not particularly motivated to find a way to give raises to some of his employees. There were certain employees who didn't even seem to earn the money they were already making. It was hard to justify giving them even more money.

Mark realized that at least 15 per cent of his employees would probably save the company money if they left. These were the people like Dougie who were unreliable, dishonest, incompetent, or always in the middle of the latest workplace drama. It was hard to get motivated to work extra hours for months on end to reward this behaviour.

Of course, there were twice as many really good employees like Kyle. These were the employees that cared about their work and went that extra mile, even when no one was watching. They were the lifeblood of the business. They should be recognized. At the very top of this pile sat Aaron the controller, Simon the floor manager, and Wesley the yard foreman. Mark jotted down a note that it was imperative to show at least these three that they were really appreciated. He also knew that giving a raise to only some people and not others could create new problems.

Mark thought hard about the options scrawled across the page. Should he give an increase to everyone, to no one, or to the deserving minority? Should he do something else entirely? He knew there would be big consequences to any decision he made.

Harnessing the Science of Persuasion

by Robert B. Cialdini

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Harvard Business Review

Reprint R0109D

Harvard Business Review



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Harnessing the Science of Persuasion

by Robert B. Cialdini

A LUCKY FEW HAVE IT; most of us do not. A handful of gifted “naturals” simply know how to capture an audience, sway the undecided, and convert the opposition. Watching these masters of persuasion work their magic is at once impressive and frustrating. What’s impressive is not just the easy way they use charisma and eloquence to convince others to do as they ask. It’s also how eager those others are to do what’s requested of them, as if the persuasion itself were a favor they couldn’t wait to repay.

The frustrating part of the experience is that these born persuaders are often unable to account for their remarkable skill or pass it on to others. Their way with people is an art, and artists as a rule are far better at doing than at explaining. Most of them can’t offer much help to those of us who possess no more than the ordinary quotient of charisma and eloquence but who still have to wrestle with leadership’s fundamental challenge: getting things done through others. That challenge is painfully familiar to corporate executives, who every day have to figure out how to motivate and direct a highly individualistic work force. Playing the “Because I’m the boss” card is out. Even if it weren’t demeaning and demoralizing for all concerned, it would be out of place in a world where cross-functional teams, joint ventures, and intercompany partnerships have blurred the lines of authority. In such an environment, persuasion skills exert far greater influence over others’ behavior than formal power structures do.

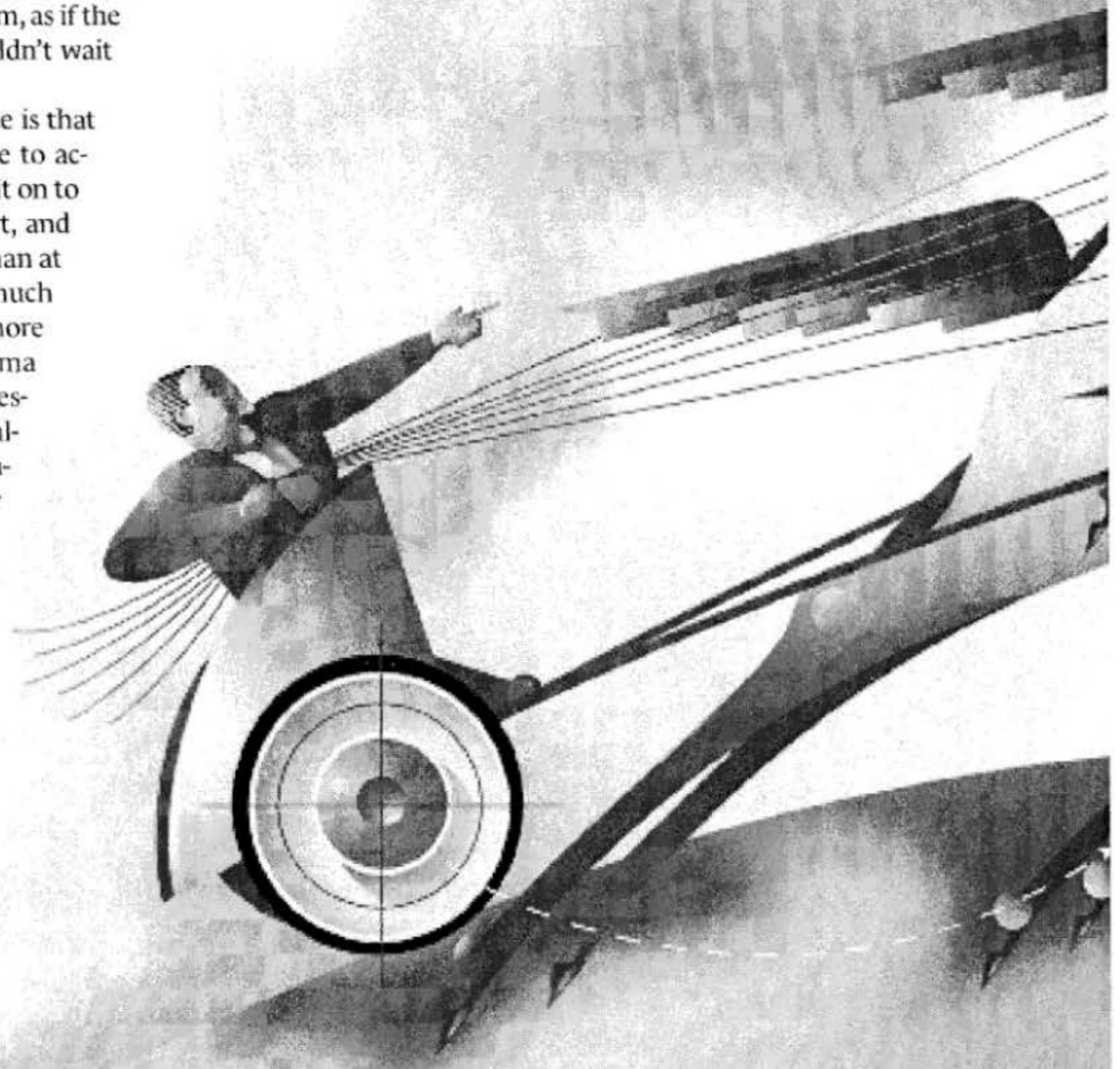




ILLUSTRATION: SCOTT WRIGHT

No leader can succeed without mastering the art of persuasion. But there's hard science in that skill, too, and a large body of psychological research suggests there are six basic laws of winning friends and influencing people.

OCTOBER 2001

Which brings us back to where we started. Persuasion skills may be more necessary than ever, but how can executives acquire them if the most talented practitioners can't pass them along? By looking to science. For the past five decades, behavioral scientists have conducted experiments that shed considerable light on the way certain interactions lead people to concede, comply, or change. This research shows that persuasion works by appealing to a limited set of deeply rooted human drives and needs, and it does so in predictable ways. Persuasion, in other words, is governed by basic principles that can be taught, learned, and applied. By mastering these principles, executives can bring scientific rigor to the business of securing consensus, cutting deals, and winning concessions. In the pages that follow, I describe six fundamental principles of persuasion and suggest a few ways that executives can apply them in their own organizations.

THE PRINCIPLE OF

Liking:

People like those who like them.

THE APPLICATION:

Uncover real similarities and offer genuine praise.

The retailing phenomenon known as the Tupperware party is a vivid illustration of this principle in action. The demonstration party for Tupperware products is hosted by an individual, almost always a woman, who invites to her home an array of friends, neighbors, and relatives. The guests' affection for their hostess predisposes them to buy from her, a dynamic that was confirmed by a 1990 study of purchase decisions made at demonstration parties. The researchers, Jonathan Frenzen and Harry Davis, writing in the *Journal of Consumer Research*, found that the guests' fondness for their hostess weighed twice as heavily in their purchase decisions as their regard for the products they bought. So when guests at a Tupperware party buy something, they aren't just buying to please themselves. They're buying to please their hostess as well.

What's true at Tupperware parties is true for business in general: If you want to influence people, win friends. How? Controlled research has identified several factors that reliably increase liking, but two stand out as espe-

Robert B. Cialdini is the Regents' Professor of Psychology at Arizona State University and the author of Influence: Science and Practice (Allyn & Bacon, 2001), now in its fourth edition. Further regularly updated information about the influence process can be found at www.influenceatwork.com.

cially compelling—similarity and praise. Similarity literally draws people together. In one experiment, reported in a 1968 article in the *Journal of Personality*, participants stood physically closer to one another after learning that they shared political beliefs and social values. And in a 1963 article in *American Behavioral Scientists*, researcher F. B. Evans used demographic data from insurance company records to demonstrate that prospects were more willing to purchase a policy from a salesperson who was akin to them in age, religion, politics, or even cigarette-smoking habits.

Managers can use similarities to create bonds with a recent hire, the head of another department, or even a new boss. Informal conversations during the workday create an ideal opportunity to discover at least one common area of enjoyment, be it a hobby, a college basketball team, or reruns of *Seinfeld*. The important thing is to establish the bond early because it creates a presumption of goodwill and trustworthiness in every subsequent encounter. It's much easier to build support for a new project when the people you're trying to persuade are already inclined in your favor.

Praise, the other reliable generator of affection, both charms and disarms. Sometimes the praise doesn't even have to be merited. Researchers at the University of North Carolina writing in the *Journal of Experimental Social Psychology* found that men felt the greatest regard for an individual who flattered them unstintingly even if the comments were untrue. And in their book *Interpersonal Attraction* (Addison-Wesley, 1978), Ellen Berscheid and Elaine Hatfield Walster presented experimental data showing that positive remarks about another person's traits, attitude, or performance reliably generates liking in return, as well as willing compliance with the wishes of the person offering the praise.

Along with cultivating a fruitful relationship, adroit managers can also use praise to repair one that's damaged or unproductive. Imagine you're the manager of a good-sized unit within your organization. Your work frequently brings you into contact with another manager—call him Dan—whom you have come to dislike. No matter how much you do for him, it's not enough. Worse, he never seems to believe that you're doing the best you can for him. Resenting his attitude and his obvious lack of trust in your abilities and in your good faith, you don't spend as much time with him as you know you should; in consequence, the performance of both his unit and yours is deteriorating.

The research on praise points toward a strategy for fixing the relationship. It may be hard to find, but there has to be something about Dan you can sincerely admire, whether it's his concern for the people in his department, his devotion to his family, or simply his work ethic. In your next encounter with him, make an appreciative comment about that trait. Make it clear that in this case

at least, you value what he values. I predict that Dan will relax his relentless negativity and give you an opening to convince him of your competence and good intentions.

THE PRINCIPLE OF

Reciprocity:

People repay in kind.

THE APPLICATION:

Give what you want to receive.

Praise is likely to have a warming and softening effect on Dan because, ornery as he is, he is still human and subject to the universal human tendency to treat people the way they treat him. If you have ever caught yourself smiling at a coworker just because he or she smiled first, you know how this principle works.

Charities rely on reciprocity to help them raise funds. For years, for instance, the Disabled American Veterans organization, using only a well-crafted fund-raising letter, garnered a very respectable 18% rate of response to its appeals. But when the group started enclosing a small gift in the envelope, the response rate nearly doubled to 35%. The gift – personalized address labels – was extremely modest, but it wasn't what prospective donors received that made the difference. It was that they had gotten anything at all.

What works in that letter works at the office, too. It's more than an effusion of seasonal spirit, of course, that impels suppliers to shower gifts on purchasing departments at holiday time. In 1996, purchasing managers admitted to an interviewer from *Inc.* magazine that after having accepted a gift from a supplier, they were willing to purchase products and services they would have otherwise declined. Gifts also have a startling effect on retention. I have encouraged readers of my book to send me examples of the principles of influence at work in their own lives. One reader, an employee of the State of Oregon, sent a letter in which she offered these reasons for her commitment to her supervisor:

He gives me and my son gifts for Christmas and gives me presents on my birthday. There is no promotion for the type of job I have, and my only choice for one is to move to another department. But I find myself resisting trying to move. My boss is reaching retirement age, and I am thinking I will be able to move out after he retires....[F]or now, I feel obligated to stay since he has been so nice to me.

Ultimately, though, gift giving is one of the cruder applications of the rule of reciprocity. In its more sophisticated uses, it confers a genuine first-mover advantage on any manager who is trying to foster positive attitudes

and productive personal relationships in the office: Managers can elicit the desired behavior from coworkers and employees by displaying it first. Whether it's a sense of trust, a spirit of cooperation, or a pleasant demeanor, leaders should model the behavior they want to see from others.

The same holds true for managers faced with issues of information delivery and resource allocation. If you lend a member of your staff to a colleague who is short-handed and staring at a fast-approaching deadline, you will significantly increase your chances of getting help when you need it. Your odds will improve even more if you say, when your colleague thanks you for the assistance, something like, "Sure, glad to help. I know how important it is for me to count on your help when I need it."

THE PRINCIPLE OF

Social Proof:

People follow the lead of similar others.

THE APPLICATION:

Use peer power whenever it's available.

Social creatures that they are, human beings rely heavily on the people around them for cues on how to think, feel, and act. We know this intuitively, but intuition has also been confirmed by experiments, such as the one first described in 1982 in the *Journal of Applied Psychology*. A group of researchers went door-to-door in Columbia, South Carolina, soliciting donations for a charity campaign and displaying a list of neighborhood residents who had already donated to the cause. The researchers found that the longer the donor list was, the more likely those solicited would be to donate as well.

To the people being solicited, the friends' and neighbors' names on the list were a form of social evidence about how they should respond. But the evidence would not have been nearly as compelling had the names been those of random strangers. In an experiment from the 1960s, first described in the *Journal of Personality and Social Psychology*, residents of New York City were asked to return a lost wallet to its owner. They were highly likely to attempt to return the wallet when they learned that another New Yorker had previously attempted to do so. But learning that someone from a foreign country had tried to return the wallet didn't sway their decision one way or the other.

The lesson for executives from these two experiments is that persuasion can be extremely effective when it comes from peers. The science supports what most sales professionals already know: Testimonials from satisfied customers work best when the satisfied customer

and the prospective customer share similar circumstances. That lesson can help a manager faced with the task of selling a new corporate initiative. Imagine that you're trying to streamline your department's work processes. A group of veteran employees is resisting. Rather than try to convince the employees of the move's merits yourself, ask an old-timer who supports the initiative to speak up for it at a team meeting. The compatriot's testimony stands a much better chance of convincing the group than yet another speech from the boss. Stated simply, influence is often best exerted horizontally rather than vertically.

THE PRINCIPLE OF

Consistency:

People align with their clear commitments.

THE APPLICATION:

Make their commitments active, public, and voluntary.

Liking is a powerful force, but the work of persuasion involves more than simply making people feel warmly toward you, your idea, or your product. People need not only to like you but to feel committed to what you want them to do. Good turns are one reliable way to make people feel obligated to you. Another is to win a public commitment from them.

My own research has demonstrated that most people, once they take a stand or go on record in favor of a position, prefer to stick to it. Other studies reinforce that finding and go on to show how even a small, seemingly trivial commitment can have a powerful effect on future actions. Israeli researchers writing in 1983 in the *Personality and Social Psychology Bulletin* recounted how they asked half the residents of a large apartment complex to sign a petition favoring the establishment of a recreation center for the handicapped. The cause was good and the request was small, so almost everyone who was asked agreed to sign. Two weeks later, on National Collection Day for the Handicapped, all residents of the complex were approached at home and asked to give to the cause. A little more than half of those who were not asked to sign the petition made a contribution. But an astounding 92% of those who did sign donated money. The residents of the apartment complex felt obligated to live up to their commitments because those commitments were active, public, and voluntary. These three features are worth considering separately.

There's strong empirical evidence to show that a choice made actively – one that's spoken out loud or written down or otherwise made explicit – is considerably more

likely to direct someone's future conduct than the same choice left unspoken. Writing in 1996 in the *Personality and Social Psychology Bulletin*, Delia Cioffi and Randy Garner described an experiment in which college students in one group were asked to fill out a printed form saying they wished to volunteer for an AIDS education project in the public schools. Students in another group volunteered for the same project by leaving blank a form stating that they didn't want to participate. A few days later, when the volunteers reported for duty, 74% of those who showed up were students from the group that signaled their commitment by filling out the form.

The implications are clear for a manager who wants to persuade a subordinate to follow some particular course of action: Get it in writing. Let's suppose you want your employee to submit reports in a more timely fashion. Once you believe you've won agreement, ask him to summarize the decision in a memo and send it to you. By doing so, you'll have greatly increased the odds that he'll fulfill the commitment because, as a rule, people live up to what they have written down.

Research into the social dimensions of commitment suggests that written statements become even more powerful when they're made public. In a classic experiment, described in 1955 in the *Journal of Abnormal and Social Psychology*, college students were asked to estimate the length of lines projected on a screen. Some students were asked to write down their choices on a piece of paper, sign it, and hand the paper to the experimenter. Others wrote their choices on an erasable slate, then erased the slate immediately. Still others were instructed to keep their decisions to themselves.

The experimenters then presented all three groups with evidence that their initial choices may have been wrong. Those who had merely kept their decisions in their heads were the most likely to reconsider their original estimates. More loyal to their first guesses were the students in the group that had written them down and immediately erased them. But by a wide margin, the ones most reluctant to shift from their original choices were those who had signed and handed them to the researcher.

This experiment highlights how much most people wish to appear consistent to others. Consider again the matter of the employee who has been submitting late reports. Recognizing the power of this desire, you should, once you've successfully convinced him of the need to be more timely, reinforce the commitment by making sure it gets a public airing. One way to do that would be to send the employee an e-mail that reads, "I think your plan is just what we need. I showed it to Diane in manufacturing and Phil in shipping, and they thought it was right on target, too." Whatever way such commitments are formalized, they should never be like the New Year's resolutions people privately make and then abandon with no one the wiser. They should be publicly made and visibly posted.

More than 300 years ago, Samuel Butler wrote a couplet that explains succinctly why commitments must be voluntary to be lasting and effective: "He that complies against his will/Is of his own opinion still." If an undertaking is forced, coerced, or imposed from the outside, it's not a commitment; it's an unwelcome burden. Think how you would react if your boss pressured you to donate to the campaign of a political candidate. Would that make you more apt to opt for that candidate in the privacy of a voting booth? Not likely. In fact, in their 1981 book *Psychological Reactance* (Academic Press), Sharon S. Brehm and Jack W. Brehm present data that suggest you'd vote the opposite way just to express your resentment of the boss's coercion.

This kind of backlash can occur in the office, too. Let's return again to that tardy employee. If you want to produce an enduring change in his behavior, you should avoid using threats or pressure tactics to gain his compliance. He'd likely view any change in his behavior as the result of intimidation rather than a personal commitment to change. A better approach would be to identify something that the employee genuinely values in the workplace – high-quality workmanship, perhaps, or team spirit – and then describe how timely reports are consistent with those values. That gives the employee reasons for improvement that he can own. And because he owns them, they'll continue to guide his behavior even when you're not watching.

THE PRINCIPLE OF

Authority:

People defer to experts.

THE APPLICATION:

Expose your expertise; don't assume it's self-evident.

Two thousand years ago, the Roman poet Virgil offered this simple counsel to those seeking to choose correctly: "Believe an expert." That may or may not be good advice, but as a description of what people actually do, it can't be beaten. For instance, when the news media present an acknowledged expert's views on a topic, the effect on public opinion is dramatic. A single expert-opinion news story in the *New York Times* is associated with a 2% shift in public opinion nationwide, according to a 1993 study described in the *Public Opinion Quarterly*. And researchers writing in the *American Political Science Review* in 1987 found that when the expert's view was aired on national television, public opinion shifted as much as 4%. A cynic might argue that these findings only illustrate the docile submissiveness of the public. But a fairer explanation is

that, amid the teeming complexity of contemporary life, a well-selected expert offers a valuable and efficient shortcut to good decisions. Indeed, some questions, be they legal, financial, medical, or technological, require so much specialized knowledge to answer, we have no choice but to rely on experts.

Since there's good reason to defer to experts, executives should take pains to ensure that they establish their

Surprisingly often, people mistakenly assume that others recognize and appreciate their experience.

own expertise before they attempt to exert influence. Surprisingly often, people mistakenly assume that others recognize and appreciate their experience. That's what happened at a hospital where some colleagues and I were consulting. The physical therapy staffers were frustrated because so many of their stroke patients abandoned their exercise routines as soon as they left the hospital. No matter how often the staff emphasized the importance of regular home exercise – it is, in fact, crucial to the process of regaining independent function – the message just didn't sink in.

Interviews with some of the patients helped us pinpoint the problem. They were familiar with the background and training of their physicians, but the patients knew little about the credentials of the physical therapists who were urging them to exercise. It was a simple matter to remedy that lack of information: We merely asked the therapy director to display all the awards, diplomas, and certifications of her staff on the walls of the therapy rooms. The result was startling: Exercise compliance jumped 34% and has never dropped since.

What we found immensely gratifying was not just how much we increased compliance, but how. We didn't fool or browbeat any of the patients. We *informed* them into compliance. Nothing had to be invented; no time or resources had to be spent in the process. The staff's expertise was real – all we had to do was make it more visible.

The task for managers who want to establish their claims to expertise is somewhat more difficult. They can't simply nail their diplomas to the wall and wait for everyone to notice. A little subtlety is called for. Outside the United States, it is customary for people to spend time interacting socially before getting down to business for the first time. Frequently they gather for dinner the night before their meeting or negotiation. These get-togethers can

Persuasion Experts, Safe at Last

Thanks to several decades of rigorous empirical research by behavioral scientists, our understanding of the how and why of persuasion has never been broader, deeper, or more detailed. But these scientists aren't the first students of the subject. The history of persuasion studies is an ancient and honorable one, and it has generated a long roster of heroes and martyrs.

A renowned student of social influence, William McGuire, contends in a chapter of the *Handbook of Social Psychology*, 3rd ed. (Oxford University Press, 1985) that scattered among the more than four millennia of recorded Western history are four centuries in which the study of persuasion flourished as a craft. The first was the Periclean Age of ancient Athens, the second occurred during the years of the Roman Republic, the next appeared in the time of the European Renaissance, and the last extended over the hundred years that have just ended, which witnessed the advent of large-scale advertising, information, and mass media campaigns. Each of the three previous centuries of systematic persuasion study was marked by a flowering of human achievement that was suddenly cut short when political authorities had the masters of persuasion killed. The philosopher Socrates is probably the best known of the persuasion experts to run afoul of the powers that be.

Information about the persuasion process is a threat because it creates a base of power entirely separate from the one controlled by political authorities. Faced with a rival source of influence, rulers in previous centuries had few qualms about eliminating those rare individuals who truly understood how to marshal forces that heads of state have never been able to monopolize, such as cleverly crafted language, strategically placed information, and, most important, psychological insight.

It would perhaps be expressing too much faith in human nature to claim that persuasion experts no longer face a threat from those who wield political power. But because the truth about persuasion is no longer the sole possession of a few brilliant, inspired individuals, experts in the field can presumably breathe a little easier. Indeed, since most people in power are interested in remaining in power, they're likely to be more interested in acquiring persuasion skills than abolishing them.

make discussions easier and help blunt disagreements – remember the findings about liking and similarity – and they can also provide an opportunity to establish expertise. Perhaps it's a matter of telling an anecdote about successfully solving a problem similar to the one that's on the agenda at the next day's meeting. Or perhaps dinner is the time to describe years spent mastering a complex discipline – not in a boastful way but as part of the ordinary give-and-take of conversation.

Granted, there's not always time for lengthy introductory sessions. But even in the course of the preliminary conversation that precedes most meetings, there is almost always an opportunity to touch lightly on your relevant background and experience as a natural part of a sociable exchange. This initial disclosure of personal information gives you a chance to establish expertise early in the game, so that when the discussion turns to the business at hand, what you have to say will be accorded the respect it deserves.

THE PRINCIPLE OF

Scarcity:

People want more of what they can have less of.

THE APPLICATION:

Highlight unique benefits and exclusive information.

Study after study shows that items and opportunities are seen to be more valuable as they become less available. That's a tremendously useful piece of information for managers. They can harness the scarcity principle with the organizational equivalents of limited-time, limited-supply, and one-of-a-kind offers. Honestly informing a coworker of a closing window of opportunity – the chance to get the boss's ear before she leaves for an extended vacation, perhaps – can mobilize action dramatically.

Managers can learn from retailers how to frame their offers not in terms of what people stand to gain but in terms of what they stand to lose if they don't act on the information. The power of "loss language" was demonstrated in a 1988 study of California home owners written up in the *Journal of Applied Psychology*. Half were told that if they fully insulated their homes, they would save a certain amount of money each day. The other half were told that if they failed to insulate, they would lose that amount each day. Significantly more people insulated their homes when exposed to the loss language. The same phenomenon occurs in business. According to a 1994 study in the journal *Organizational Behavior and Human Decision Processes*, potential losses figure far more heavily in managers' decision making than potential gains.

In framing their offers, executives should also remember that exclusive information is more persuasive than widely available data. A doctoral student of mine, Amram Knishinsky, wrote his 1982 dissertation on the purchase decisions of wholesale beef buyers. He observed that they more than doubled their orders when they were told that, because of certain weather conditions overseas, there was likely to be a scarcity of foreign beef in the near future. But their orders increased 600% when they were informed that no one else had that information yet.

The persuasive power of exclusivity can be harnessed by any manager who comes into possession of information that's not broadly available and that supports an idea or initiative he or she would like the organization to adopt. The next time that kind of information crosses your desk, round up your organization's key players. The information itself may seem dull, but exclusivity will give it a special sheen. Push it across your desk and say, "I just got this report today. It won't be distributed until next week, but I want to give you an early look at what it shows." Then watch your listeners lean forward.

Allow me to stress here a point that should be obvious. No offer of exclusive information, no exhortation to act now or miss this opportunity forever should be made unless it is genuine. Deceiving colleagues into compliance is not only ethically objectionable, it's foolhardy. If the deception is detected – and it certainly will be – it will snuff out any enthusiasm the offer originally kindled. It will also invite dishonesty toward the deceiver. Remember the rule of reciprocity.

Putting It All Together

There's nothing abstruse or obscure about these six principles of persuasion. Indeed, they neatly codify our intuitive understanding of the ways people evaluate information and form decisions. As a result, the principles are easy for most people to grasp, even those with no formal education in psychology. But in the seminars and workshops I conduct, I have learned that two points bear repeated emphasis.


First, although the six principles and their applications can be discussed separately for the sake of clarity, they should be applied in combination to compound their impact. For instance, in discussing the importance of expertise, I suggested that managers use informal, social conversations to establish their credentials. But that conversation affords an opportunity to gain information as well as convey it. While you're showing your dinner companion that you have the skills and experience your business problem demands, you can also learn about your companion's background, likes, and dislikes – information that will help you locate genuine similarities and give sincere compliments. By letting your expertise sur-

face and also establishing rapport, you double your persuasive power. And if you succeed in bringing your dinner partner on board, you may encourage other people to sign on as well, thanks to the persuasive power of social evidence.

The other point I wish to emphasize is that the rules of ethics apply to the science of social influence just as they do to any other technology. Not only is it ethically wrong to trick or trap others into assent, it's ill-advised in practical terms. Dishonest or high-pressure tactics work only in the short run, if at all. Their long-term effects are malignant, especially within an organization, which can't function properly without a bedrock level of trust and cooperation.

That point is made vividly in the following account, which a department head for a large textile manufacturer related at a training workshop I conducted. She described a vice president in her company who wrung public commitments from department heads in a highly manipulative manner. Instead of giving his subordinates time to talk or think through his proposals carefully, he would approach them individually at the busiest moment of their workday and describe the benefits of his plan in exhaustive, patience-straining detail. Then he would move in for the kill. "It's very important for me to see you as being on my team on this," he would say. "Can I count on your support?" Intimidated, frazzled, eager to chase the man from their offices so they could get back to work, the department heads would invariably go along with his request. But because the commitments never felt voluntary, the department heads never followed through, and as a result the vice president's initiatives all blew up or petered out.

This story had a deep impact on the other participants in the workshop. Some gulped in shock as they recognized their own manipulative behavior. But what stopped everyone cold was the expression on the department head's face as she recounted the damaging collapse of her superior's proposals. She was smiling.

Nothing I could say would more effectively make the point that the deceptive or coercive use of the principles of social influence is ethically wrong and pragmatically wrongheaded. Yet the same principles, if applied appropriately, can steer decisions correctly. Legitimate expertise, genuine obligations, authentic similarities, real social proof, exclusive news, and freely made commitments can produce choices that are likely to benefit both parties. And any approach that works to everyone's mutual benefit is good business, don't you think? Of course, I don't want to press you into it, but, if you agree, I would love it if you could just jot me a memo to that effect. 

Reprint R0109D

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8

SOCIAL INFLUENCE, PERSUASION, AND GROUP DECISION MAKING

SHINOBU KITAYAMA
Kyoto University

EUGENE BURNSTEIN
University of Michigan

Introduction

Paul is an active member of a fraternity at a private college in the South. During the last few months, his fraternity has been accused of several alcohol-related incidents and is being closely monitored by the local police as well as the college administration. Paul does usually like to party and thinks that beer is a good thing to drink on such occasions. Because of these incidents, however, he has also begun to feel that the alcohol policy of his house might be too lenient. At the same time, he is acutely aware that a vast majority of his fraternity brothers are strongly opposed to tightening their alcohol policy. So he has never openly expressed his opinion on this matter to them.

The kind of situation that Paul faces in the above example is extremely common in everyday life. We live most of our lives in groups. We get ideas about what is right and wrong from what others in the group are saying and doing. Not only that, we also often go along with our group even when we really disagree at heart. At the same time, however, there are many occasions in which we firmly stand up for our opinions and beliefs, even though they conflict with those held by a majority of other members, resist influence from the group, assert our views, and try to

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persuade the others. And in many cases, we can and do, in fact, influence the course of action the group eventually takes. Thus, to understand persuasion in groups, we have to analyze not only how the individual is influenced by a group but also how he or she influences the group. The organization of the present chapter reflects this consideration.

The first theme of the chapter is *majority influence*, or *conformity*. Often, individuals change their behavior as a result of having been exposed to opinions, behaviors, or preferences of other individuals in the group. Paul's example above is a case in point. The source of social influence is a majority within the group (the other members of the house) and the recipient of influence is a minority (Paul himself). Keep in mind that influence can occur without any explicit communication. For example, just by observing how the other members behave, Paul probably can figure out what they think about restricting drinking, what are the consequences of agreeing or disagreeing with them on this issue, and the like. As a result of these observations, Paul may change his actions so that they conform with those of the majority, or he may refuse to conform.

No matter how pervasive and powerful conformity pressures may be, individuals are rarely passive recipients of influence from the majority. A minority can also influence the majority. For example, in Paul's case, if the issue of excessive drinking is important to him, and if he disagrees with the group, he may stand up and express his opinion in front of other house members. In other words, Paul may become an *active minority* and initiate innovative processes in the group. How can a minority influence a majority? Does minority influence work the same way or differently from majority influence? These questions will be the topic for the second section.

In the third section, we will shift gears and discuss persuasion in groups in more natural situations, namely, where members engage in face-to-face discussion. We will ask what social influence processes are at work under these conditions. Finally, we will discuss some pitfalls of group discussion and suggest possible ways to avoid these pitfalls.

Majority Influence

As Barbara Ehrenreich puts it, "The Jacobins of the multiculturalist movement, who are described derisively as P.C., or politically correct, are said to have launched a campus reign of terror against those who slip and innocently say 'freshman' instead of 'freshperson,' 'Indian' instead of 'Native American' or, may the Goddess forgive them, 'disabled' instead of 'differently abled'" (Ehrenreich, 1991, p. 84). This quote vividly illustrates that even though many of us think it silly to confuse verbal purity with a truly enlightened commitment to ethnic and cultural diversity, on many American college campuses today, we often cannot help but feel pressured to conform and use so-called politically correct terms and phrases (see Figure 8-1). Conformity pressure like this, however, has always existed as long as there have been human groups. Not surprisingly, research on this topic can also be



FIGURE 8-1 A hapless college teacher encounters the mandarins of political correctness.

Source: Robert Neubecker.

traced back to the very first years of modern social psychology. Specifically, Sherif (1935) and Asch (1951, 1956) used markedly contrasting procedures to address this same topic, with vastly different results and theoretical implications.

Sherif: Social Influence When Physical Reality Is Ambiguous

Common sense suggests that social influence should be quite substantial when we do not know what the "right" behavior really is. In these circumstances, our *public behavior* will certainly be influenced by what other individuals say and do. Evidence suggests, however, that social influence can go even deeper, changing our private beliefs and perceptions, as well. Sherif (1935) addressed this possibility with ingenuity, using a perceptual illusion called the *autokinetic effect*.

Imagine that we focus our attention on a pinpoint of light in an otherwise completely dark room. Typically, after several seconds, the light will appear to move erratically. The movement is illusory, because the light source is actually stationary. The illusion is due to the absence of any spatial frame of reference that helps locate the light. (Remember that the room is completely dark.) Sherif had subjects simply estimate the size of light movement in inches. When subjects made this judgment alone, their judgment varied within some sizable range. Later, they came together in groups of two or three and made their judgments aloud, one after the other. Discussion was forbidden. Initially, each member of the group stuck to the particular estimate that he or she had made while judging alone, and, as a result, there was

considerable disagreement about the precise amount of movement. Over time, however, the judgments began to converge; people began to agree more and more so that eventually their judgments always fell within a rather narrow *common range*. Once this common range, or *group norm*, had been created, each person from then on reported perceiving a similar amount of movement. Interestingly, the subjects continued to respond in accordance with the group norm even when they made a judgment alone and in private, after having left the group. Thus, they were not just going along to avoid disagreement. Exposure to the judgments of others altered their frame of reference (standard) for estimating movement and, hence, their actual perception of movement in this situation. Moreover, they carried the new frame of reference with them and used it outside of the group. In short, the group norm was *internalized*.

Asch: Social Influence When Physical Reality Is Clear

The substantial amount of social influence observed in the Sherif study would seem reasonable because, after all, the stimulus was extremely ambiguous. We might predict, therefore, that once ambiguity is eliminated and the stimulus is clear cut, social influence should disappear. If physical reality is obvious, we should be capable of independent judgment and resist any social influence inconsistent with this reality. With the goal of studying *independence* from others in mind, therefore, Asch (1951, 1956) began a series of experiments. These experiments, however, turned out to be *the most widely cited demonstrations of conformity*.

Asch presented a standard line, along with two or three comparison lines, to a group of individuals. Members of the group were to announce, one at a time, which of the comparison lines was identical in length to the standard. This was repeated for many trials with different standard and comparison lines. In every instance, however, the correct answer was obvious; so when the same judgments were made in private, no one made an error. The size of the group varied from condition to condition and from experiment to experiment (see following), although typically, there were several members. Whatever its size, a group always contained only one naive subject, and the remaining individuals were accomplices of the experimenter who had been instructed ahead of time as to the judgments they were to make. The seating was prearranged so that the naive individual would always have to report his judgment next to last. By the time his turn came around, therefore, almost everybody else had made their opinion public. On one-third of the trials, the accomplices were correct and the naive person had no problem going along. On the other two-thirds, however, something mysterious happened in the eyes of the naive subject. All the other members in the group chose what to him was clearly the wrong comparison line.

To his surprise, Asch discovered an appreciable tendency to conform with the majority, even though the position taken by the majority was patently incorrect. On the average, the naive subject conformed with the incorrect majority on more than 30% of the trials. Further, more than 60% of the naive subjects made such a conformity response at least once during the experiment. Having realized the signifi-

cance of the result, Asch quickly changed the objective of the study 180 degrees from independence to conformity. He thus contributed a classic method of studying majority influence.

Some Cognitive Processes at Work in the Asch Situation

Why does conformity occur, even in the face of undeniable physical reality? Keep in mind that, in the Asch situation, no verbal communication is allowed. Members cannot discuss their differences and argue why they think their judgment is correct. Thus, social influence or persuasion in this situation occurs with minimal social interaction, primarily *within* the mind of the recipient of the influence. Let us discuss some important factors implicated in this process.

Cognitive Conflict

To begin with, the very fact that the target stimulus is crystal clear may produce a high degree of cognitive conflict. Some researchers have argued that it is this conflict that induces a person to conform (Ross, Bierbrauer, & Hoffman, 1976). They reason that when physical reality is undeniably clear, we anticipate complete agreement among members. Therefore, upon discovering a unanimous yet seemingly incorrect majority, naive subjects must ask themselves why everyone else in the group is making what appears to them to be a clearly incorrect choice. It is very difficult to discount completely the possibility that the majority position might actually be correct. As a result, naive subjects begin to question their own sensory experience and may, instead, turn to the majority for the "correct" judgment. Another important source of ambiguity is an expectation held by naive subjects that since there is a clear physical reality, the majority expects that there will be no disagreement among group members. This in turn makes naive subjects apprehensive about what the majority will think of them if they violate this expectation. Such apprehension can also lead to a considerable pressure to agree with the majority.

Informational and Normative Influence

Another important determinant of conformity is the *goal* of the person who confronts an erroneous majority. Researchers have distinguished two general classes of goals. The first is *being correct*. That is to say, members may want to discover the correct solution to problems presented to them in a given situation. In the Asch situation, the very fact that a unanimous majority endorses one position may suggest that the position must be correct. Individuals then give up trusting their own senses and instead conform to the majority. When social influence occurs because the member wants to be correct, the influence is said to be *informational*. The second goal is *social approval*. Members want to feel liked and approved of by others. In the service of this desire, individuals may adjust their opinions to those of others; it is a tactic that enables them to gain approval or avoid rejection (see Chapter 9 by Cialdini in this volume). When social influence is mediated by the motive for social approval, it is said to be *normative*.

There seems to be a sizable component of normative social influence in the Asch situation. This has been suggested by subsequent experiments that demonstrate that conformity decreases dramatically once naive subjects can respond anonymously (Crutchfield, 1955; Deutsch & Gerard, 1955; see Allen, 1965, for a review). Quite interestingly, however, even in these conditions where complete anonymity is assured, some small yet reliable amount of conformity still remains, suggesting that some portion of the influence is informational. Finally, it must be noted that in the Sherif study discussed above, the influence was predominantly informational. This was indicated by the fact that contrary to Asch's subjects, those in Sherif's study continued to judge the light movement in accordance with the group norm even after the group itself had been disbanded.

Majority Size: The Critical Role of Perceptual Grouping

How many individuals does a majority need to have to produce a significant amount of conformity? Will a majority produce more conformity as its size increases? These issues, in fact, were addressed in Asch's original experiment, where the number of the accomplices was varied from 1 through 16 (1, 2, 3, 4, 8, and 16). The result was quite revealing. Conformity increased quite rapidly until the majority reached the size of 3 or 4 and, thereafter, leveled off. Thus, a majority of 8 or even 16 was no more effective than a majority of 3 or 4. This finding has been replicated by several other researchers (Gerard, Wilhelmy, & Conolley, 1968; Rosenberg, 1961; Wilder, 1977). In every instance, a rather small majority had as much power over the individual as did a quite large majority.

Why this is true is not entirely clear; but we shall offer one tentative interpretation along with some evidence for it. Following Wilder (1977), we think that when there are more than three or four individuals advocating the same position, these individuals are no longer perceived as separate individuals but rather as a *clique*—we pigeonhole them to form a single category like “those guys with a different point of view.” Once individuals are packaged, the package functions as a *single* unit, virtually regardless of its size, resulting in no appreciable increase in conformity as its size increases. Support for this hypothesis comes from several experiments. In one study, Wilder (1977) found that individuals are influenced more by two *independent* groups of two people than by one group of four people. Similarly, three groups of two individuals were more influential than two groups of three individuals, which in turn were more influential than one group of six individuals. In short, it is easier to discount the opinions of others when we can perceive these individuals as belonging together, as being cliqueish or nonindependent judges.

A similar point was made by Kitayama, Burnstein, and Nelson (1987) within an Asch-type conformity situation. At the beginning of their study, twelve subjects were divided into two groups of six people on an entirely arbitrary basis. Subjects were then seated in individual cubicles and exchanged their views on a variety of issues by pressing a key on a computer keyboard in front of them. In fact, on several issues, the feedback about “others' opinions” had been prearranged so that each subject had to express his or her own opinion in fifth place after four “pre-

ceding persons" had expressed their opinions, which were uniformly extreme responses. Further, these four were either from a single group or from two different groups (two from one group and the remaining two from the other group). Subjects' response tended to move more in the direction of the majority position when the majority consisted of two groups of two individuals than when it consisted of one group of four individuals.

Minority Influence

Let us return to the case of Paul, the fraternity brother who thinks that a more strict alcohol policy is desirable. What if Paul publicly and consistently argues for his position, despite the fact that virtually everybody else in the fraternity strongly opposes such a policy? Most likely, other members will try to persuade Paul to change his opinion and conform; they may even threaten to ostracize him (Schachter, 1951). Nevertheless, suppose Paul still insists on vigorously expressing his belief in tighter regulation of alcohol in their house. How would the others respond to such a consistent, active minority?

In this section, we will review research on minority influence. Let us begin by distinguishing between two general effects of a minority.

Two Effects of an Active Minority

Liberating Effect

An important role that a minority can play in social influence was suggested by Asch in his original series of experiments. In these experiments, Asch showed that the influence of a majority can be greatly diminished if it is less than unanimous. In one of the experiments, each six-person group contained not only a majority but also a minority, that is, a single accomplice who had been instructed to respond correctly throughout. The minority member was always seated in the fourth position so that he announced his judgment just prior to the naive subject. In these conditions, conformity by the subject decreased dramatically. Recall that with a unanimous (and incorrect) majority, the naive subject conformed on more than 30% of the critical trials. When a single accomplice was instructed to defect from the majority and give a correct response, the naive subjects conformed with the majority on less than 6% of the trials.

It is evident that the presence of a small minority can greatly subvert the power of the majority (see Figure 8-2). The example of dissent frees members to express the correct opinion, as they would in the absence of an incorrect majority. A minority can *liberate* individuals from a unanimous majority for two reasons. First, a minority breaks the unanimity of a majority; and second, a minority can also provide social support for a naive subject's position. Note that although these two roles of liberating minorities often go together, they are theoretically distinct. For example, imagine a case in which the minority's position is quite different from



"Your Honor, on the first ballot the jury voted ten to two for conviction. For three emotionally charged hours, we discussed our points of difference. On the next ballot, it was seven to five for acquittal. Over the next several ballots, the vote sawsawed back and forth. One juror became ill and was replaced by an alternate. By now, we had been in session for ten hours straight. Tempers were rising and some jurors were near the breaking point."

FIGURE 8-2 The presence of an active minority can make group members feel free to express their own opinions.

Source: Drawing by Dana Fradon; © 1986 The New Yorker Magazine, Inc.

that of the majority, as well as that of the naive subject. In this case, the minority breaks the unanimity of the majority but does not provide any support for the naive subject's position. Interestingly, in the perceptual judgment task examined by Asch, conformity was reduced by a minority that disagreed with both the naive subject and the majority as effectively as by a minority that agreed with the naive subject, that is, who both broke the unanimity *and* provided social support (Allen & Levine, 1969). It appears, therefore, that unanimity is the primary source of the power of a majority in the Asch situation.

Belief Conversion Effect

Besides the liberating effect, a minority can have another, equally significant effect. Under certain conditions, a minority can influence majority members' private beliefs even when the minority is publicly rejected or ignored. In other words, a minority can produce *conversion* in the private beliefs of majority members without any apparent influence on what they say overtly or publicly. Evidence tends to

indicate that such a conversion effect produced by a minority is mediated by psychological processes somewhat different from those underlying majority influence or conformity. Although still controversial (see e.g., Latané & Wolf, 1981; Tanford & Penrod, 1984, for alternative views), this possibility is intriguing both theoretically and empirically and, in fact, has been actively pursued by a number of researchers since it was first proposed by a French social psychologist, Serge Moscovici (e.g., Moscovici & Faucheux, 1972).

Belief Conversion in Minority Influence

Several studies have demonstrated, in a situation analogous to Asch's, that a numerical minority can influence majority members' (i.e., naive subjects') judgments even though the minority's position is incorrect. In a typical experiment of this kind, Moscovici had five individuals name the color of a blue slide (e.g., Moscovici & Faucheux, 1972). As in the Asch experiment, the correct answer was very obvious. However, two of the five members were in fact accomplices of the experimenter and had been instructed to report consistently that the color was "green." When the percent of "green" responses made by the naive majority subjects was examined, they were found to occur on about 10% of the trials, thus demonstrating reliable minority influence. Interestingly, however, the minority influence completely vanished when the minority was not consistent, that is, when they made correct "blue" responses on some trials and incorrect "green" responses on the others. Based on findings such as these, Moscovici has suggested that *behavioral consistency* is a necessary condition for a minority to exert influence on a majority (see also Nemeth, Swedlund, & Kanki, 1974; Nemeth & Wachtler, 1974).

Why Consistency?

Earlier in this chapter, we suggested two sources of majority influence. First, informational influence occurs because the very fact that a large number of individuals agree on an issue suggests that this view must be correct. Second, normative influence takes place because individuals often want to be liked or accepted by the rest of the group, namely, the majority. Neither of these processes are likely when the source of influence is a numeric minority. Indeed, the fact that very few other people constitute the minority suggests that its position is likely to be *incorrect*. Further, individuals would presumably wish to be liked by more, rather than fewer, members, that is, by a majority of their group instead of a minority.

Moscovici (e.g., Moscovici & Faucheux, 1972) has proposed that, even under these circumstances, minorities can still exert an important influence on majorities but only if they are consistent in their behavioral style. If a minority consistently insists on its position, a majority will not be able to ignore the minority even though they still believe that the minority's position is incorrect. Also, members assume that a minority status is disadvantageous and that there is little incentive for the minority to insist on its position unless the minority sincerely believes that position. The inevitable inference, then, is that the minority members must be really and truly convinced that their position is correct (Kelley, 1973). As a consequence, the major-

ity members will begin to think about possible perspectives and potential arguments that may cause the minority to believe so strongly in their position.

To illustrate, let us examine Paul's case again. In their attempt to make sense of Paul's deviant behavior, the other members of the fraternity (i.e., the majority) may begin generating arguments that would explain Paul's (the minority's) position. Naturally, these self-generated arguments would on the whole support his position. As a consequence, the members will start to see some reasonable points to what Paul has been saying, which they had not thought about before. Their private opinions may then gradually change. In short, minority influence is likely to be mediated by issue-relevant thoughts activated in members of the majority by the consistent, deviant behavior of a minority, and it is likely to induce private change of opinion. (See Chapter 6 by Petty et al. for a discussion of the persuasive effects of self-generated thoughts.)

Minority Influence versus Majority Influence

Moscovici (e.g., Moscovici & Faucheux, 1972) has argued that the cognitive processes involved in generating arguments to explain a deviant position occur primarily when the deviant is a minority in the group and that these processes are unlikely when a deviant position is taken by a majority (see Maass & Clark, 1984; Nemeth, 1986, for reviews). In the case of majority influence, several factors work in concert to reduce the likelihood that members will engage in issue-relevant thinking. First, a member may decide to conform publicly to the majority without thinking seriously or deeply about arguments explaining what may have caused the majority to take the position they did. As we noted earlier, conformity is often a tactic to gain approval from a majority (i.e., normative influence). If the concern for approval dominates one's decision to go along with others, then very few issue-relevant thoughts are likely to be generated. Further, belonging to the majority has some obvious advantages, such as higher status and power within the group. Recognition of these facts by naive individuals makes them uncertain whether the majority members hold to their position because they really believe it or because they benefit from belonging to the majority. We are much less likely to think that a member belongs to a minority because of the benefits this status confers. Thus, the credibility of the majority is more likely to be in doubt than that of a minority. All in all, then, when faced with a deviant position, individuals attend to the issue and attempt to understand the deviant perspective only if those holding this perspective constitute a minority, not a majority.

Support for this analysis comes from a recent experiment by Atsumi and Burnstein (1991). They examined whether the judgmental accuracy of a naive member is influenced more by an inaccurate majority or an inaccurate minority. Subjects in the experiment participated in groups of six. Each subject was seated in front of a computer screen, on which a 10 × 10 matrix was displayed. Some of the 100 slots in the matrix were filled with circles, and the remaining were not filled. Subjects' task was to judge whether and to what extent the filled slots exceeded 50% of the total slots. Atsumi and Burnstein reasoned that the accuracy in this judgment should increase

when individuals pay more attention to the stimulus pattern, whereas it should decrease if they pay less attention. Each participant observed the responses allegedly made by the other members *before* the participant made his or her own judgment. In fact, this information about the others' judgments had been rigged so that on some trials, all five of the others' judgments were incorrect (majority condition), whereas on some trials, only two of them were incorrect (minority condition).

These researchers found that the accuracy of judgments increased in the minority condition but decreased in the majority condition. Their result clearly supports the hypothesis that members should pay more attention to the issue in question when a deviant position is taken by a minority than when the identical position is taken by a majority. Notice also that this experiment suggests a little dissent in a group is beneficial. It induces more critical evaluation of the issue and, as a consequence, makes for a more accurate group decision.

Additional and interesting support for the hypothesis that individuals attempt to understand a minority position rather than a majority position comes from a study by Maass and Clark (1983). In a group discussion about gay rights, individuals were more likely to agree with a majority position when their opinions had to be expressed in public than when they had to be expressed in private, but they were more likely to agree with a minority position when their opinions could be expressed in private rather than in public (see also Nemeth & Wachtler, 1974; Maass & Clark, 1984; Nemeth, 1986, for reviews). Thus, majority influence results mostly in public compliance without private acceptance. Minority influence, however, can lead to private acceptance in the absence of any noticeable influence in public.

The Active Minority and Social Change

All in all, there is considerable evidence that minorities can influence majorities by inducing issue-relevant thought congruent with the minority position. Having said this, however, we hasten to point out that it still is fairly rare that minorities have substantial impacts on majorities in everyday life. For example, Kalven and Zeisel (1966; cited in Nemeth, 1986, p. 23) analyzed 225 juries and found that the majority position on the first ballot became the final verdict in over 85% of the cases.

Perhaps this should not come as any surprise. After all, there are many hurdles to be cleared before minorities can produce significant change in both the private beliefs and the public behaviors of majorities. To begin with, it may take considerable time for minority members to make majority members *notice* as well as think about their deviant position. And supposing that the minority is successful in getting the majority to examine its position, this in no way guarantees that the majority will come up with cogent arguments that support the minority position.

Even in the best of circumstances, when the majority members do come up with relevant arguments in favor of the minority position, there still exists another major hurdle. The minority will have to overcome *pluralistic ignorance*.

Imagine that you are a member of the fraternity where Paul and his brothers are discussing their alcohol policy. Further, suppose that you have been convinced

by Paul, in private, that it is necessary to have a more strict alcohol policy. Even if you are so convinced, you may not express your opinion because you *think* that other fraternity members are still opposed to such a position. Now, what if the other members, one by one, have also been persuaded by Paul so that virtually everyone in the group agrees with Paul in private? Will anything happen? Maybe not—for everyone believes that everyone else is still opposed to a strict alcohol policy. When, as in this case, people behave in the same way based on a wrong yet widely shared belief, the phenomenon is called *pluralistic ignorance*. If everybody publicly maintains their old position, breaking the consensus can be quite difficult even when all of them have been privately converted to a minority position.

Group Discussion

So far, we have discussed majority influence and minority influence separately. In real life, of course, these two forms of influence are mutual and simultaneous. Indeed, group discussion, the typical medium of influence in groups, has certain characteristics that cannot be fully captured when the interaction is divided into majority influence and minority influence. We will now turn to these more dynamic characteristics of group discussion (see Figure 8-3).

Group-Induced Opinion Shift

The Risky Shift

Imagine a college senior who is very eager to pursue graduate study in chemistry leading to the Doctor of Philosophy degree. He has been accepted by both University X and University Y. University X has a worldwide reputation for excellence in chemistry. While a degree from University X would signify outstanding training in this field, the standards are so rigorous that only a fraction of the degree candidates actually receive the degree. University Y, on the other hand, has much less of a reputation in chemistry, but almost everyone admitted is awarded the Doctor of Philosophy degree, though the degree has much less prestige than the corresponding degree from University X.

In many everyday situations, an attractive course of action often entails greater risk than a less attractive course of action. Thus, a dilemma arises: Should we take a chance and go for it, or should we be more cautious? These dilemmas can be highly dramatic, as when the president of a nation and his or her advisers formulate their policies in international and domestic crises; or more mundane but still important, as when corporate managers evaluate the pros and cons of their investment plans. Having a group discussion in these circumstances may make perfect sense, especially when the stakes involved are very high.

Because group decisions require consensus and compromise, one might expect them to be more conservative, prudent, and cautious than individual decisions. In 1961, however, Stoner reported an effect that challenged this naive belief. He dis-



"I understand Mr. Gunderson has an idea he'd like to toss in the hopper."

FIGURE 8-3 Intimidation in group discussion

Source: Drawing by Saxon; © 1986 The New Yorker Magazine, Inc.

covered that individual opinions become *riskier* after group discussion. In the next 20 years or so, there was an explosion of studies that tried to understand this phenomenon.

Group Polarization

Once researchers began studying the *risky shift*, it gradually became clear, somewhat ironically, that *risky* was a sort of misnomer. Their findings indicated that group discussion sometimes does produce more cautious decisions than those made by individuals prior to discussion. From a number of subsequent studies, a fairly simple rule of thumb emerged in predicting which shift would occur in group discussion: Discussion leads members to make more extreme decisions in the direction toward which they were initially inclined. For example, if, on the whole, members favor a risky course in private prior to discussion, they will choose an even riskier option after discussion; however, if, on the whole, they initially favor a cautious course, discussion will lead them to become even more cautious. Thus, the initial risky shift effect was a special case of a more general effect of group discussion, namely, that discussion produces opinions that are

more extreme than those held by the members before they entered into the discussion.

Furthermore, some researchers have demonstrated an analogous shift of opinions through group discussion with a wide variety of topics unrelated to risk. Moscovici and Zavalloni (1969), for example, found that French university students who initially disapproved of U.S. foreign policy or who initially admired the policies of General DeGaulle evidenced even greater disapproval or admiration, respectively, after group discussion of these issues (see Doise, 1969, as well as reviews by Isenberg, 1986, and Myers & Lamm, 1976). Again, the rule of thumb is that group discussion induces more extreme opinions or beliefs. In other words, group discussion typically *polarizes* individuals' positions. These findings, as a whole, now constitute the phenomenon referred to as *group polarization*.

Theories of Group Polarization

How can group polarization be explained? A number of possibilities have been examined in the past 30 years. Here we will focus on the two that have received the most research attention: social comparison theory and persuasive argument theory. There are some close connections between these theories and some of the theoretical ideas we examined earlier in this chapter. On the one hand, we have social comparison theory, which assumes that individuals shift their opinions so as to gain approval or to be accepted by other group members. This theory therefore says, basically, that group polarization is due to *normative* influence. On the other hand, persuasive argument theory holds that group polarization is a necessary consequence of the argumentation that occurs in group discussion. This theory therefore emphasizes the role of issue-relevant thinking and views group polarization as due to *informational* influence.

Social Comparison

How can a concern about social approval lead to polarization? The earliest answer appeared in an analysis by Roger Brown (1965). He assumed that relatively extreme opinions are socially approved and that people who present themselves in this fashion are liked. Which extreme happens to be the socially approved one depends on what the values actually are. Brown argued that, at least in Western culture, a greater value seems to be placed on riskiness in such domains as games, careers, and business, whereas in such domains as health, family, and loved ones, prudence is more valued. According to this theory, members constantly compare their own positions with the positions of others in the group and strive to present themselves as at least as extreme as the others—so comes the name, *social comparison* (see also Mackie, 1986, for another more recent version of normative influence in group polarization).

One seemingly straightforward implication of social comparison theory is that group polarization should occur even when one only knows other members' choices. No discussion should be necessary. This in fact turns out to be the case (Sanders & Baron, 1977; Goethals & Zanna, 1979). However, the amount of polar-

ization under these conditions is substantially smaller than in more naturalistic conditions in which actual discussion takes place. Thus, it is unlikely that social comparison is the only mechanism underlying group polarization.

Persuasive Argument

The other important theory of group polarization assumes that it is issue-relevant thoughts exchanged during discussion that lead to opinion polarization (Burnstein, 1982; Burnstein & Vinokur, 1977). According to the theory, on any given issue, there is a pool of arguments available in the culture, some of which favor one position and others of which favor the alternative position. These arguments, however, are not always shared; any given person usually thinks of only some of these arguments. Through group discussion, initially unshared arguments are exchanged and become widely available. And it is these arguments that are newly gained in discussion that lead to polarization.

This theory explains why group discussion polarizes opinions in a popular direction—one that most members were leaning toward prior to discussion. Such a position is popular precisely because, within the culture, arguments that favor that position are more numerous and more persuasive than those that favor the alternative position (Vinokur & Burnstein, 1974, 1978; see also Myers & Lamm, 1976). In discussion, members are likely to discover more and better reasons for having made the choices they did and, hence, polarize their positions.

Groupthink

Late in the Eisenhower administration the CIA concocted a plan to send 1,400 trained exiles into Cuba to overthrow Fidel Castro. When the Kennedy administration took over, the plan was presented to the president and his advisers. Some of the latter individuals had deep misgiving about the plan. They knew, however, that Kennedy wanted an operation of this kind. As a result, when as a group they decided to go ahead with the CIA plan, none of them gave voice to their misgivings. It turned out to be a fiasco. Afterward they lamented: "How could we have been so stupid?"

The research we have reviewed thus far is based mostly on laboratory experiments. One might ask, therefore, whether the phenomena and theoretical principles identified in this work have any relevance to more naturalistic groups. In his seminal work on group decision making, Janis (1971) showed that a number of psychological factors, including those we have discussed, can have some very powerful consequences in the real world. Specifically, these factors conspire to create a phenomenon called *groupthink*, which causes defective group decisions. In this section, we will discuss some pitfalls of group discussion that have made history, such as the ones exemplified by the Kennedy administration's infamous decision to invade Cuba in 1961, and suggest possible ways of avoiding these pitfalls.

Groupthink occurs when members of a cohesive group have a strong desire to achieve and maintain consensus and unity. This tendency toward concurrence seeking overrides the group's realistic appraisals of their alternatives. As a result, the group decision has a good chance of being defective. When the members' need to agree becomes excessive, they tend to generate arguments that allow the group as a whole to rationalize their preexisting positions. Dissent is not welcome. The members become extremely reluctant to communicate disagreements with what they perceive to be the established consensus. This reluctance to openly disagree, deriving from each individual's desire to secure social approval, leads to an illusory confidence in the group decision and to the unwarranted belief that the decision is universally accepted, that it has the status of a group norm, and that, as such, it is inviolable. In groupthink, the group itself becomes sacrosanct. In Janis's own words, there arise both an "unquestioned belief in the group's morality" and an "illusion of unanimity" so that the issues raised and the arguments made tend to be detached from the outside realities.

Janis demonstrated that the tendency toward groupthink can be seen in well-known policy decisions made by the nation's highest officials. He analyzed and compared several good and bad policy decisions made by U.S. presidents and their advisers. Drawing on historical documents, Janis concluded that the tendency toward groupthink has been the cause of numerous blunders in several administrations. As mentioned earlier, one well-known instance occurred during the Kennedy administration when the president and his advisers blindly adopted a jerry-rigged plan to invade Cuba. Janis observed virtually every symptom of groupthink among cabinet members of the Kennedy administration during their discussion of the invasion plan. For example, one cabinet member at that time, Arthur Schlesinger (1965), frankly admitted at a later date that "I can only explain my failure to do more than raise a few timid questions by reporting that one's impulse to blow the whistle on this nonsense was *simply undone by the circumstances of the discussion*" (p. 255; emphasis added). According to Janis, Schlesinger greatly valued his membership in this very powerful and prestigious group and imposed *self-censorship* in order not only to maintain consensus in the group but also, in the long run, to avoid rejection by other cabinet members as well as by the president himself.

A later instance of groupthink can be found in the decision to escalate the Vietnam War, taken in a series of meetings from 1965 to 1970 by the Johnson administration. In his recent memoirs, Clark Clifford, a private adviser to President Johnson during the escalation in Vietnam, recounted that, on one occasion, when he tried to raise doubts about the president's decision to renew bombing, the secretary of state, Dean Rusk, quickly interrupted and "immediately shifted the discussion to other matters" (Clifford, 1991, p. 63). Rusk, in this example, volunteered to protect the president from potential dissent. Janis called such an individual a *mind guard*. A mind guard protects a leader from a potential threat to his positions, arguments, and beliefs, just as a body guard protects him from a physical assault.

The self-restraint exercised by Schlesinger and the mind-guard role assumed by Rusk are subtle yet extremely powerful means to secure group consensus. At

the same time, these behaviors reduce the likelihood that external reality is appraised in a balanced and comprehensive fashion. Thus, they are a precursor of defective group decisions.

Remedies for Groupthink

What can prevent groups from falling prey to groupthink? Janis has suggested several possibilities. First, it is important to bring in outside experts who have no vested interest in the group in order to present a broad range of ideas and to have members of the group debate alternative positions with the outsiders. Second, the leader must establish a norm that encourages the critical examination of all possible courses of action. Third, the leader must remain impartial and avoid publicly stating his or her view during discussion.

To this list, we may add a few more. Hierarchical structure is a fact of life. In real groups, differences in power are salient to members. This leads inevitably to a heightened need for social approval and acceptance among subordinates. Because the need for approval and the desire for acceptance are major conditions for groupthink, procedures that make hierarchy and social approval less salient should reduce the likelihood of groupthink. To begin with, it is important for leaders not to make their approval contingent on remarks made by other members in discussion. Instead, leaders have to make it clear that the members have their support and trust *regardless of the position taken by them*. In order to demonstrate that support and trust are nonconditional, the leader must give evidence of it to subordinates, not only in task settings but also in more informal, nonwork domains. In this way, a concern for social approval may cease to be a major source of bias when critical decisions are made. A further possibility, noted by Janis, as well, is to form subgroups or subcommittees that have no formal leader in order to discuss critical issues before they are raised as formal matters in the larger group. In nonhierarchical subgroups of this kind, social approval is likely to be only a minor concern. All of this is in the service of unbiased and thorough argumentation in the group, without which the possibility of groupthink always looms.

Summary

In this chapter, we have reviewed a few lines of research that are fundamental to our understanding of persuasive processes in groups. A major distinction is made between persuasion produced by a majority and that produced by a minority. It was shown that different theoretical terms are required to describe these two forms of social influence. In a nutshell, majority influence generally results in public compliance without necessarily producing private acceptance. Minority influence, however, usually entails private acceptance without necessarily producing any public sign of acceptance. Finally, factors relevant in our understanding of majority and minority influence are also closely implicated in more naturalistic group discussions; they operate in concert to produce such intriguing phenomena as group polarization and groupthink.

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Chapter 12: Individual and Group Decision Making

Why Does Google Rely on Group Decision Making at the Top of the Organization?

A group of Google executives meets every Monday afternoon in the corporate boardroom. "The weekly meeting, known as Execute, was launched last summer with a specific mission: to get the near-sovereign leaders of Google's far-flung product groups into a single room and harmonize their disparate initiatives." Google's co-founders Sergey Brin and Larry Page, who recently took over as CEO, and former CEO Eric Schmidt run the meetings. Attendees at the meeting include Andy Rubin, engineering VP for Android, Salar Kamangar, VP for Youtube, and Vic Gundotra, engineering VP for social networks. Page told a reporter from *Bloomberg Businessweek* that the goal of these meetings is "to get these different product leaders together to find time to talk through all the integration points. . . . Every time we increase the size of the company, we need to keep things going to make sure we keep our speed, pace, and passion."

Over the years, the decision-making process at Google led to a host of innovative products such as Gmail and Android, not to mention the company's heralded search engine. Unfortunately, the company has recently encountered several failed offerings, including Google Buzz, which is a Twitter clone, and Google

Wave, a service that allows people to collaborate online.

"Page doesn't explicitly blame those missteps on the company's loosely knit management or the famous troika at the top. Yet he concedes, 'We do pay a price [for shared decision making], in terms of speed and people not necessarily knowing where they go to ask questions.' Page believes that his appointment as CEO will help the company to get things done faster.

People outside and inside Google note that Larry Page does not fit the profile of a traditional chief executive. He's an introvert who does not like public speaking or having a strict daily regimen. This is one reason why Google is holding the weekly Execute meetings. Attendees at these meetings will become spokespeople for the organization around the world. "Page says one of his goals is to take the decisive leadership style they have shown within their product groups, spread it across the company, and apply it to major decisions."

Page wants to increase the speed with which people make decisions and innovate at Google. He believes that the weekly Execute meetings are prime vehicles for making this happen.¹

Time will tell whether or not Google's approach to decision making works in the long run. Individually, we all make decisions on a daily basis. From deciding what clothes to wear to whom we want to marry, our decisions impact our lives in many ways. Sometimes our choices are good and other times they are bad. At work, however, decision making is one of the primary responsibilities of being a manager, and the quality of one's decisions can have serious consequences. Consider the case of Ronald Shaich, chairman and CEO of Panera Bread Company. Despite objections from others around him, he relied on his own judgment and intuition and decided to sell off Au Bon Pain in 1998 in order to grow Panera Bread Company. At the time, Panera had 135 stores. He said it was a "bet-the-job kind of choice." The sale resulted in \$73 million to invest in Panera, and the rest is history. Panera now operates 1,500 cafés around the country. He told a *Bloomberg Businessweek* reporter that "I make my best decisions when I'm on vacation. You're not focused on all the stuff that comes at you as CEO. I've moved into a chairman role and I'm now more productive than ever. My decisions are formed by where I want to go."²

The overall goal of this chapter is to provide you with a thorough understanding of decision making so that you can improve the quality of your personal and group-based decisions. Who knows, you may one day use material in this chapter to help make entrepreneurial decisions like Larry Page and Ronald Shaich. To help in this pursuit, this chapter focuses on (1) models of decision making, (2) decision-making biases, (3) evidence-based decision making, (4) the dynamics of decision making, (4) group decision making, and (5) creativity.

TO THE POINT

What are the key differences between rational and nonrational models of decision making and how can these models be integrated?



LO.1 Models of Decision Making

Decision making entails identifying and choosing alternative solutions that lead to a desired state of affairs. For example, you may be reading this book as part of an online course that you decided to take because you are working full time. Alternatively, you may be a full-time student reading this book as part of a course being taken on campus. Identifying and sorting out alternatives like when and how to take a course is the process of decision making.

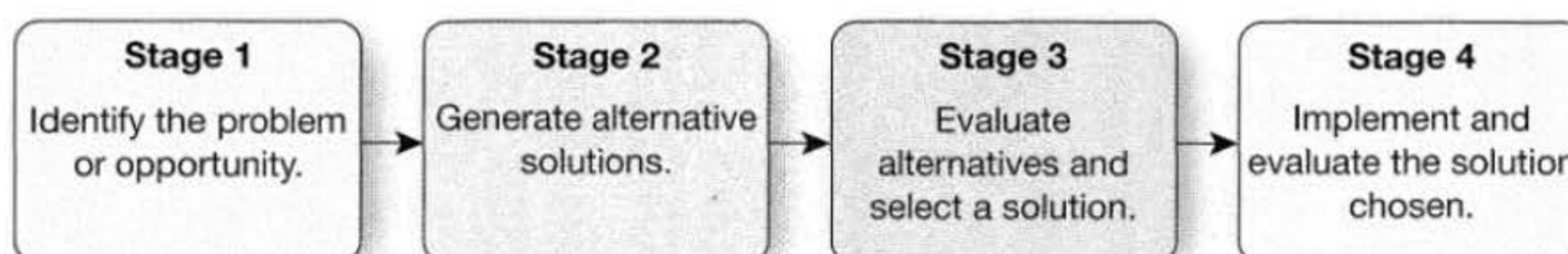
You can use two broad approaches to make decisions. You can follow a *rational model* or various *nonrational models*. Let us now consider how each of these approaches works. We begin by examining the rational model of decision making.

The Rational Model

The **rational model** proposes that managers use a rational, four-stage sequence when making decisions (see Figure 12–1). According to this model, managers are completely objective and possess complete information to make a decision. Despite criticism for being unrealistic, the rational model is instructive because it analytically breaks down the decision-making process and serves as a conceptual anchor for newer models.³ Let us now consider each of these four steps.

Stage 1: Identify the Problem or Opportunity—Determining the Actual versus the Desirable A **problem** exists when the actual situation and the desired situation differ. As a manager, you will have no shortage of

figure 12–1 The Four Stages in Rational Decision Making




real WORLD // real PEOPLE

Reed Hastings Seizes Opportunities to Grow Netflix

Hastings anticipated, virtually from the moment he started Netflix, that consumers would eventually prefer to get movies instantly delivered via the Internet. (Hastings's foresight is amazing, considering that back in 2000, less than 7% of US homes had broadband.) And so rather than let any number of current and potential competitors—including premium cable channels like HBO . . . and some of the biggest companies in the tech world—swoop in and deliver a lethal blow, Hastings is now retooling Netflix as a streaming-video company, disrupting his own business before it gets disrupted.

For Hastings the decline of AOL is a reminder of what happens to companies unwilling to take risks. AOL, the dominant dial-up online service, struggled as broadband service proliferated. It had good e-mail and some unique content, but those services didn't buy AOL loyalty or

make it synonymous with broadband, and ultimately AOL lost customers.

The opportunity faced by Hastings involved deciding how to get Netflix's 10 million subscribers to switch from DVD to streaming. Hastings decided in 2011 to separate its DVD-by-mail business from the online movie streaming business. The move angered customers and the stock price significantly dropped.

To what extent do you think an individual's personality plays a part in perceiving opportunity?

SOURCE: Excerpted from M V Copeland, "Reed Hastings: Leader of the Pack," *Fortune*, December 6, 2010, p 123; Updated with "Netflix Separates DVD, Streaming Businesses," *Florida Today.com*, <http://www.floridatoday.com/article/20110920/BUSINESS/109200306/1003>, September 20, 2011.

problems. Customer complaints. Employee turnover. Competitors' new products. Production problems. Consider the problems faced by Mattel's CEO, Bob Eckert. He concluded that his company had a problem when two of his top managers arrived in his office to tell him lead had been discovered in one of the company's toys. Around the same time, newspapers were publishing reports that magnets were becoming dislodged from other Mattel toys: If a small child swallowed them, they could cause serious damage by attaching themselves together in the child's intestines. Eckert had to decide whether his company had a publicity problem, a design problem, or a production problem—and if it were a production problem, where that problem was occurring and why.⁴

However, managers also have to make decisions regarding opportunities. An **opportunity** represents a situation in which there are possibilities to do things that lead to results that exceed goals and expectations. For example, Reed Hastings, founder, chairman, and CEO of Netflix, saw great opportunities in transforming his DVD-by-mail company into a streaming-video company (see Real World/Real People above). Financial results suggest that Reed clearly capitalized on opportunity: Netflix was the stock of the year in 2010, increasing 200% since January, as compared to the S&P-500's 7% gain.⁵

Whether you face a problem or an opportunity, the goal is always the same: to make improvements that change conditions from their current state to more desirable ones. This requires you to diagnose the causes of the problem.

decision making Identifying and choosing solutions that lead to a desired end result.

rational model Logical four-step approach to decision making.

problem Gap between an actual and a desired situation.

opportunity Situations that present possibilities for exceeding goals or expectations.

Stage 2: Generate Alternative Solutions—Both the Obvious and the Creative After identifying a problem and its causes, the next logical step is generating alternative solutions. Later in this chapter we discuss several group problem-solving techniques that can be used during this stage. Unfortunately, a research study of 400 strategic decisions revealed that managers struggled during this stage because of three key decision-making blunders. These blunders were (1) rushing to judgment, (2) selecting readily available ideas or solutions, and (3) making poor allocation of resources to study alternative solutions. Decision makers thus are encouraged to slow down when making decisions, to evaluate a broader set of alternatives, and to invest in studying a greater number of potential solutions.⁶

Stage 3: Evaluate Alternatives and Select a Solution—Ethics, Feasibility, and Effectiveness In this stage, you need to evaluate alternatives in terms of several criteria. Not only are costs and quality important, but you should consider the following questions: (1) Is it ethical? (If not, don't consider it.) Returning to the earlier example of Mattel's problems, CEO Eckert said, "How you achieve success is just as important as success itself."⁷ He announced a recall of 18.2 million toys, the largest recall in Mattel's history. The company also announced that its magnet toys had been redesigned to make them safer and that it had investigated the Chinese contractor that had used the paint containing lead. (2) Is it feasible? (If time is an issue, costs are high, resources are limited, technology is needed, or customers are resistant, for instance, then the alternative is not feasible.) (3) Will it remove the causes and solve the problem?

Stage 4: Implement and Evaluate the Solution Chosen Once a solution is chosen, it needs to be implemented. After the solution is implemented, the evaluation phase assesses its effectiveness. If the solution is effective, it should reduce the difference between the actual and desired states that created the problem. If the gap is not closed, the implementation was not successful, and one of the following is true: Either the problem was incorrectly identified or the solution was inappropriate. Assuming the implementation was unsuccessful, management can return to the first step, problem identification. If the problem was correctly identified, management should consider implementing one of the previously identified, but untried, solutions. This process can continue until all feasible solutions have been tried or the problem has changed.

Summarizing the Rational Model The rational model is prescriptive, outlining a logical process that managers should use when making decisions. As such, the rational model is based on the notion that managers optimize when making decisions. **Optimizing** involves solving problems by producing the best possible solution and is based on a set of highly desirable assumptions—having complete information, leaving emotions out of the decision-making process, honestly and accurately evaluating all alternatives, time and resources are abundant and accessible, and people are willing to implement and support decisions. Practical experience, of course, tells us that these assumptions are unrealistic. As noted by Herbert Simon, a decision theorist who in 1978 earned the Nobel Prize for his work on decision making, "The assumptions of perfect rationality are contrary to fact. It is not a question of approximation; they do not even remotely describe the processes that human beings use for making decisions in complex situations."⁸

That said, there are three benefits of trying to follow a rational process as much as realistically possible.

- The quality of decisions may be enhanced, in the sense that they follow more logically from all available knowledge and expertise.
- It makes the reasoning behind a decision transparent and available to scrutiny.
- If made public, it discourages the decider from acting on suspect considerations (such as personal advancement or avoiding bureaucratic embarrassment).⁹

Nonrational Models of Decision Making

In contrast to the rational model's focus on how decisions should be made, **nonrational models** attempt to explain how decisions actually are made. They are based on the assumption that decision making is uncertain, that decision makers do not possess complete information, and that it is difficult for managers to make optimal decisions. Two nonrational models are Herbert Simon's *normative* model and the *garbage can model*.

Simon's Normative Model Herbert Simon proposed this model to describe the process that managers actually use when making decisions. The process is guided by a decision maker's bounded rationality. **Bounded rationality** represents the notion that decision makers are "bounded" or restricted by a variety of constraints when making decisions. These constraints include any personal characteristics or internal and external resources that reduce rational decision making. Personal characteristics include the limited capacity of the human mind, personality (a meta-analysis of 150 studies showed that males displayed more risk taking than females),¹⁰ and time constraints. Examples of internal resources are the organization's human and social capital, financial resources, technology, plant and equipment, and internal processes and systems. External resources include things the organization cannot directly control such as employment levels in the community, capital availability, and government policies.¹¹

Ultimately, these limitations result in the tendency to acquire manageable rather than optimal amounts of information. In turn, this practice makes it difficult for managers to identify all possible alternative solutions. In the long run, the constraints of bounded rationality cause decision makers to fail to evaluate all potential alternatives, thereby causing them to satisfice.

Satisficing consists of choosing a solution that meets some minimum qualifications, one that is "good enough." Satisficing resolves problems by producing solutions that are satisfactory, as opposed to optimal. Finding a radio station to listen to in your car is a good example of satisficing. You cannot optimize because it is impossible to listen to all stations at the same time. You thus stop searching for a station when you find one playing a song you like or do not mind hearing.

A recent national survey by the Business Performance Management Forum underscores the existence of satisficing: only 26% of respondents indicated that their companies had formal, well-understood decision-making processes. Respondents noted that the most frequent causes of poor decision making included:

- Poorly defined processes and practices.
- Unclear company vision, mission, and goals.
- Unwillingness of leaders to take responsibility.
- A lack of reliable, timely information.¹²

The Garbage Can Model As is true of Simon's normative model, this approach grew from the rational model's inability to explain how decisions are actually made. It assumes that organizational decision making is a sloppy and haphazard process. This contrasts sharply with the rational model, which proposed that decision makers follow a sequential series of steps beginning with a problem and ending with a solution. According to the **garbage can model**, decisions result

optimizing Choosing the best possible solution.

nonrational models Explain how decisions actually are made.

bounded rationality Constraints that restrict rational decision making.

satisficing Choosing a solution that meets a minimum standard of acceptance.

garbage can model Holds that decision making is sloppy and haphazard.

from a complex interaction between four independent streams of events: problems, solutions, participants, and choice opportunities.¹³ The interaction of these events creates “a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision makers looking for work.”¹⁴ A similar type of process occurs in your kitchen garbage basket. We randomly discard our trash and it gets mashed together based on chance interactions. Consider, for instance, going to your kitchen trash container and noticing that the used coffee grounds are stuck to a banana peel. Can you explain how this might occur? The answer is simple: because they both got thrown in around the same time. Just like the process of mixing garbage in a trash container, the garbage can model of decision making assumes that decision making does not follow an orderly series of steps. Rather, attractive solutions can get matched up with whatever handy problems exist at a given point in time or people get assigned to projects because their workload is low at that moment. This model of decision making thus attempts to explain how problems, solutions, participants, and choice opportunities interact and lead to a decision.

The garbage can model has four practical implications. First, this model of decision making is more pronounced in industries that rely on science-based innovations such as pharmaceutical companies.¹⁵ Managers in these industries thus need to be more alert for the potential of haphazard decisionmaking. Second, many decisions are made by oversight or by the presence of a salient opportunity. For example, managers from the Campbell Soup Company needed to find a way to motivate supermarkets to give them more space on the shelves. They thus decided to create a new shelving system that automatically slides soup cans to the front when a shopper picks up a can. The decision was a success. Customers bought more soup, increasing the revenue for both Campbell and the supermarkets, and the supermarkets reduced their restocking costs.¹⁶

Third, political motives frequently guide the process by which participants make decisions. It thus is important for you to consider the political ramifications of your decisions. Organizational politics are discussed in Chapter 15. Finally, important problems are more likely to be solved than unimportant ones because they are more salient to organizational participants.¹⁷

Integrating Rational and Nonrational Models

Applying the idea that decisions are shaped by characteristics of problems and decision makers, consultants David Snowden and Mary Boone have come up with their own approach that is not as haphazard as the garbage can model but acknowledges the challenges facing today’s organizations. They essentially integrate rational and nonrational models by identifying four kinds of decision environments and an effective method of decision making for each.¹⁸

1. A simple context is stable, and clear cause-and-effect relationships can be discerned, so the best answer can be agreed on. This context calls for the rational model, where the decision maker gathers information, categorizes it, and responds in an established way.
2. In a complicated context, there is a clear relationship between cause and effect, but some people may not see it, and more than one solution may be effective. Here, too, the rational model applies, but it requires the investigation of options, along with analysis of them.
3. In a complex context, there is one right answer, but there are so many unknowns that decision makers don’t understand cause-and-effect relationships. Decision makers therefore need to start out by experimenting, testing options, and probing to see what might happen as they look for a creative solution.

4. In a chaotic context, cause-and-effect relationships are changing so fast that no pattern emerges. In this context, decision makers have to act first to establish order and then find areas where it is possible to identify patterns so that aspects of the problem can be managed. The use of intuition and evidence-based decision making, both of which are discussed later in this chapter, may be helpful in this situation.¹⁹

Back to the Chapter-Opening Case

How does Google's Execute meetings attempt to integrate rational and nonrational models of decision making?

LO.2 Decision-Making Biases

People make a variety of systematic mistakes when making decisions. These mistakes are generally associated with a host of biases that occur when we use judgmental heuristics. **Judgmental heuristics** represent rules of thumb or shortcuts that people use to reduce information-processing demands.²⁰ We automatically use them without conscious awareness. The use of heuristics helps decision makers to reduce the uncertainty inherent within the decision-making process. Because these shortcuts represent knowledge gained from past experience, they can help decision makers evaluate current problems. But they also can lead to systematic errors that erode the quality of decisions, particularly for people facing time constraints such as primary health care doctors. For example, a recent study of medical malpractice claims showed that diagnostic errors, which are partly a function of judgmental heuristics, accounted for about 40% of such cases. Diagnostic errors kill 40,000 to 80,000 people a year in the United States. Experts suggest that we need to become more involved with our health care and follow up on lab results to help reduce such mistakes.²¹

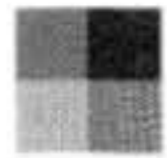
There are both pros and cons to the use of heuristics. In this section we focus on discussing eight biases that affect decision making: (1) availability, (2) representativeness, (3) confirmation, (4) anchoring, (5) overconfidence, (6) hindsight, (7) framing, and (8) escalation of commitment. Knowledge about these biases can help you to avoid using them in the wrong situation.

1. **Availability heuristic.** The availability heuristic represents a decision maker's tendency to base decisions on information that is readily available in memory. Information is more accessible in memory when it involves an event that recently occurred, when it is salient (e.g., a plane crash), and when it evokes strong emotions (e.g., a high-school student shooting other students). This heuristic is likely to cause people to overestimate the occurrence of unlikely events such as a plane crash or a high-school shooting. This bias also is partially responsible for the recency effect discussed in Chapter 7. For example, a manager is more likely to give an employee a positive performance evaluation if the employee exhibited excellent performance over the last few months.

judgmental heuristics Rules of thumb or shortcuts that people use to reduce information-processing demands.

←.....
TO THE POINT
 How would you describe the eight decision-making biases?

2. **Representativeness heuristic.** The representativeness heuristic is used when people estimate the probability of an event occurring. It reflects the tendency to assess the likelihood of an event occurring based on one's impressions about similar occurrences. A manager, for example, may hire a graduate from a particular university because the past three people hired from this university turned out to be good performers. In this case, the "school attended" criterion is used to facilitate complex information processing associated with employment interviews. Unfortunately, this shortcut can result in a biased decision. Similarly, an individual may believe that he or she can master a new software package in a short period of time because a different type of software was easy to learn. This estimate may or may not be accurate. For example, it may take the individual a much longer period of time to learn the new software because it involves learning a new programming language.
3. **Confirmation bias.** The confirmation bias has two components. The first is to subconsciously decide something before investigating why it is the right decision, for example, deciding to purchase a particular type of PDA (personal digital assistant). This directly leads to the second component, which is to seek information that supports purchasing this PDA while discounting information that does not.
4. **Anchoring bias.** How would you answer the following two questions? Is the population of Iraq greater than 40 million? What's your best guess about the population of Iraq? Was your answer to the second question influenced by the number *40 million* suggested by the first question? If yes, you were affected by the anchoring bias. The anchoring bias occurs when decision makers are influenced by the first information received about a decision, even if it is irrelevant. This bias happens because initial information, impressions, data, feedback, or stereotypes anchor our subsequent judgments and decisions.
5. **Overconfidence bias.** The overconfidence bias relates to our tendency to be over-confident about estimates or forecasts. This bias is particularly strong when you are asked moderate to extremely difficult questions rather than easy ones. Imagine the problem this bias might create for a sales manager estimating sales revenue for the next year. Research shows that overoptimism significantly influences entrepreneurs' decisions to start and sustain new ventures.²² To what extent do you think this bias affected the Deepwater Horizon oil rig explosion in 2010? A presidential oil-spill commission concluded that technological arrogance, hubris, and the overconfidence bias played major roles (see Real World/Real People on page 337).²³
6. **Hindsight bias.** Imagine yourself in the following scenario: You are taking an OB course that meets Tuesday and Thursday, and your professor gives unannounced quizzes each week. It's the Monday before a class, and you are deciding whether to study for a potential quiz or to watch Monday night football. Two of your classmates have decided to watch the game rather than study because they don't think there will be a quiz the next day. The next morning you walk into class and the professor says, "Take out a sheet of paper for the quiz." You turn to your friends and say, "I knew we were going to have a quiz; why did I listen to you?" The hindsight bias occurs when knowledge of an outcome influences our belief about the probability that we could have predicted the outcome earlier. We are affected by this bias when we look back on a decision and try to reconstruct why we decided to do something.
7. **Framing bias.** This bias relates to the manner in which a question is posed. Consider the following scenario: Imagine that the United States is preparing for the outbreak of an unusual Asian disease that is expected to kill 600 people. Two alternative programs to combat the disease have been proposed.



real WORLD // real PEOPLE

Overconfidence Bias Partly to Blame for Oil-Rig Disaster

According to Bob Bea, an engineering professor at the University of California Berkeley, “technological disasters, like the PB oil spill, follow a well-worn “trail of tears.” Bea has investigated 630 different types of disasters and is an expert on offshore drilling.

“Bea categorizes disasters into four groups. One such group is when an organization simply ignores warning signs through overconfidence and incompetence. He thinks the BP spill falls into that category. Bea pointed to congressional testimony that BP ignored problems with a cecac battery, leaky cement job, and loose hydraulic fittings.”

“Disasters don’t happen because of ‘an evil empire,’ Bea said. ‘It’s hubris, arrogance, and indolence.’”

“Cutting-edge technology often works flawlessly. At first, everyone worries about risk. Then people get lulled into complacency by success, and they forget that they are operating on the edge, say experts who study disasters. Corners get cut, problems ignored. Then boom.”

Charles Perrow, a professor at Yale University, concluded that “there’s nothing safe out there. We like to pretend there is and argue afterward, ‘That’s why we look the risks, because it hadn’t failed before.’”

How could BP have overcome the overconfidence bias?

Assume that the exact scientific estimates of the consequences of the programs are as follows:

Program A: If Program A is adopted, 200 people will be saved.

Program B: If Program B is adopted, there is a one-third probability that 600 people will be saved and a two-thirds probability that no people will be saved.

Which of the two programs would you recommend?²⁴ Research shows that most people chose Program A even though the two programs produce the same results. This result is due to the framing bias. The framing bias is the tendency to consider risks about gains—saving lives—differently than risks pertaining to losses—losing lives. You are encouraged to frame decision questions in alternative ways in order to avoid this bias.

8. **Escalation of commitment bias.** The escalation of commitment bias refers to the tendency to stick to an ineffective course of action when it is unlikely that the bad situation can be reversed. Personal examples include investing more money into an old or broken car or putting more effort into improving a personal relationship that is filled with conflict. A business example pertains to Blockbuster “asking creditors to put up more money to help it exit bankruptcy protection, prompting a debate among bondholders about whether to invest further in the struggling video chain or put it up for sale.”²⁵ Would you invest in Blockbuster? Researchers recommend the following actions to reduce the escalation of commitment:

- Set minimum targets for performance, and have decision makers compare their performance against these targets.
- Regularly rotate managers in key positions throughout a project.

- Encourage decision makers to become less ego-involved with a project.
- Make decision makers aware of the costs of persistence.²⁶

TO THE POINT

What is thrust of evidence-based decision making, and what does it take to implement this approach in organizations?



LO.3 Evidence-Based Decision Making

Interest in the concept of evidence-based decision making stems from two sources. The first is the desire to avoid the decision-making biases discussed in the previous section, and the second is research done on evidence-based medicine. Dr David Sackett defines evidence-based medicine as “the conscientious, explicit and judicious use of current best evidence in making decisions about the care of individual patients.” Researchers and practitioners are studying evidence-based medicine because research suggests that physicians make only 15% of their decisions based on evidence, and this approach helps determine the most efficient use of health care resources.²⁷ OB researchers have taken this framework and applied it to the context of managerial decision making.

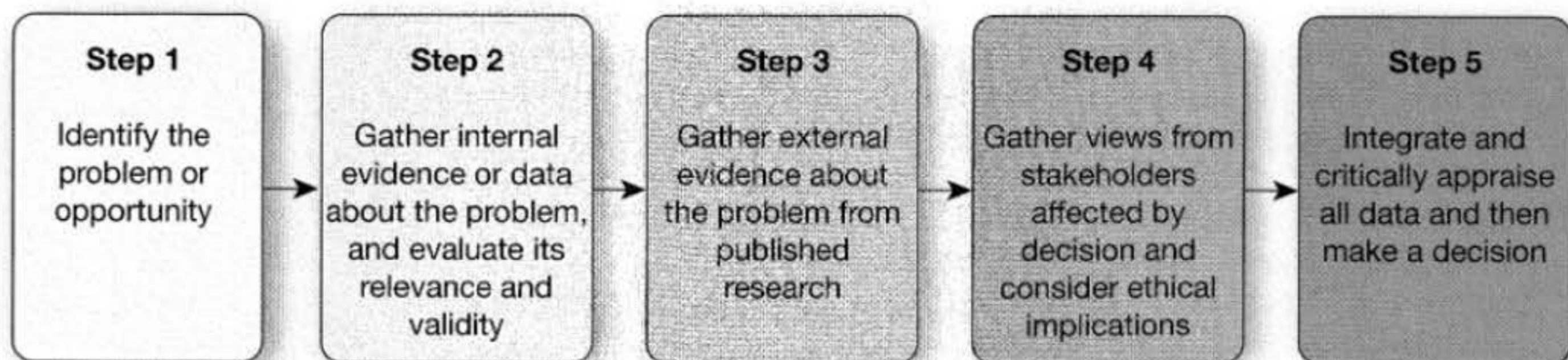
Quite simply, **evidence-based decision making (EBDM)** represents a process of conscientiously using the best available data and evidence when making managerial decisions. We explore this new approach to decision making by beginning with a model of EBDM and then reviewing a set of implementation principles that can help companies to implement this model of decision making. We conclude by examining the reasons why it is hard to implement EBDM. Understanding this material will help you reduce the susceptibility to decision-making biases.

A Model of Evidence-Based Decision Making (EBDM)

Figure 12–2 illustrates a five-step model of EBDM.²⁸ You can see that the process begins by gathering internal and external data and evidence about a problem at hand. This information is then integrated with views from stakeholders (e.g., employees, shareholders, customers) and ethical considerations to make a final decision. All told, the process shown in Figure 12–2 helps managers to face hard facts and avoid their personal biases when making decisions. EBDM’s use of relevant and reliable data from different sources is clearly intended to make any decision-making context more explicit, critical, systematic, and fact based.

It is important to consider that evidence is used in three different ways within the process depicted in Figure 12–2: to make a decision, to inform a decision, and to support a decision.²⁹ “Evidence is used to *make* a decision whenever the decision follows directly from the evidence.” For example, if you wanted to purchase a particular used car (e.g., Toyota Prius) based on price and color (e.g., red), you

figure 12–2 Evidence-Based Decision-Making Model



SOURCE: Derived from R B Briner, D Denyer, and D M Rousseau. “Evidence-Based Management: Concept Cleanup Time?” *Academy of Management Perspectives*, November 2009, pp 19–32.

would obtain data from the Internet and classified ads and then choose the seller offering the lowest priced red Prius. “Evidence is used to inform a decision whenever the decision process combines hard, objective facts with qualitative inputs, such as intuition or bargaining with stakeholders.” For instance, in hiring new college graduates, objective data about applicants’ past experience, education, and participation in student organizations would be relevant input to making a hiring decision. Nonetheless, subjective impressions garnered from interviews and references would typically be combined with the objective data to make a final decision. These two uses of evidence are clearly positive and should be encouraged. The same cannot be said about using evidence to support a decision.

“Evidence is used to *support* a decision whenever the evidence is gathered or modified for the sole purpose of lending legitimacy to a decision that has already been made.” This application of evidence has both positive and negative effects. On the positive side, manufactured evidence can be used to convince an external audience that the organization is following a sound course of action in response to a complex and ambiguous decision context. This can lead to confidence and goodwill about how a company is responding to environmental events. On the negative side, this practice can stifle employee involvement and input because people will come to believe that management is going to ignore evidence and just do what it wants. There are two takeaways about using evidence to support a decision. First, this practice should not always be avoided. Second, because this practice has both pros and cons, management needs to carefully consider when it “might” be appropriate to ignore disconfirming evidence and push its own agenda or decisions.

Seven Implementation Principles

Stanford professors Jeffrey Pfeffer and Robert Sutton have been studying evidence-based management for quite some time. Based on this experience, they offer seven implementation principles to help companies integrate EBDM into an organization’s culture.³⁰

1. **Treat your organization as an unfinished prototype.** The thrust of this principle involves creating a mindset that the organization is an unfinished prototype that may be broken and in need of repair, thus avoiding the hubris and arrogance of concluding that nothing needs to be changed in the organization. For example, the products QVC sells are chosen through a process of experimentation in which EBDM is used to understand why some products sell and others don’t. The use of experiments, as done at QVC, is one recommendation for making this happen. The Real World/Real People on page 340 illustrates how one retailer uses experimentation to determine the best type of promotions.³¹
2. **No brag, just facts.** This slogan is used by Davita, a company that operates 600 dialysis centers, to reinforce a culture that supports EBDM. The company measures, monitors, and rewards the effectiveness of its dialysis centers

evidence-based decision making

Conscientiously using the best data when making decisions.



real WORLD // real PEOPLE

A Retailer Experiments with Discount Promotions

The retailer designed six experimental conditions—a control and five discount levels that ranged from 0 to 35% for the private-label items. The retailer divided its stores into six groups, and the treatments were randomized across the groups. This meant each store had a mixture of the experimental conditions distributed across the different products in the study. For example, in Store A—label sugar was discounted 20%, and private-label mascara was full price, whereas in Store B mascara was discounted, but sugar was not. This experimental design allowed the retailer to control for variations in sales that occurred because the store groups were not identical.

The test revealed that matching the national brand promotions with moderate discounts on the private-label products generated 10% more profits than not promoting the private-label items. As a result, the retailer now automatically discounts private-label items when the competing national brands are under promotion.

Why don't more companies do experiments like this?

SOURCE: Excerpted from E T Anderson and D Simester, "Every Company Can Profit from Testing Customers' Reactions to Changes. Here's How to Get Started," *Harvard Business Review*, March 2011, p. 103.

and patient well-being on a regular basis. In contrast, Hewlett-Packard's former CEO Carly Fiorina bragged to the press about the company's merger with Compaq but failed to do any research on consumers' opinions about Compaq products prior to the merger. These products were viewed as among the worst in the industry.

3. **See yourself and your organization as outsiders do.** Many managers are filled with optimism and inflated views of their talents and chances for success. This leads them to downplay risks and to commit an escalation of commitment bias. "Having a blunt friend, mentor, or counselor," Pfeffer and Sutton suggest, "can help you see and act on better evidence."
4. **Evidence-based management is not just for senior executives.** Research shows that the best organizations are those in which all employees, not just top managers, are committed to EBDM.³² Pfeffer and Sutton encourage managers to "treat employees as if a big part of their job is to invent, find, test, and implement the best ideas." This implies that employees must be given the training and resources needed to engage in EBDM.
5. **Like everything else, you still need to sell it.** "Unfortunately, new and exciting ideas grab attention even when they are vastly inferior to old ideas," say Pfeffer and Sutton. "Vivid, juicy stories and case studies sell better than detailed, rigorous, and admittedly dull data—no matter how wrong the stories or how right the data." This means that you will need to similarly use vivid stories and case studies such as the DaVita example used earlier to sell the value of EBDM. You can also hire gurus to help sell the value of evidence-based practices.
6. **If all else fails, slow the spread of bad practice.** Because employees may face pressures to do things that are known to be ineffective, it may be necessary to engage in what Pfeffer and Sutton call "evidence-based misbehavior." This can include ignoring requests and delaying action. Be cautious if you use this principle.
7. **The best diagnostic question: what happens when people fail?** "Failure hurts, it is embarrassing, and we would rather live without it," say the Stanford professors. "Yet there is no learning without failure. . . . If you look at how the most effective systems in the world are managed, a hallmark is that when something goes wrong, people face the hard facts, learn what

happened and why, and keep using those facts to make the system better.” The US civil aviation system is a good example. It has created the safest system in world through its accident and incident reporting system. Ford’s CEO Alan Mulally is another example. He meets with his top 15 executives every Thursday morning at 7 A.M. for 2½ hours to conduct a business plan review. “He requires his direct reports to post more than 300 charts, each of them color-coded red, yellow, or green to indicate problems, caution, or progress. . . . Afterward, the adjoining Taurus and Continental rooms are papered with these charts so Mulally can study them. As the CEO likes to say, ‘You can’t manage a secret. When you do this every week, you can’t hide.’”³³

Why Is It Hard to be Evidenced Based?

Despite the known value of using EBDM, there are seven reasons why it is hard for anyone to bring the best evidence to bear when making decisions. They are: (1) There’s too much evidence. (2) There’s not enough good evidence. (3) The evidence doesn’t quite apply. (4) People are trying to mislead you. (5) You are trying to mislead you. (6) The side effects outweigh the cure. (7) Stories are more persuasive, anyway.³⁴

Dynamics of Decision Making

Decision making is part science and part art. Accordingly, this section examines decision-making styles, which is part of the “science” component. It is important to understand decision-making styles because they influence the manner in which people make decisions. We also examine the “art” side of the equation by discussing the role of intuition in decision making and a decision tree for making ethical decisions. An understanding of these dynamics can help managers make better decisions.



TO THE POINT

What are the key conclusions regarding decision-making styles, intuition in decision making, and ethical decision making?

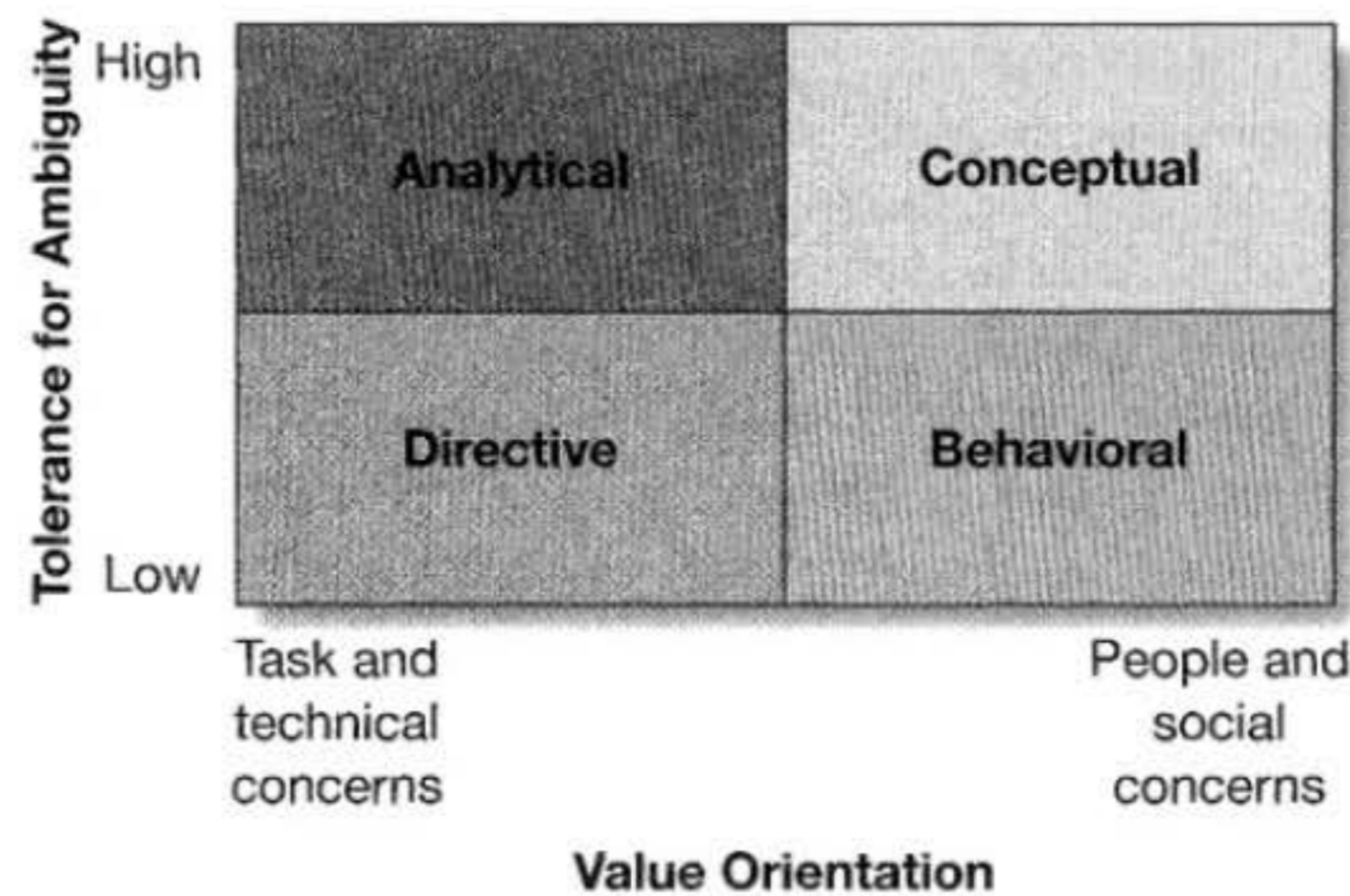


LO.4 General Decision-Making Styles

This section focuses on how an individual’s decision-making style affects his or her approach to decision making. A **decision-making style** reflects the combination of how an individual perceives and comprehends stimuli and the general manner in which he or she chooses to respond to such information.³⁵ A team of researchers developed a model of decision-making styles that is based on the idea that styles vary along two different dimensions: value orientation and tolerance for ambiguity.³⁶ *Value orientation* reflects the extent to which an individual focuses on either task and technical concerns or people and social concerns when making decisions. Some people, for instance, are very task focused at work and do not pay much attention to people issues, whereas others are just the opposite. The second dimension pertains to a person’s *tolerance for ambiguity*. This individual difference indicates the extent to which a person has a high need for structure or control in his or her life. Some people desire a lot of structure in their lives (a low tolerance for ambiguity) and find ambiguous situations stressful and psychologically uncomfortable. In contrast, others do not have a high need for structure and can thrive in uncertain situations (a high tolerance for ambiguity). Ambiguous

decision-making style A combination of how individuals perceive and respond to information.

figure 12-3 Decision-Making Styles



SOURCE: Based on discussion contained in A J Rowe and R O Mason, *Managing with Style: A Guide to Understanding, Assessing, and Improving Decision Making* (San Francisco: Jossey-Bass, 1987), pp 1-17.

situations can energize people with a high tolerance for ambiguity. When the dimensions of value orientation and tolerance for ambiguity are combined, they form four styles of decision making (see Figure 12-3): directive, analytical, conceptual, and behavioral.

Directive People with a *directive* style have a low tolerance for ambiguity and are oriented toward task and technical concerns when making decisions. They are efficient, logical, practical, and systematic in their approach to solving problems. People with this style are action oriented and decisive and like to focus on facts. In their pursuit of speed and results, however, these individuals tend to be autocratic, exercise power and control, and focus on the short run.

Interestingly, a directive style seems well suited for an air-traffic controller. Here is what Paul Rinaldi had to say about his decision-making style to a reporter from *Fortune*.

Example. It's not so much analytical as it is making a decision quickly and sticking with it. You have to do that knowing that some of the decisions you're going to make are going to be wrong, but you're going to make that decision be right. You can't back out. You've constantly got to be taking into account the speed of the airplane, its characteristics, the climb rate, and how fast it's going to react to your instructions. You're taking all that in and processing it in a split second, hoping that it'll all work together. If it doesn't, then you go to plan B. . . . The percentage of us that make it to retirement is not real high. It takes a toll on you. We can't make mistakes.³⁷

Analytical This style has a much higher tolerance for ambiguity and is characterized by the tendency to overanalyze a situation. People with this style like to consider more information and alternatives than do directives. Analytic individuals are careful decision makers who take longer to make decisions but who also respond well to new or uncertain situations. They can often be autocratic.

Zhang Guangming is a good example of someone with an analytical style. "Zhang Guangming's car-buying synapses have been in overdrive for months. He has spent hours poring over Chinese car buff magazines, surfing Web sites to mine data on various models, and trekking out to a dozen dealerships across Beijing. Finally, Zhang settled on either a Volkswagen Bora or a Hyundai Sonata

sedan. But with cutthroat competition forcing dealers to slash prices, he's not sure whether to buy now or wait."³⁸

Conceptual People with a conceptual style have a high tolerance for ambiguity and tend to focus on the people or social aspects of a work situation. They take a broad perspective to problem solving and like to consider many options and future possibilities. Conceptual types adopt a long-term perspective and rely on intuition and discussions with others to acquire information. They also are willing to take risks and are good at finding creative solutions to problems. On the downside, however, a conceptual style can foster an idealistic and indecisive approach to decision making. Howard Stringer, Sony Corporation's first foreign-born CEO, possesses characteristics of a conceptual style.

Example. Mr Stringer's dilemma is that he is caught between different management styles and cultures. He says he recognizes the risk of falling behind amid breakneck changes in electronics. But he says there's an equal risk of moving too aggressively. "I don't want to change Sony's culture to the point where it's unrecognizable from the founder's vision," he says. . . . Mr Stringer, 65 years old, stuck with [an] executive team he inherited. He tried gently persuading managers to cooperate with one another and urged them to think about developing products in a new way.³⁹

Behavioral This style is the most people oriented of the four styles. People with this style work well with others and enjoy social interactions in which opinions are openly exchanged. Behavioral types are supportive, receptive to suggestions, show warmth, and prefer verbal to written information. Although they like to hold meetings, people with this style have a tendency to avoid conflict and to be too concerned about others. This can lead behavioral types to adopt a wishy-washy approach to decision making and to have a hard time saying no to others and to have difficulty making difficult decisions.

Research and Practical Implications Research shows that very few people have only one dominant decision-making style. Rather, most managers have characteristics that fall into two or three styles. Studies also show that decision-making styles vary by age, occupations, personality types, gender, and countries.⁴⁰ You can use knowledge of decision-making styles in four ways. First, knowledge of styles helps you to understand yourself. Awareness of your style assists you in identifying your strengths and weaknesses as a decision maker and facilitates the potential for self-improvement. Second, you can increase your ability to influence others by being aware of styles. For example, if you are dealing with an analytical person, you should provide as much information as possible to support your ideas. This same approach is more likely to frustrate a directive type. Third, knowledge of styles gives you an awareness of how people can take the same information and yet arrive at different decisions by using a variety of decision-making strategies. Different decision-making styles represent one likely source of interpersonal conflict at work (conflict is thoroughly discussed in Chapter 13). Finally, it is important to remember that there is not a single best decision-making style that applies in all situations. It is most beneficial to use a contingency approach in which you use a style that is best suited for the situation at hand. For example, if the context requires a quick decision, then a directive style might be best. In contrast, a behavioral approach would be more appropriate when making decisions that involve employees' welfare. At this point we cannot provide more detailed recommendations because researchers have not developed a complete contingency theory that outlines when to use the different decision-making styles.



LO.5 The Role of Intuition in Decision Making

In the book *How We Decide*, author Jonah Lehrer concluded that intuition is effectively used by many people when making decisions.⁴¹ **Intuition** represents judgments, insights, or decisions that “come to mind on their own, without explicit awareness of the evoking cues and of course without explicit evaluation of the validity of these cues.”⁴² Research reveals that anyone can be intuitive, and its use is unrelated to gender.⁴³ It thus is important to understand the sources of intuition and to develop your intuitive skills because intuition is as important as rational analysis in many decisions. Consider the following examples:

Example. Ignoring recommendations from advisers, Ray Kroc purchased the McDonald’s brand from the McDonald brothers: “I’m not a gambler and I didn’t have that kind of money, but my funny bone instinct kept urging me on.” Ignoring numerous naysayers and a lack of supporting market research, Bob Lutz, former president of Chrysler, made the Dodge Viper a reality. “It was this subconscious, visceral feeling. And it just felt right.” Ignoring the fact that 24 publishing houses had rejected the book and her own publishing house was opposed, Eleanor Friede gambled on a “little nothing book,” called *Jonathan Livingston Seagull*: “I felt there were truths in this simple story that would make it an international classic.”⁴⁴

Unfortunately, the use of intuition does not always lead to blockbuster decisions such as those by Ray Kroc or Eleanor Friede. To enhance your understanding of the role of intuition in decision making, this section reviews a model of intuition and discusses the pros and cons of using intuition to make decisions.

A Model of Intuition Figure 12–4 presents a model of intuition. Starting at the far right, the model shows there are two types of intuition:

1. A holistic hunch represents a judgment that is based on a subconscious integration of information stored in memory. People using this form of intuition

figure 12–4 A Dual Model of Intuition



SOURCES: Based in part on D Kahneman and G Klein, “Conditions for Intuitive Expertise,” *American Psychologist*, September 2009, pp 515–26; E Sadler-Smith and E Shefy, “The Intuitive Executive: Understanding and Applying ‘Gut Feel’ in Decision-Making,” *Academy of Management Executive*, November 2004, pp 76–91; and C C Miller and R D Ireland, “Intuition in Strategic Decision Making: Friend or Foe in the Fast-Paced 21st Century,” *Academy of Management Executive*, February 2005, pp 19–30.

may not be able to explain why they want to make a certain decision, except that the choice “feels right.”

2. Automated experiences represent a choice that is based on a familiar situation and a partially subconscious application of previously learned information related to that situation. For example, when you have years of experience driving a car, you react to a variety of situations without conscious analysis.

Returning to Figure 12–4, you can see that intuition is represented by two distinct processes. One is automatic, involuntary and mostly effortless. The second is quite the opposite in that it is controlled, voluntary, and effortful. Research reveals that these two processes can operate separately or jointly to influence intuition.⁴⁵ For example, when trying to answer one of the “Back to Chapter-Opening Case” questions in this book, you may spontaneously have an answer pop into your mind based on your recollection of what you previously read (an automatic process). Upon further reflection (controlled process), however, you may decide your initial thought is wrong and that you need to go back and reread some material to arrive at another answer. This in turn may cause novel ideas to come to mind, and the two processes continue. These intuitive processes are influenced by two sources: expertise and feelings (see Figure 12–4). Expertise represents an individual’s combined explicit knowledge (i.e., information that can easily be put into words) and tacit knowledge (i.e., information gained through experience that is difficult to express and formalize) regarding an object, person, situation, or decision opportunity. This source of intuition increases with age and experience. The feelings component reflects the automatic, underlying effect one experiences in response to an object, person, situation, or decision opportunity. An intuitive response is based on the interaction between one’s expertise and feelings in a given situation.

Pros and Cons of Using Intuition When Making Decisions On the positive side, intuition can speed up the decision-making process.⁴⁶ Intuition thus can be valuable in our complex and ever-changing world. Intuition may be a practical approach when resources are limited and deadlines are tight. For example, intuition based on deep knowledge and active preparation informs quick and complicated decisions in an effective hospital emergency department. Recalling her work as director of an emergency department, Kathleen Gallo says, “While the arrival of a helicopter with a whole family of car-wreck victims might look like a crisis and might be a crisis for the family, it is not a crisis for the staff . . . because they are prepared.”⁴⁷

On the downside, intuition is subject to the same types of biases associated with rational decision making. It is particularly susceptible to the availability and representativeness heuristics, as well as the anchoring, overconfidence, and hindsight biases.⁴⁸ In addition, the decision maker may have difficulty convincing others that the intuitive decision makes sense, so a good idea may be ignored.

Where does that leave us with respect to using intuition? We believe that intuition and rationality are complementary and that managers should attempt to use both when making decisions. We thus encourage you to use intuition when making decisions. You can develop your intuitive awareness by using the guidelines shown in Table 12–1.

intuition Judgments that come to mind without explicit awareness of the causes or an evaluation of their validity.

table 12-1 Guidelines for Developing Intuitive Awareness

RECOMMENDATION	DESCRIPTION
1. Open up the closet	To what extent do you experience intuition; trust your feelings; count on intuitive judgments; suppress hunches; covertly rely upon gut feel?
2. Don't mix up your I's	Instinct, insight, and intuition are not synonymous; practice distinguishing among your instincts, your insights, and your intuitions.
3. Elicit good feedback	Seek feedback on your intuitive judgments; build confidence in your gut feel; create a learning environment in which you can develop better intuitive awareness.
4. Get a feel for your batting average	Benchmark your intuitions; get a sense for how reliable your hunches are; ask yourself how your intuitive judgment might be improved.
5. Use imagery	Use imagery rather than words; literally visualize potential future scenarios that take your gut feelings into account.
6. Play devil's advocate	Test out intuitive judgments; raise objections to them; generate counter-arguments; probe how robust gut feel is when challenged.
7. Capture and validate your intuitions	Create the inner state to give your intuitive mind the freedom to roam; capture your creative intuitions; log them before they are censored by rational analysis.

SOURCE: From E. Sacler-Smith and E. Shefy, "The Intuitive Executive: Understanding and Applying 'Gut Feel' in Decision-Making," *Academy of Management Executive*, November 2004, p. 88. Copyright © 2004 by The Academy of Management. Reproduced by permission of The Academy of Management via Copyright Clearance Center.

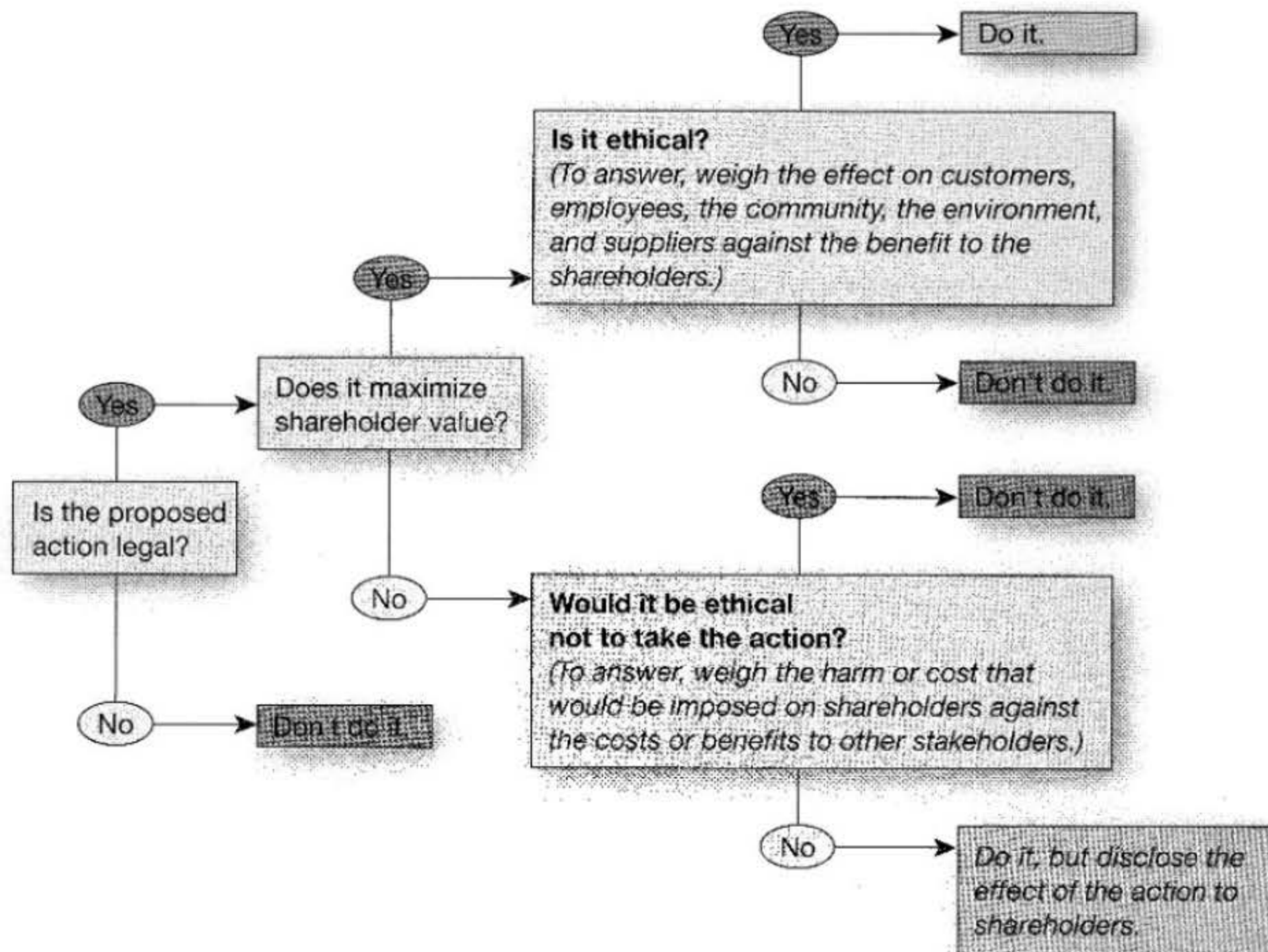
Back to the Chapter-Opening Case

How will Google's approach to decision making increase the use of intuition in making decisions?

Road Map to Ethical Decision Making: A Decision Tree

In Chapter 1 we discussed the importance of ethics and the growing concern about the lack of ethical behavior among business leaders. Unfortunately, research shows that many types of unethical behavior go unreported, and unethical behavior is negatively associated with employee engagement.⁴⁹ While these trends partially explain the passage of laws to regulate ethical behavior in corporate America, we believe that ethical acts ultimately involve individual or group decisions. It thus is important to consider the issue of ethical decision making. Harvard Business School professor Constance Bagley suggests that a decision tree can help managers to make more ethical decisions.⁵⁰

figure 12-5 An Ethical Decision Tree



SOURCE: Reprinted by permission of *Harvard Business Review*. Exhibit from "The Ethical Leader's Decision Tree," by Constance E Bagley, February 2003. Copyright 2003 by the Harvard Business School Publishing Corporation. All rights reserved.

A **decision tree** is a graphical representation of the process underlying decisions and it shows the resulting consequences of making various choices. Decision trees are used as an aid in decision making. Ethical decision making frequently involves trade-offs, and a decision tree helps managers navigate through them. The decision tree shown in Figure 12-5 can be applied to any type of decision or action that an individual manager or corporation is contemplating. Looking at the tree, the first question to ask is whether or not the proposed action is legal. If the action is illegal, do not do it. If the action is legal, then consider the impact of the action on shareholder value. A decision maximizes shareholder value when it results in a more favorable financial position (e.g., increased profits) for an organization. Whether or not an action maximizes shareholder value, the decision tree shows that managers still need to consider the ethical implications of the decision or action. For example, if an action maximizes shareholder value, the next question to consider is whether or not the action is ethical. The answer to this question is based on considering the positive effect of the action on an organization's other key constituents (i.e., customers, employees, the community, the environment, and

decision tree Graphical representation of the process underlying decision making.

suppliers) against the benefit to the shareholders. According to the decision tree framework, managers should make the decision to engage in an action if the benefits to the shareholders exceed the benefits to the other key constituents. Managers should not engage in the action if the other key constituents would benefit more from the action than shareholders.

Figure 12-5 illustrates that managers use a slightly different perspective when their initial conclusion is that an action does not maximize shareholder value. In this case, the question becomes, Would it be ethical not to take action? This question necessitates that a manager consider the *harm or cost* of an action to shareholders against the *costs or benefits* to other key constituents. If the costs to shareholders from a managerial decision exceed the costs or benefits to other constituents, the manager or company should not engage in the action. Conversely, the manager or company should take action when the perceived costs or benefits to the other constituents are greater than the costs to shareholders. Let us apply this decision tree to IBM's decision to raise the amount of money it required retirees to contribute to their health benefits.⁵¹ The company made this decision in order to save money.

Is it legal for a company to decrease its contribution to retiree health care benefits while simultaneously raising retirees' contributions? The answer is yes. Does an organization maximize shareholder value by decreasing its retiree health care expenses? Again, the answer is yes. We now have to consider the overall benefits to shareholders against the overall benefits to other key constituents. The answer to this question is more complex than it appears and is contingent on an organization's corporate values. Consider the following two examples. In company one, the organization is losing money and it needs cash in order to invest in new product development. Management believes that new products will fuel the company's economic growth and ultimate survival. This company's statement of corporate values also reveals that the organization values profits and shareholder return more than employee loyalty. In this case, the company should make the decision to increase retirees' health care contributions. Company two, in contrast, is profitable and has been experiencing increased market share with its products. This company's statement of corporate values also indicates that employees are the most important constituent it has, even more than shareholders: Southwest Airlines is a good example of a company with these corporate values. In this case, the company should not make the decision to decrease its contribution to retirees' benefits.

It is important to keep in mind that the decision tree cannot provide a quick formula that managers and organizations can use to evaluate every ethical question. Ethical decision making is not always clear-cut and it is affected by cross-cultural differences. Organizations are encouraged to conduct ethics training and to increase awareness about cross-cultural issues when the work involves people with mixed cultural backgrounds.⁵² That said, the decision tree does provide a framework for considering the trade-offs between managerial and corporate actions and managerial and corporate ethics. Try using this decision tree the next time you are faced with a significant ethical question or problem.

.....▶
TO THE POINT
 What are the pros and cons of group decision making and the various problem-solving techniques?

Group Decision Making

Groups such as committees, task forces, project teams, or review panels often play a key role in the decision-making process. ATA Engineering Inc., for example, is committed to group decision making.

Example. At least eight to 10 ATA employees are involved in interviewing every job candidate. If one employee objects to the hire, the candidate may not be offered

a job unless that employee changes his or her mind. Sometimes, even the biggest company decisions are made by workers. When the lease was up on the company's building, for instance, ATA formed a committee of employees to address the issue. The group decided to stay put, after determining the current location was convenient to the majority of employees.⁵³

Is ATA right in assuming that two or more heads are always better than one? Do all employees desire to have a say in the decision-making process? To what extent are managers involving employees in the decision-making process? What techniques do groups use to improve their decision making? Are face-to-face meetings more effective than computer-aided decision making? This section provides the background for answering these questions. We discuss (1) group involvement in decision making, (2) advantages and disadvantages of group-aided decision making, and (3) group problem-solving techniques.

HBR CASE STUDY

The Best of Intentions

by John Humphreys

Cynthia Mitchell just stared at her boss, Peter Jones. She admired him a great deal, but she couldn't believe what she had just heard.

"Let me get this straight," she said. "I shouldn't give Steve Ripley this assignment, even though he's the most qualified candidate, because the clients won't let him succeed?"

"It's your decision—and Steve's, if you decide to offer him the job. But I think it would be a big mistake," Peter replied.

"Because he's black," Cynthia prompted. "And because we're automatically assuming that the mostly white farmers in this district won't trust their books to a black professional?"

Peter flushed. "We don't assume it. We know it. Just ask Betty Inez and Hugh Conley. They were every bit as good as Ripley. But we—okay, I was blind to the unpleasant reality that plenty of discrimination still exists out there, like it or not. Because of my ignorance, they both failed miserably in districts that looked a lot like this

one. It wasn't their fault, but their careers with AgFunds got derailed anyway. I want to give Steve a fighting chance, and I want AgFunds to have a better record developing minority managers."

Cynthia sighed. "This feels all wrong to me, Peter, but I know you wouldn't raise the issue if it didn't have any substance. Let me think about it."

Personal Experience

And think about it she did. Cynthia had flown to Houston earlier in the week for AgFunds' regional district managers meeting and had been enjoying getting to know her colleagues over dinners at a variety of excellent restaurants—a welcome relief from her rural Arkansas district, where the culinary choices ran the gamut from barbecue to, well, barbecue. She was new at her job, and the other district managers—all white men—had made her feel welcome and offered her survival tips.

HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.

Tonight, though, she stayed put at her hotel. First she worked out in the gym, then she ordered a Caesar salad and a beer from room service. While she waited for the food, she took a quick shower. When she finally settled down to her meal, she found she didn't have any appetite. The situation with Steve Ripley was making her really tense. It brought up bad memories. She sat back, sipped her beer, and remembered how her own career at AgFunds had started.

It wasn't so long ago. A Minnesota native with an undergraduate degree from Purdue, Cynthia had earned an MBA from the University of Kansas. She wanted to stay in the Midwest, and she wanted to work with the agricultural community. She had originally planned to pursue a career with the Chicago Board of Trade, but the opportunities there hadn't seemed promising. AgFunds—a financial services company specializing in investments and accounting services for farmers and farmer-owned cooperatives—had pursued her aggressively. She had joined the firm as an investment trainee in the Chicago office after graduation, just four years ago. Her first year wasn't that different from being in school; she spent most of her time studying for the exams she had to take to become a fully licensed representative. She thrived in the competitive training environment and was considered the top graduate in her class.

The best trainees that year were all vying for a position in northern Indiana. Mike Graves, a highly successful investment rep, was being promoted to district manager. Within six years, Mike had turned a declining stream of clients in Indiana into one of the company's largest and most coveted portfolios. Cynthia wanted the job badly and was sure she had a good shot at it. Her interview with Mike went well, or so she thought. She was half planning the move to Indiana when she received an e-mail announcing that the job had gone to her fellow trainee Bill Hawkins. She was genuinely surprised. Bill was a great guy, but his credentials didn't measure up to hers. In fact, she'd spent a lot of time tutoring him after he failed an early licensing test.

When she ran into Mike shortly thereafter, she congratulated him on his promotion. He seemed self-conscious, and before long he stumbled into an explanation for why she

hadn't been picked for the plum job: "Eventually you'll be a better rep than Bill. I know it, and you know it. But this just wasn't the right territory for you. It's very conservative. Our customers wouldn't be comfortable doing business with a woman. One day you'll thank me for not putting you into a situation where you'd fail."

Thank him? Cynthia had felt more like strangling him. But, like a good sport, she offered him some politically correct conciliatory statements—"I'm sure you made the right choice; you know the territory," and so forth—and kept looking. A month later, she landed a less appealing but perfectly adequate sales rep's position in a northern Ohio district. Presumably, the district was more hospitable to women, though she'd had to prove herself to plenty of crusty male customers. Cynthia had done extremely well in the three years she spent there—well enough to be considered a rising star at AgFunds. So she wasn't surprised when Peter, the Houston-based regional vice president who oversaw eight southern districts in Arkansas, Louisiana, Mississippi, New Mexico, and Texas, recruited her to run the Arkansas district. The new position was a stretch; reps didn't usually get promoted this quickly, but she felt ready for the challenge.

And it definitely was a challenge. Arkansas was once a great district, but it had been losing customers for 15 years, thanks to a 25-year veteran who had gotten more and more comfortable in coasting mode. Peter had finally pushed the guy into early retirement and brought Cynthia in to shake things up. The sales force wasn't that bad; it had just been poorly managed. But Cynthia desperately needed at least one powerhouse rep. Privately, she admitted to herself that what she really needed was a clone of herself four years ago—somebody fresh out of school who was talented, ambitious, and extremely hungry.

She considered recruiting the second-best rep from her old region (he happened to be a good friend), but she wanted to look first at the recent crop of eager trainees. She was intrigued to discover that Steve Ripley, this year's top trainee, was inexplicably available three months after the training period had ended. He looked great on paper: a recent MBA from UCLA, a successful summer internship at AgFunds, a stint overseas as an economic analyst for the U.S. government. So why he was still

“Let me get this straight,” she said. “I shouldn’t give Steve Ripley this assignment, even though he’s the most qualified candidate, because the clients won’t let him succeed?”

available? Poor interpersonal skills, perhaps? When she met Steve, Cynthia discovered that this was far from true. He was personable, quick-witted, bright, an excellent conversationalist. He was also a black man in a company whose workforce was overwhelmingly white.

She had interviewed Steve just this week, while she was in Houston for the off-site, and she had ended the meeting wondering, very simply, how she’d gotten so lucky and when he could start. Within a few hours, though, her curiosity about why he was still available had resurfaced. When she asked a few discreet questions, her fellow district managers in Arkansas were evasive; they seemed uncomfortable. The longest-tenured of them finally told her that Steve wasn’t necessarily a great fit in some parts of their region and suggested that she discuss the situation with Peter before she made an offer.

Set Up to Fail?

Cynthia shifted uncomfortably in her hotel room chair. She poked at her salad with distaste then scraped at the label on her half-empty Saint Arnold beer as she replayed this morning’s meeting with Peter in her mind.

It hadn’t gone well.

“We need to talk about Steve Ripley,” she had started. “He’s a remarkable candidate. Why wouldn’t I hire him if I could get him?”

“Your predecessor didn’t think he was a good fit,” Peter had said gently. “I have to tell you I think he was right. And it’s not because I’m a bigot. I can see you’re wondering about that. Steve’s fantastic. He’s one of the best trainees we’ve had through here in years. But the biggest customers in your district don’t want to work with a black guy. It’s as simple as that.”

“So if some big customers are discriminatory, we’ll let them dictate our hiring policy?” Cynthia had challenged.

Peter had winced at her remark. “Look, Steve’s going to be outstanding. He just deserves to start out in a more hospitable district. Once the right opportunity opens up, he’ll be hired, and he’ll do brilliantly.”

Cynthia, remembering the job she’d lost out on in Indiana, then countered by saying, “So Steve has far fewer opportunities open to him than other, less-qualified applicants do.”

“I know it doesn’t sound fair, and in one

sense it isn’t,” Peter had said. “But if Steve fails in his first assignment, it becomes extremely difficult to promote him—we’ll be accused of favoritism or the very worst form of affirmative action. And let’s not forget we have some obligation to maximize profits. I can almost guarantee you that won’t happen in your district if you hire Steve. If our customers won’t buy from Steve, it hurts the shareholders, it hurts Steve, it hurts you. Okay? How is that a good thing?”

Cards on the Table

Cynthia didn’t sleep well that night. She tossed around, half awake, half asleep, agonizing about what her next step should be. Could she hire Steve against the explicit advice of her new boss? What would it mean for her career if Peter turned out to be right, and Steve didn’t work out? Undoubtedly the easiest course would be to keep looking, perhaps to hire her colleague from Ohio, who was, after all, a proven quantity. But that didn’t feel right.

During one of those 3am moments of apparent clarity that so often come to insomniacs, Cynthia decided to lay things on the line with Steve. At 8 am, she called his house and asked if they could meet for lunch. He agreed.

“Look, what I’m about to tell you is sensitive,” she said four hours later as she faced Steve over glasses of bubbly water at the Daily Review Café. “So I’m taking a chance. But I’m sure you sense a lot of what I’m going to say, so let’s just talk about it openly.”

“Sure, what’s up?” He looked both quizzical and slightly disappointed.

“Oh Lord, he expected an offer,” she thought to herself. Cynthia took a deep breath and started by telling him the story of how she lost the job in northern Indiana to a less qualified candidate and how much that had bothered her. She filled him in on the conversation with Peter the day before. By the time she’d finished, he was leaning back in his chair, sipping his water, eyes narrowed.

“I’m not sure what to say,” he offered after a pause.

“No need to say anything yet. The thing is,” she continued, “this is a company where women and minorities can get ahead. I know that from personal experience. And I walked in knowing I had to work harder and perform better than other candidates. I’m sure you did,

too. But the folks in senior positions sometimes decide what's best for candidates without consulting them. I know I resented that a lot when it happened to me. I don't want to continue that pattern. I'm not ready to offer you the job, but I do want you to know what's being talked about, and I'm curious to know what your response is."

Cynthia half expected Steve to start selling himself again, as he had during their initial interview—to ask for the chance to prove himself, even if it was a tough territory. But his response was more tempered than that.

"As long as we're being open with each other, I have to say I'm not sure. I'd like to stay in this part of the country for a few years, for personal reasons, but I don't want to take a job that sets me up for failure. There are other districts in this region where blacks have done well."

Cynthia was feeling deflated. "So—so you want to withdraw from being considered?"

"I didn't say that. I guess I want to be sure that if you offer me the job, I won't be walking into a disaster. I don't mind long odds, but I don't want impossible odds," he responded.

Sensing her confusion, Steve smiled quickly, his considerable charm in evidence. "I'm sorry if it seems like I'm just lobbing the ball back into your court, Cynthia. But from what you've told me about your own experience, I trust you to make the right call. I really do."

Should Cynthia hire Steve?

Reprint R0207X

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John Humphreys, a former executive in the financial services industry, is an assistant management professor in the College of Business at Eastern New Mexico University in Portales.

Chapter 11

Osland, J.S., Kolb, D.A., Rubin, I.M., & M.E. Turner. "Problem Solving." *Organizational Behavior: An Experimental Approach*, 8/e. Upper Saddle River: Pearson Prentice Hall, 2007. Reprinted by permission.

PROBLEM SOLVING

OBJECTIVES By the end of this chapter, you should be able to:

- A. Explain the four stages of problem solving.
- B. Describe the red/green modes of problem solving.
- C. Identify the different roles a facilitator or manager plays during the problem solving process.
- D. Learn how to facilitate a problem-solving meeting.
- E. Explain Six Sigma and Appreciative Inquiry.

WHY NOT?

IDEAS WAITING TO HAPPEN

While some people claim that the route to innovation is indescribable, we believe there's often a simple, recurrent structure to creative thinking. Most original ideas aren't completely original, but instead are the result of two basic things: problems in search of solutions and solutions in search of problems.

Both approaches have their advantages. If this seems odd, think of television game shows. *Who Wants to Be a Millionaire* looks for the right answer, while *Jeopardy!* starts with the answer and looks for the right question.

Once a problem has been identified, how do you go about finding a solution? Watching your customers is a fine place to start. Rather than invent a new solution from scratch, you can take the imperfect, often Rube Goldberg* solutions that people have already found and improve on them.

But consumer watching has its limits. While the unexpected reaction of consumers often signals that something is wrong with a product, there are many problems customers cannot solve on their own. This is because real-world consumers have limited resources.

So an alternative tool is to ask how an unconstrained consumer would solve the problem. We call this approach "What would Croesus** do?" as a shorthand for imagining solutions where price is no object. These may lead you to a solution that is affordable.

In his day, Howard Hughes had a Croesus-like flair for spending money to find solutions to problems. Imagine that it's 1966 and that you're Hughes. You sometimes have a hankering to watch old Bogart films. Unfortunately, the VCR has yet to be invented. What do you do?

Hughes bought a Las Vegas television station and used it as his private VCR. Whenever he wanted, he'd call up the station's general manager and tell him what movie to put on that night. We understand that the station played a lot of *Casablanca* and *The Maltese Falcon*.

*Rube Goldberg was a famous cartoonist known for drawing tremendously complex devices that perform simple tasks in convoluted ways.

**King Croesus ruled over Lydia in Western Asia Minor (now Turkey) from 560 to 546 BC. The expression "as rich as Croesus" was based on his legendary wealth. The Lydians were the first people to mint coins.

In this spirit, our “What would Croesus do?” approach begins by imagining a customized and very expensive solution. We don’t begin with a view that the solution has to be practical. Instead, we ask: Are there any solutions at all?

Problem: Having to wait on hold at a customer service number Donald Trump or Bill Gates wouldn’t spend much time on hold. They would have an assistant stay on the line and buzz them when the call goes through.

Mere mortals can’t afford personal assistants. Is there any way ordinary folks could emulate this “personal assistant” strategy? Well, yes. Instead of waiting on hold to speak with an airline customer representative, why not have the airline call you back? With caller ID, you wouldn’t even have to enter your number. Waiting on hold is not only a pain for the caller but also expensive for the company if it’s paying for a toll-free line.

Huge sums are being spent right now on technology to move telephone support centers to low-wage countries. We invite airlines and other corporations to think about applying a little technology to the problem of making your customers less irate.

Problem: Cash management for the household Your checking account earns next to no interest, yet you may be paying 6 percent on your mortgage. Why don’t you just take all your cash and prepay your mortgage? That way you would effectively earn an extra 6 percent on your money. Unfortunately, this proposal is impractical. You need to have some cash to pay bills and cover emergencies. If you put all of your money into your mortgage, you couldn’t get it back when you needed it.

A modern Croesus—or any sizable corporation—could solve the liquidity problem by employing an assistant to do sophisticated cash management, using money market funds and a standby credit line. Ordinary folk can get the same result only by spending an inordinate amount of time shuffling balances back and forth. But what if the bank were willing to help out? What if the bank set up a combined mortgage/checking account that charges the homeowner only for the net indebtedness? A person with a \$200,000 mortgage and a \$10,000 checking balance would be charged mortgage interest only on \$190,000.

If you are a retail banker, your first instinct is to reject the idea. Your profitability hangs on having a certain number of customers with idle cash balances. Why give the homeowner an easy means to shrink checking balances or to prepay high-rate mortgages? But think about all the time customers squander right now trying to manage their cash. Wouldn’t it be possible to price the combo account in such a way that the bank is as profitable as before but the customer is still happy because he has been spared a lot of paperwork?

In 1997, Richard Branson’s Virgin teamed up with AMP and the Royal Bank of Scotland to offer the Virgin One account, which nets cash balances against mortgage debt. Your salary is electronically deposited into this account. Any checks you write or credit card charges you incur are taken out of the account, thereby increasing your outstanding mortgage.

By late 2001, Virgin One had 70,000 customers. Today it’s a very successful mortgage product in England. This creative idea was worth money. The Royal Bank of Scotland bought out Virgin and AMP’s combined 50 percent share for \$150 million in July 2001.

The combo account has come at long last to these shores. Wells Fargo launched a similar product in October 2002 and claims that it is its most successful product launch.

Sometimes it isn’t helpful to start the problem-solving process by identifying a problem. The solution has to come first. Only after we’ve discovered a better way do we realize in retrospect that there was a problem to be solved. Take an existing solution and find a new application.

Solution: Round-the-clock rental start times Avis rents cars 24 hours a day, starting any time of the day (or night). What’s the new application—that is, what other rentals should be flexible with the starting time? Anyone who’s landed in Europe on an overnight flight can answer this question: hotel rooms. You arrive at 7:00 a.m. and want to shower and change, but it’s six hours until check-in time.

Hotels would have to make an effort to provide this convenience. Coordinating room cleanings should be more challenging. And reservations would have to include a check-in time to

ensure that a room would be available. But if Avis can program its computers to handle the problem, surely Sheraton can, too. Some airport hotels have begun offering this service. We think that some city center hotels should follow suit, perhaps dedicating one floor for this service.

Solution: Inflation-indexed bonds The U.S. Treasury protects you from unanticipated inflation by offering TIPS, or Treasury Inflation-Protected Securities. What else could be indexed? Municipal bonds. This has been done only a handful of times. They would be immensely attractive to investors who worry about both inflation and taxes. Right now investors in TIPS still face the risk of uncertain taxes on their returns because federal tax is due on both the real return (now about 2 percent) and the inflation kicker. If inflation hits 8 percent and the bonds start paying 10 percent, your aftertax, net-of-inflation return will be in the neighborhood of negative 1.5 percent. A state offering an indexed return could probably offer a real return not much more than 1 percent to 2 percent and still get a lot of takers.

Solution: Battery-operated spinners The Spin Pop, introduced in 1993, was one of the most successful new interactive candy launches ever. More than 85 million of these motorized lollipop holders have been sold worldwide. Hold your tongue steady and spin the candy against it. Now, what other question does the Spin Pop answer? After roaming the aisles of Wal-Mart, the Spin Pop creators found the right question: how to drive down the price of the electric toothbrush. Spin Pop gave birth to SpinBrush. In a little under four years John Osher and others turned a \$1.5 million investment into a \$475 million payout when Procter & Gamble bought them out.

Sometimes flipping things around provides a useful solution to a different problem. What we call symmetry takes an existing solution in a given context and turns it around to get a new perspective. Inflation-indexed bonds are a great idea. Turn this around. Would it also work to borrow at an inflation-indexed rate? This flip leads us to the inflation-indexed mortgage. Each year your payments go up with the rate of inflation. In countries with high inflation, such loans are standard. Even with low inflation, such as the 2 percent in the United States, these loans would allow people to borrow up to 50 percent more or to start off with payments that are a third less. Young families could suddenly afford to buy a lot bigger house.

For the most part, people find an answer that works and don't get in the habit of looking for an even better solution. Or we think there is some natural way of doing things and stop looking for alternatives.

Take the ketchup bottle. Did you ever store one upside down in order to make it flow faster? How long did it take for Hunt's and H.J. Heinz to figure out they could turn the label upside down? According to Heinz's Casey Keller, the change was no small matter: "We believe this is probably the biggest idea in ketchup since the invention of the plastic squeeze bottle." In the old days Heinz used Carly Simon's "Anticipation" in its marketing. The updated campaign is "No wait. No mess. No anticipation." Ketchup is not the only product to take advantage of this insight: Toothpaste, shampoo and even sour cream are now available upside down.

Coming up with a great idea is only the beginning of the battle. If you really want to change your company or the world, you need to sell the idea and you need others to buy in. In pitching an idea, try to make it familiar. It's hard enough for listeners to absorb a radically new idea. Don't make them also absorb a new context. Colgate has applied this rule brilliantly with its new Simply White tooth-whitening gel. The home-use tooth whitener is an unfamiliar product. Yet the Colgate product evokes a strong *déjà vu*—its packaging bears a powerful resemblance to that for Wite-Out, the familiar typo corrector.

Got a good idea? Don't get carried away with secrecy. If you can't make money on it yourself, share it The open-source movement in software development shows that a dispersed community of code writers can succeed in developing interlocking products that are free to the world.

We propose an open-source movement for everyday ingenuity. If you generate valuable ideas, even ones that seem to speak for themselves, you are likely to be in demand to help put them into practice. Being known as an idea person tends to pay big rewards in our society. Instead of hoarding ideas in hopes of a killer payoff, put the ideas out there and see what happens.



THE KNOWLEDGE BASE

No problem can be solved from the same level of consciousness that created it.

Albert Einstein

For many scholars who study organizations and management, the central characteristic of organizations is that they are problem-solving systems whose success is measured by how efficiently they solve the routine problems associated with accomplishing their primary mission—be it manufacturing automobiles or selling insurance—and how effectively they respond to the emergent problems and opportunities associated with survival and growth in a changing world. Kilmann's view is representative of this perspective:

One might even define the essence of management as problem defining and problem solving, whether the problems are well structured, ill structured, technical, human, or even environmental. Managers of organizations would then be viewed as problem managers, regardless of the types of products and services they help their organizations provide. It should be noted that managers have often been considered as generic decision makers rather than as problem solvers or problem managers. Perhaps decision making is more akin to solving well-structured problems where the nature of the problem is so obvious that one can already begin the process of deciding among clear-cut alternatives. However, decisions cannot be made effectively if the problem is not yet defined and if it is not at all clear what the alternatives are, can, or should be.¹

In this view, the core task of management is problem solving. Views on problem solving, however, have expanded due to two major changes. First, more organizations are looking not at problems but at opportunities and what they do best. The discussion on Appreciative Inquiry is an example of this trend. Second, problem solving has been delegated in many organizations to employees, starting with employee involvement groups and total quality management to Six Sigma and project teams. Problem-solving techniques are now taught at all levels in companies that have a continuous improvement orientation. In addition to profiting from their ideas, involving employees in problem solving empowers them, gains their commitment to solutions, and develops their management skills.

General Electric's Work-Out program is a prime example of an organization-wide effort at involving employees in problem solving. Large companies have many competitive advantages due to their size. Unless they take special measures, however, they can also become inefficient, resistant-to-change bureaucracies characterized by rigid functional silos. GE addressed this danger with Work-Out, a program designed to cut through bureaucracy and across boundaries to solve problems fast with the help of people at all levels of the company. First, a large group of employees address a concern, a "target opportunity," identified by employees or senior management. Next, cross-functional and cross-level teams come up with recommendations. Finally, the teams present the recommendations to senior management who discusses the recommendations with them and, on the spot, accepts or rejects them. (This is similar to the action learning that takes place in the "Women and Global Leadership at Bestfoods" case, at the end of this book.) Work-Out has saved GE over \$100 million.² Although it was designed to counter the disadvantages of a large bureaucracy, Work-Out has also been used successfully in small firms.

Groups are used in solving complex problems when no one person has all the necessary information, skills, and diverse perspectives. Other people contribute new dreams, new ideas, information, and help in getting things done. As such, problem solving is not just a mental puzzle but also a social process that requires communication, perception, creativity, conflict management, and group and facilitation skills. Employees at all levels are more likely to be committed to implementing the solutions to problems if they have participated in the problem solving process. Therefore, the decision about who is invited to problem solving groups is critical. As a general rule, those who are likely to be critical in the implementation stage of a solution should be members of the problem solving team, along with those who have the most knowledge about the situation and the most power to change it.

A MODEL OF PROBLEM SOLVING

Some of the frequent mistakes people make in problem solving are failing to see the potential opportunities in problems, leaping too quickly to discussing potential solutions before completely analyzing the problem, and not focusing enough on implementation issues. The Kolb model of problem solving as a dialectical process³ shown in Exhibit 11-1 is designed to prevent these mistakes. This structured approach to problem solving is designed to facilitate a thorough consideration of complex problems. This is a normative model, which means that it shows how a process is done ideally. Not surprisingly, the model is based on Kolb's theory of experiential learning found in Chapter 3. It consists of four analytical stages that correspond to the four stages of the experiential learning cycle: Stage 1, situation analysis, corresponds to concrete experience; Stage 2, problem analysis, to reflective observation; Stage 3, solution analysis, to abstract conceptualization; and Stage 4, implementation analysis, to active experimentation. These four stages form a nested sequence of activities in that each stage requires the solution of a particular analytical task to frame the succeeding stage properly. The major focus of each stage is captured in these questions:

Situation Analysis: What's the Most Important Problem?

Problem Analysis: What Are the Causes of the Problem?

Solution Analysis: What's the Best Solution?

Implementation Analysis: How Do We Implement the Solution?

The stages will be described in depth after we introduce another key element of the model, the dialectics of problem solving.

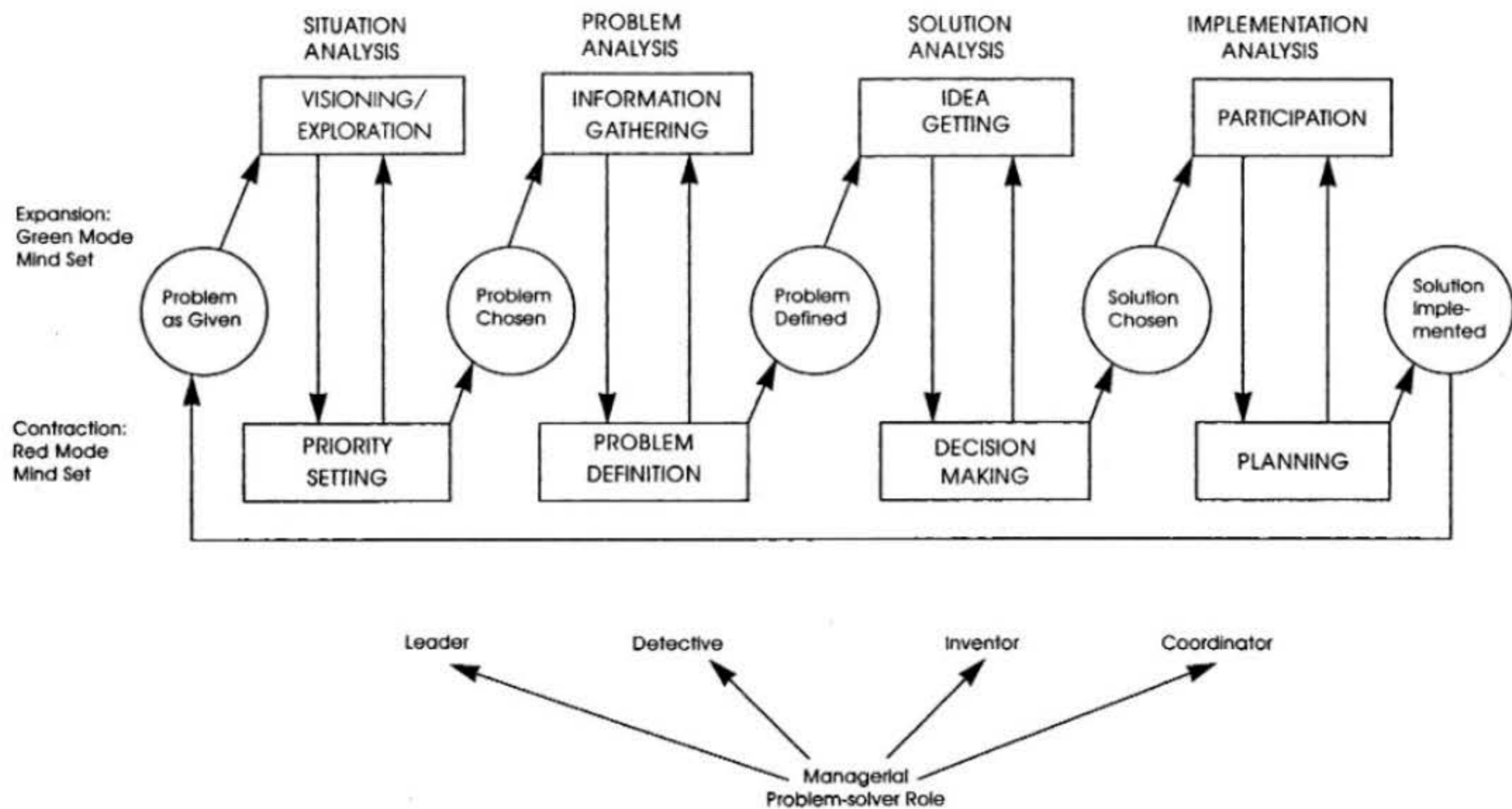


EXHIBIT 11-1 Kolb's Model of Problem Solving as a Dialectic Process

THE DIALECTICS OF PROBLEM SOLVING

The process of problem solving does not proceed in a logical, linear fashion from beginning to end. Instead, it is characterized by wavelike expansions and contractions alternatively moving outwardly to gather and consider alternatives, information, and ideas and inwardly to focus, evaluate, and decide. These expansions and contractions have been variously labeled as doubting/believing, green light/red light, and divergence/convergence.

Elbow's⁴ description of "doubting" and "believing" games is one way to conceptualize the two different mind-sets required for problem solving. The first rule of the believing game is that people refrain from doubting or evaluating and instead focus on possibilities and how an idea could work. In contrast, the doubting game focuses on a reductive, structured, "objective" rationality. People with this orientation are constantly asking, "What's wrong with this?" As a result, they poke holes in ideas and arguments, torpedo assumptions, and probe in an analytical manner. Thus, problem solving is not the result of a single mental function such as logical thinking. Effective problem solving involves the integration of dialectically opposed mental orientations—these are often referred to as red- and green-mode mind-sets.

The green-mode mind-set facilitates creative imagination, sensitivity to the immediate situation, and empathy with other people. The green-mode mind-set encompasses the expansion phases of problem solving—visioning/exploration, information gathering, idea getting, and participation. The red-mode mind-set, by contrast, facilitates analysis, criticism, logical thinking, and active coping with the external environment. The red-mode mind-set is, therefore, most appropriate for the contraction phases of problem solving—priority setting in situation analysis, problem definition in problem analysis, decision making in solution analysis, and planning in implementation analysis. Effectiveness in problem solving is enhanced by approaching the expansion/contraction phases of each problem-solving stage in the appropriate mind-set. For problem solvers to accomplish this matching of mind-set and problem-solving task, they must first become aware of when they are in the red or green mode of consciousness and then learn to shift from one mode to the other. With some practice, this can be accomplished quite easily; practice in identifying and separating the two mind-sets usually has the effect of increasing the

intensity of both modes. Managing the problem-solving process with groups of people requires the creation of a climate that stimulates and reinforces the appropriate mind-set in participants as they move through each of the stages described in the following section.

The problem-solving process is further guided by four roles that focus the dialectic interplay of red and green mind-sets on the relevant stage of the problem-solving process. In situation analysis, the problem solver adopts the role of a leader, focused on identifying goals and values in the situation in the green mode and setting priorities in the red mode. In problem analysis, the role is that of a detective, focused on gathering information in the green mode and building and evaluating models in the red mode. In solution analysis, the role is that of an inventor, generating ideas in the green mode and testing their feasibility in the red mode. In implementation analysis, the problem solver adopts the coordinator role, developing participation in the green mode and planning in the red mode. Conscious attention to these roles serves to focus attention on the priorities of each stage and signals the transition from one stage to another. We describe the stages of the problem solving model in more detail in the next sections. As you read through the discussion, think about how each of the roles comes into play during the various stages.

Situation Analysis—Visioning/Exploration and Priority Setting

In the situation analysis stage, our task is to examine the immediate situational context to determine the right problem to tackle. While problem-solving activity is often initiated by urgent symptomatic pressures, urgency alone is not a sufficient criterion for choosing which problems to address. As every manager knows, the press of urgent problems can easily divert attention from more important but less pressing long-term problems and opportunities. In reality, urgent problems are often the result of long-term unstructured problems that have never been addressed. For example, the continued urgent need to replace data entry clerks in a bank may result from the failure to address problems of low worker morale and lack of career opportunities within the organization. In this example, hiring to fill clerk vacancies is a structured problem, while low morale and the lack of a career ladder are unstructured problems. *Structured problems are repetitive and routine, and definite procedures are developed for dealing with them. Unstructured problems are novel and not covered by ready-made procedures because they occur infrequently or are very complex.* Situation analysis requires exploration to identify the problem that takes precedence by criteria of both urgency and importance. This is what is meant by the popular saying, “Managers do things right; leaders do the right thing.” Problem finding is equally as important as problem solving. As Kaplan described it, “The manager gives form to a problem in the way a potter sees and then shapes the possibilities in a lump of clay. The difference is that managers practice their craft using an intangible medium: information.”⁵ For organizations in rapidly changing environments, aggressive opportunity seeking is essential to maintain stability and growth. Careful situation analysis is, therefore, most critical in those cases in which long-term adaptation to a changing environment takes precedence over expedient action.

Visioning/exploration The visioning/exploration stage of the situation analysis is concerned with envisioning what is possible. When people discuss problems, they devote time to talking about how they would like the situation to be. For example, the technique of visioning involves asking people to close their eyes and imagine their ideal organization or program. This reflects the green mode (whereas the exploration of current realities represents the red mode). The process of articulating desired goal states is called visioning. A common error at this substage is to simply accept a problem as given, without considering the opportunities it may hold. For example, a hospital was scheduled to undergo its accreditation review process, which demands a good deal of time and effort. Rather than view this solely as a burdensome bureaucratic requirement, the administration chose to see it as an opportunity to improve both service and efficiency. Framing the situation as an opportunity rather than a burden changed the problems they chose to tackle.

To be successful, the visioning process must overcome barriers that exist in some organizational settings. Foremost among these barriers is the organizational press to be realistic. Wishing, wanting, and visioning must be explored independently of reality for them to develop fully. Charles Lindblom⁶ noted some time ago that it is easier to find agreement on a course of action than it is to get agreement on the goals for the action. Goals are a reflection of our values, and the discussion of values accentuates human individuality and emotional commitment with a resulting increase in conflicting viewpoints. In the dialectic view, such conflict is essential for the discovery of truth. Many managers, however, shy away from conflict because it is unpleasant and they do not know how to use disagreement constructively. A related barrier to visioning is the threat of isolation that comes from holding values or opinions that are different from those of the majority. This barrier gives rise to conformity and groupthink in problem finding.⁷ A worker, for example, may suppress his or her genuine values for achievement and excellence so as not to violate group norms of mediocrity. For this reason an effective visioning process requires an environment that gives security and support for individuality. The result of visioning is a menu of problems and opportunities. The group may choose one that satisfies the decision criteria of both urgency and importance.

Priority Setting The contrasting pole to visioning in the situation analysis dialectic is priority setting. As with any dialectic, visioning and priority setting mutually enhance one another—visioning gives direction and energy to priority setting and priority setting gives substance and reality to visioning. Every managerial decision reflects values; choosing one problem as a priority reveals the values of the decision makers. Priority setting has three specific tasks: (1) to explore the current situation for those features that facilitate or hinder goal achievement, (2) to test the feasibility of changing those features, and (3) to articulate reality-based goal statements that give substance to values and allow them to be realized. Priority setting is not a rational, analytic process of reflective planning. It is an active, intuitive process of trial-and-error exploration of what is going on in the situation. It involves “knocking on doors,” listening to people, trying things out, and taking risks.

Taken as a whole, the central issue in situation analysis is leadership, and the basic social role of the problem solver is that of a leader whose responsibility is to guide the attention of the organization to those problems and opportunities whose solution will be of maximum benefit to the long-run effectiveness of the organization. Someone once said that the key to successful leadership is to find out which way people are going and then run out in front of them. There is an element of truth in this, for the successful leader in situation analysis identifies the values and goals involved and then holds up those that are most important as priorities for action. The priority that is chosen should be phrased in very specific terms as a goal that can be measured, for example, “Reduce cycle time for grant-proposal process by 20 percent within six weeks.” In many instances, this stage identifies the gap between the ideal state and the current reality, the creative tension⁸ that motivates people to take action. Once a problem or a target opportunity has been chosen, the group can move on to the next stage in the process.

PROBLEM ANALYSIS—INFORMATION GATHERING AND PROBLEM DEFINITION

The task of problem analysis is to understand and define the problem thoroughly. Common errors at this stage are defining the problem in terms of its solution or confusing symptoms with the problem’s root cause. For example, the statement that “Our problem is not having enough meetings” probably indicates that one or both of these errors have been made (or maybe just insanity). A careful analysis of the problem may indicate that more of meetings is just one of several alternate solutions and lack of meetings is a symptom of a larger problem (e.g., overwork, a staff that does not get along). Without an accurate problem definition, the right solution cannot be identified.

Information Gathering In the expansion mode of problem analysis, the group makes an effort to gather all the necessary information surrounding the chosen problem. This is a receptive, open-minded phase in which information associated with the problem is sought and accepted.

Depending on the type of problem that has been chosen, this phase can involve a wide range of activities: talking with people familiar with the problem, running statistics, looking at policies and procedures, or brainstorming with groups about things that get in the way of progress. Information-gathering has both a cognitive and interpersonal component. Cognitively, it is important to avoid biases and preconceptions about the nature of the problem and its causes in favor of letting the data “speak for itself.” Interpersonally, information gathering requires skills in developing trusting relationships so that others do not hold back or modify information to say “what the boss wants to hear” or to avoid reprisals. In many organizations, these two components negatively interact with one another to produce a climate that makes it difficult to gather accurate information. Mistrust and threat cause workers to withhold information, and this sometimes forces management to rely on its own preconceived notions about the nature of problems. In this sub-stage, facts have to be separated from opinion, so that the eventual solution will be data-driven and based on solid ground rather than assumptions.

Problem Definition In the contraction mode of problem analysis, the task is to define the problem based on the information gathered. Problem definition is basically a process of building a model portraying how the problem works—factors that cause the problem, factors that increase or decrease the strength of the problem, connections and relationships among elements, and symptoms of the problem. Complex problems usually need to be drawn visually so that everyone can follow the relationships. The resulting model of the problem separates out relevant and irrelevant information about the problem. Because it contains the factors and perhaps criteria that need to be managed to solve the problem, this problem definition guides the next stage, solution analysis. A task force at a community housing agency was trying to figure out why some of its grant proposals were not being funded. Some employees blamed the new grant writer. However, after interviewing everyone involved, including the funding agencies, the task force determined that the poor quality of certain grant proposals was due primarily to last-minute information from some programs. As a result, the grant writer did not have enough time to double check facts and intentions or to proofread all grants carefully before they were sent off. The task force then set off to gather more information to learn why some program heads did not respect the proposal deadlines. Apparently, the agency director had not communicated the financial importance of the grants to all program heads, so the grant writer’s requests were viewed as less important than serving clients. These middle managers were never reprimanded for failing to collaborate with the grant writer. Finally, the grant writer was a new employee in a new position, whom these particular program heads perceived as having little power and influence. This model of the factors in the grant funding problem tells us what has to be included in the solutions chosen in the next stage.

The problem solver in the problem analysis stage takes on the role of detective—gathering clues and information about how the “crime” was committed, organizing these clues into a scenario of “who done it,” and using that scenario to gather more information to prove or disprove the original hunch. The output of the problem analysis phase is a model of the problem validated through the interplay of information gathering and problem definition. Only when the problem has been thoroughly analyzed and defined is the group ready to begin thinking about solutions in the next stage.

SOLUTION ANALYSIS—IDEA GETTING AND DECISION MAKING

Solution analysis is achieved through the interplay between getting ideas about how the problem can be solved and decision making about the feasibility of the ideas generated. A common error in this stage is failing to separate the two stages of generating and evaluating ideas.

Idea Getting The expansive first phase of solution analysis focuses on creative imagination. Brainstorming is the most common technique used to produce an unstructured free-association of ideas. *Brainstorming is the generation of as wide a range of potential solutions as possible*

in an atmosphere that is free from criticism and evaluation. The ban on evaluation is important to stimulate participation and creativity. Comments like these impede brainstorming: “That won’t work.” “That’s too radical.” “We’ve never done it that way before.” “That’s not practical.” Common errors in this substage are assuming that there is only one right answer, getting “stuck” or attached to the first solution that arises and failing to consider other solutions (somewhat like the primacy effect in perceptual distortions), and being so anxious to finish that you settle for a solution that doesn’t really work. A desire to take action and to reduce the uncertainty in a situation drives some people to leapfrog the other problem solving stages and discuss solutions well before they really understand the problem. This same factor may drive some people to hurry through the idea getting stage to converge on a best solution before they should. History and business alike are littered with examples of poorly thought out solutions to problems. For example, Gruenthal Chemie’s decision to market the drug thalidomide that caused numerous birth defects, Enron’s decision to allow risky accounting practices that resulted in the company’s bankruptcy, and NASA’s decision to launch the space shuttle *Challenger* that ultimately exploded are all instances of extremely poor solutions that had disastrous consequences.⁹

Decision Making The second substage, the contracting phase, focuses on sorting through the ideas generated in brainstorming and evaluating them systematically against the criteria that an effective solution must meet. The primary criterion of an effective solution is whether it solves the problem and produces the desired result. An efficient solution produces no harmful side effects.¹⁰ Inexperienced problem solvers come up with recommendations that have little impact, are too expensive, or are too difficult to ever implement. Therefore, another way to evaluate solutions is to use the Payoff Matrix shown in Exhibit 11-2. GE uses this tool to help employees think about and categorize solutions in terms of their potential impact and achievability.¹¹

If group members become competitive and fight over the best solution, they can list the criteria a good solution has to meet and evaluate each solution against those criteria. In the solution phase, the problem solver takes the role of inventor, creatively searching for ideas and then carefully evaluating them against feasibility criteria. When the best solution has been chosen, the group can move on to implementation in the next stage.

IMPLEMENTATION ANALYSIS—PARTICIPATION AND PLANNING

The final stage concerns the actions that must be taken to ensure that the solution is successfully implemented. This involves getting the appropriate people involved and coming up with a good plan. Three common errors in this stage are failing to gain the commitment of the people needed to implement the plan, failing to assign clear responsibility for each task, and failing to follow up and monitor the implementation process. Implementation analysis is accomplished through the interplay of planning and the process of carrying out plans.

Participation Since implementation of solutions in organizational settings is most often done by or with other people, the critical expansion task is participation, enlisting the appropriate

	Easy To Implement	Tough To Implement
Low Payoff		
Big Payoff		

EXHIBIT 11-2 Payoff Matrix

involvement of those actors in the situation who are essential to carrying out the problem solution. Three subtasks are involved here:

1. The anticipation of the consequences that will result from implementing the solution and the involvement of those who will experience these consequences in developing ways to deal with them.
2. The identification of those key individuals who by virtue of their expertise and/or motivation are best qualified to carry out the various tasks in the implementation process.
3. If the key individuals have not been involved in the problem-solving process to this point, it may be necessary to see if they agree with the group's outputs or have different ideas about the problem choice, definition, and proposed solution.

Receptivity and openness is also required in this substage, but here it is directed toward the concerns and ideas of people who will be involved in planning the implementation process.

Planning The planning phase of implementation analysis is an analytical process involving the definition of tasks to be accomplished in implementing the solution, the assignment of responsibility to qualified individuals, the setting of deadlines and planning for follow-up monitoring, and the evaluation of the implementation process. If the problem and its solution are very complex, planning may be quite complicated using network planning methods such as PERT (Program Evaluation Review Technique) or CPM (Critical Path Method). Often, however, a simple chart listing key tasks, responsible individuals, and time deadlines is sufficient for planning and monitoring implementation.

When groups develop plans for implementation and identify the potential consequences of implementing these plans, they may find that it is useful to use an iterative process. For example, they can scout potential issues that may arise in implementation, develop a rough plan, share it with those involved in the situation to get reactions, and then modify the plan. Another dialectic process relates to the "who's" and the "what's." Managers appear to have distinct stylistic preferences about how they deal with this issue. Some prefer to define the "what's" first—the plan and tasks to be accomplished—and then assign these tasks to individuals to carry them out. Others begin with the "who's," seeking to identify qualified and interested individuals and then developing plans with them. While the best approach probably varies with the situation and task, beginning with the "who's" has the advantages of giving priority to often scarce human resources and maximizing participation and delegation. In synthesizing these dialectics, the problem solver in implementation analysis adopts the role of coordinator, working to accomplish tasks with other people. The outcome of this stage is a coherent plan for the implementation and a follow-up evaluation.

Most experienced managers tend naturally to follow a problem-solving sequence that is close to that described in the four-phase model of situation analysis, problem analysis, solution analysis, and implementation analysis. There are, however, significant differences in the amounts of energy devoted to each of these phases, which sometimes inhibit effective problem solving. Perhaps the most significant of these is the tendency to spend too little time defining the problem at hand before generating possible solutions. This tendency to be solution oriented often results in the treatment of symptoms rather than causes of the problem, and time is wasted working on solutions before relevant information is known. If this process is typical of an organization's problem solving, a crisis fire-fighting atmosphere develops where symptom-oriented solutions fail to resolve basic problems that recur over and over. This further reduces the time available for thoughtful situation and problem analysis.

Effective problem solving requires balanced attention to each phase of the problem-solving process and equal emphasis on the expansion/green-mode and contraction/red-mode mind-sets. We learned in Chapter 3, "Individual and Organizational Learning," that individual learning styles emphasize different aspects of the experiential learning cycle. There is a strong correlation between people's learning styles and the way they approach problem solving. In the next section, we describe additional approaches to problem solving that have been used in organizations.

DIFFERENT APPROACHES TO PROBLEMS AND OPPORTUNITIES

Since not all problems or situations are exactly the same, different approaches to problem solving have been developed. Some problems are simply a matter of repairing something that has ceased to function correctly, particularly technical problems. This involves determining the cause and taking corrective measures. Other problems revolve around the need to improve the way something is working, so problem solving efforts focus on the constraints and modifications that are required. Finally, some situations require the creation of something new. In this instance, looking at causes and past functioning may be completely unnecessary since the focus is to develop something that is completely different. Two of the most highly developed and distinct approaches to problem solving, Six Sigma and Appreciative Inquiry, are explained below.

Six Sigma

Six Sigma, the next generation of the total quality movement (TQM), was initially developed at Motorola in the 1980s. Motorola was inspired by Japanese success in producing high-quality products. Decades earlier, the Japanese were known not for quality but for shoddy merchandise. In one of the most famous problem solving successes in business, Japanese products became synonymous with quality after they adopted Deming's principles of total quality management and *kaizen*, a commitment to continuous improvement and encouraged employees to contribute their ideas for improving products. Since the Japanese focused primarily on improving the quality of products, American firms such as Motorola, Allied Signal, and Texas Instruments thought they could compete with Japan if they focused on both products and work processes, and thus turned to Six Sigma.¹² Many companies have claimed that Six Sigma is responsible for millions or billions in cost savings or gains. GE reportedly saved \$8 billion in one three-year period alone. Six Sigma squads from GE have expanded their internal focus to help their customers find inefficiencies and waste that will result in savings.¹³

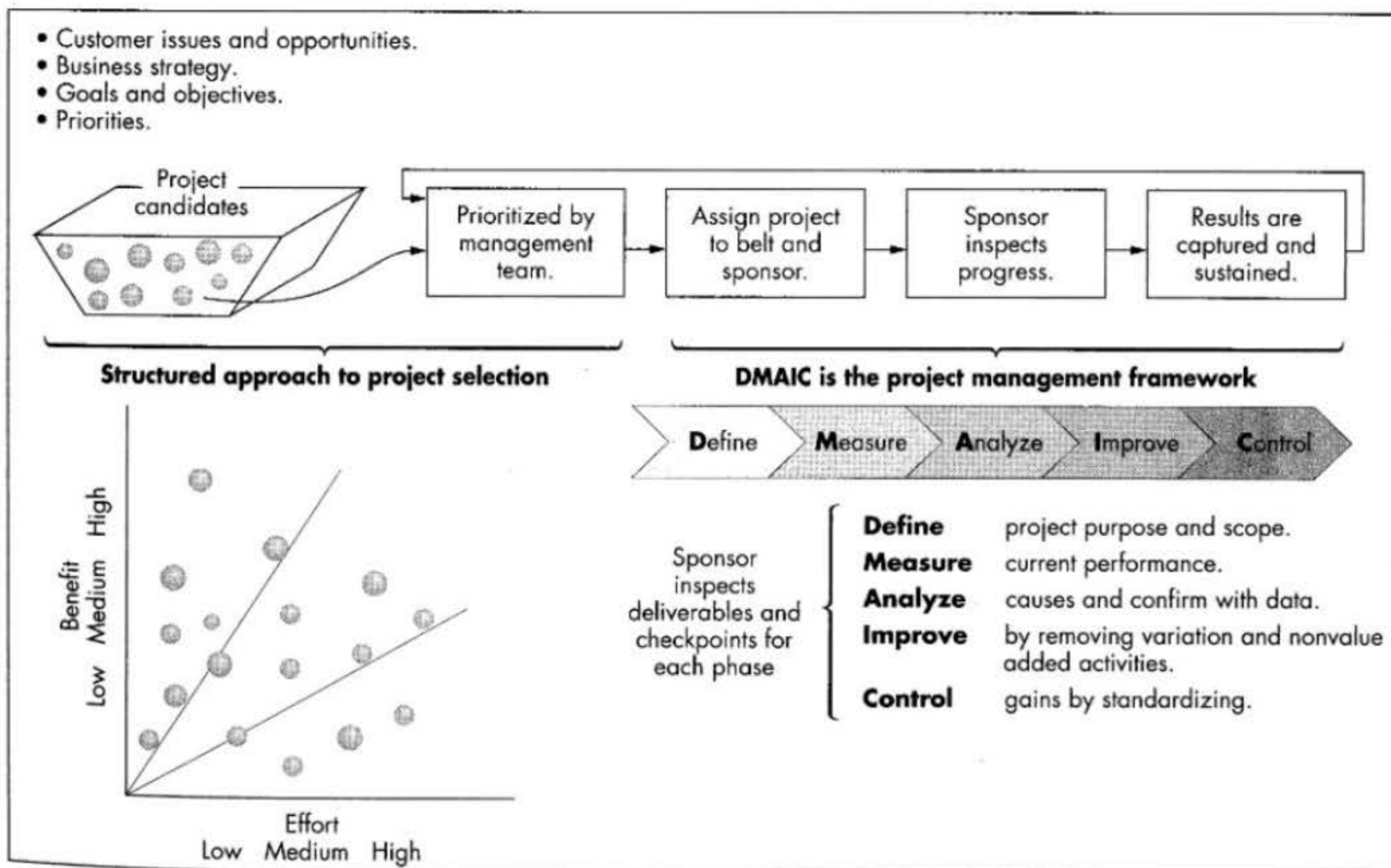


EXHIBIT 11-3 Lean Six Sigma Processes at Xerox

Source: Reprinted with permission from A. Fornari and G. Maszle, "Lean Six Sigma Leads Xerox," *Six Sigma Forum Magazine* (August, 2004): 12.

Sigma is a statistics term for a measure of variation from an expected outcome, in this case, a high quality product. A sigma of six refers to a near-perfect rate of only 3.4 defects per million parts. The basic formula for getting to SIX SIGMA is DMAIC:

- Define the requirements of a process or product to meet customer wishes
- Measure performance
- Analyze what's causing defects
- Improve the process to reduce them
- Control the process to maintain improvements.

Xerox has slightly modified the basic DMAIC formula for their own needs, as shown in Exhibit 11-3.

Like TQM, Six Sigma also relies heavily on statistical tools; it's been called "TQM on Steroids."¹⁴ While TQM involved many, if not all employees in teams that chose their own improvement projects, Six Sigma relies primarily on employee experts with extensive Six Sigma training (green belts and black belts) who work with teams on projects chosen by management. Improved quality and savings are the benefits of a Six Sigma program that is effectively implemented. However, these strengths can be a double-edged sword if the focus on numbers leaves out other considerations. Circuit City's Six Sigma program produced a recommendation for variable staffing, which meant hiring part-time workers who receive no benefits. A department manager noted, "With Six Sigma, we're not supposed to look at the people any more, just meet the numbers. The pressure for the numbers is incredible."¹⁵

Appreciative Inquiry

Appreciative inquiry (AI) is an intervention used in organization development (efforts taken to make organizations and the people within them more effective), which differs radically from the traditional problem solving approach to organizational issues. Rather than focusing on problems, appreciative inquiry focuses on what the organization is like at its best. *Appreciative inquiry is defined as the study and exploration of what gives life to human systems when they function at their best.* This approach, developed by David Cooperrider, is based on the theory that questions and dialogue about what is positive in the organization results in the energy needed for transformation. In contrast, a problem-oriented focus generates negative emotions and perhaps feelings of helplessness, such as "This will never get any better." AI reflects the changing mindset that is found in the trend toward positive psychology, whose mission is to study human strengths and virtues rather than illness, deficiencies, or problems.¹⁶

Appreciative inquiry consists of the 4D cycle, which is applied to a topic that is strategically important to the organization:¹⁷

1. **Discover:** Appreciate "what is"
2. **Dream:** Imagine what could be
3. **Design:** Determine what should be
4. **Destiny:** Create what will be

AI takes various forms; one example is an AI summit lasting two to four days, which takes hundreds of employees and organizational stakeholders through the 4D cycle. One of the basic principles of AI is that positive questions lead to positive change.

"Appreciative inquiry asks questions such as: If your organization wants to enhance morale, what will you study—the causes of low morale, or the causes of high morale and enthusiasm?" As Whitney and Trosten-Bloom state, clearly, no amount of knowledge about low morale will sufficiently equip an organization to understand and create high morale. Imagine, on the other hand, an organization filled with inquiry and dialogue on the topic of "Whistle While You Work" or "Purposeful Work."¹⁸

This practice amplifies the organization's "positive core," which refers to its "wisdom, knowledge, successful strategies, positive attitudes and affect, best practices, skills, resources, and capabilities."¹⁹ There are many case studies of successful AI programs in businesses, non-profits, and the military.

For any company-wide approach such as Work-Out, Six Sigma, and Appreciative Inquiry to be successful, the implementation of the program has to be skillfully done with the strong support of top management, the necessary resources, and often a change in the organizational culture. Firms usually hire consultants to ensure that such programs are successful.

CULTURAL DIFFERENCES IN PROBLEM SOLVING

Cultural differences can be seen in the way problems are defined and solved in different countries.²⁰ Fatalistic cultures with external locus of control (e.g., Thailand, Indonesia, and Malaysia) are more likely to accept situations as they are; therefore, they may be slower to identify and resolve problems. In Western cultures characterized by internal locus of control, where people are responsible for their own destiny, children are taught to solve problems in school.²¹ Employees are rewarded for being troubleshooters or penalized for causing or failing to solve problems. U.S. managers take a problem-solving approach to most situations and often perceive problems as an opportunity to make improvements. Fixing problems is part of the U.S. orientation toward action. That same predisposition, however, sometimes results in pragmatic solutions that have not been thoroughly analyzed. In collectivist cultures, the responsibility for solving the problem is more likely to fall on the group.

In low-context cultures, problems are viewed as a time-consuming nuisance and are externalized, like the “bugs” that have to be knocked out before a software product launch. In process-oriented cultures such as Japan, however, problems are viewed as a normal part of the situation, not something that is external or even a nuisance. Thus, problems are defined differently. In collectivist cultures, problems are not the responsibility of the individual, and working together on the problem has the same value as solving the problem. This explains in part why quality circles were such a welcome import in Japan.²²

As we have seen, part of the problem solving process includes gathering information; however, not all cultures collect, interpret, or even value business information in the same way. In high-context cultures, information is viewed in relation to a specific context whereas low-context cultures view information as objective and independent of the person who collected it.²³

The alternative solutions developed in problem solving are also affected by cultural orientations toward time. Cultures that are oriented toward the past (England, Italy) tend to look for historical patterns and lessons. Future-oriented cultures, such as Australia, are more likely to generate new alternatives because they are less bound to the past.

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Decision Making in Organizations

Fred C. Lunenburg
Sam Houston State University

ABSTRACT

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: More knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

Think about the difficulties involved in making individual decisions in your own personal life. Thus, you can appreciate how complicated—and important—the process of decision making can be in organizations, where the stakes are considerable and the impact is widespread (Greenberg, 2011). In both cases, the essential nature of decision making is identical. *Decision making* may be defined as the process of making choices from among alternatives (March, 2010).

Management theorists agree that decision making is one of the most important—if not *the* most important—of all management activities (Drucker, 2010; Mintzberg, 2008; Simon, 1997). It is important to note, however, that not only managers make decisions in organizations, but also employees at every level in an organization participate in decision making as well. The late management consultant put it this way, “Most discussions of decision making assume that only senior executives make decisions . . . This is a dangerous mistake . . . Making sound decisions is a crucial skill at every level in the organization.” (Drucker, 2009, p. 27). Today, many decisions in organizations are made by groups, teams, or committees (Bonito, 2012).

The term *group decision making* refers to being involved in making decisions. Group decision making takes place in different degrees. At one extreme is *consultative* decision making, in which the leader consults with group members before making a decision. At the other extreme is *democratic* decision making, in which the problem is given to the group, and group members are empowered to make the decision.

In between the two is *consensus* decision making, in which the leader shares the problem with group members. Together the group leader and members generate and evaluate alternatives and attempt to reach agreement on a solution to the problem (DuBrin, 2012). Consensus has been reached when the group can agree on a decision and

each member can say: I believe you understand my point of view; I believe I understand your point of view; I will support this decision when we leave this meeting because it was reached fairly and openly; and I believe this decision is in the overall best interest of the organization and its members (Hartnett, 2011).

Individual versus Group Decision Making

Considerable debate has occurred concerning the relative effectiveness of individual versus group decision making. The benefits of group decision making include (1) more knowledge and expertise is available to solve the problem; (2) a greater number of alternatives are examined; (3) the final decision is better understood and accepted by all group members; and (4) there is more commitment among all group members to make the final decision work (Schermerhorn, Hunt, & Osborn, 2011). In fact, a considerable amount of research has indicated that consensus decisions with five or more participants are superior to individual, majority vote, and leader decisions (Bonner, Sillito, & Bauman, 2007; Dirks, Cummings, & Pierce, 1996; Foote, Matson, Weiss, & Wenger, 2002; Gigone & Hastie, 2007; Hill, 1982; Johnson & Hollenbeck, 2007; Kleingeld, Van Tuijl, & Algera, 2004; Maier, 1967; Martell & Borg, 1993; Robinson & Schroeder, 2004; Scott-Ladd & Marshall, 2004; Shaw, 1981; Walsh & Tseng, 1998; Wanous & Youtz, 1986; Watson, Michaelson, & Sharp, 1991; Yetton & Bottger, 1983).

Unfortunately, open discussion can be negatively influenced by behavioral factors, such as (1) social pressure to conform, i.e., individuals may feel compelled to go along with the wishes of the group; (2) minority domination, i.e., the group's decision may be forced, or ramrodded through, by one individual or a dominant clique; and (3) time delays, i.e., with more people involved in the dialogue and discussion, group decisions usually take longer to make than individual decisions (Schermerhorn, et al, 2011).

Group Decision-Making Techniques

For groups to be more effective, they must overcome some of the problems and dysfunctions that groups generally encounter: groupthink (Janis, 1982), risky shift (Stoner, 1968), group polarization (Bordley, 1983), and escalation of commitment (Whyte, 1993). Traditional models of group effectiveness include creating the right climate where support, commitment, goals, rewards, communication systems, and physical space are all synchronized to allow the group to work in a productive atmosphere (Lunenburg, 1983). Group size should be kept ideally between five to 12 participants depending on the task (Hare, 1976; Seijts & Latham, 2000; Shaw, 1981; Thomas & Fink, 1963) and members should be selected based on their motivation and ability (Hersey & Blanchard, 2008). Furthermore, group cohesion should be built by either establishing homogeneous groups or overcoming potential problems associated with diversity; by encouraging interaction and contact; and by making the group seem somewhat "exclusive," so that members are honored to be included (Luthans, 2011).

Moreover, group success tends to build greater cohesiveness (Mullen & Copper, 1994; van Kippenberg, DeDreu, & Homan, 2004).

Several other techniques have been developed to assist groups to make sound decisions that promote high performance levels and positive attitudes and avoid some of the potential dysfunctions of group decision making. These include techniques that involve the structuring of group discussions in specific ways. Five important alternative structures are brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

Brainstorming

Brainstorming, developed by Alex Osborn (1957) more than fifty years ago, is a technique for creatively generating alternative solutions to a problem. The unique feature of brainstorming is the separation of ideas from evaluation. Earlier, we noted the importance of generating a wide variety of new ideas during the generating alternatives step of the decision-making process. This increases the number of alternatives from which managers can choose when evaluating alternatives and making their decisions. People tend to evaluate solutions to problems when they are proposed, which often eliminates many creative and feasible ideas from further consideration. The following rules are central to brainstorming:

1. *Do Not Evaluate or Discuss Alternatives.* Evaluation comes later. Avoid criticism of your own or others' ideas.
2. *Encourage "Freewheeling."* Do not consider any idea outlandish. An unusual idea may point the way to a truly creative decision.
3. *Encourage and Welcome Quantities of Ideas.* The greater the number of ideas generated, the greater the number of useful ideas will remain after evaluation.
4. *Encourage "Piggybacking."* Group members should try to combine, embellish, or improve on an idea. Consequently, most of the ideas produced will belong to the group and not to a single individual.

As an idea-generating technique, group brainstorming may not be any more effective than individual brainstorming. However, the technique is in widespread use today in all types of organizations.

Nominal Group Technique

Another technique that can be used in group decision making, which incorporates some of the features of brainstorming, is the *nominal group technique* (Delbecq, Van de Ven, & Gustafsen, 1986). As in brainstorming, individuals are brought together to develop a solution to a problem. Unlike brainstorming, the nominal group technique is concerned with both the generation of ideas and the evaluation of these ideas. The process of decision making in nominal groups has several steps:

Silent generation of ideas. Allow five to ten minutes for this phase. The problem should be posted on a flip chart in the front of the room. Group members are asked to

solve the problem on the chart. They are cautioned not to talk to or look at the worksheets of other participants.

Round-robin recording of ideas. The leader circulates around the room eliciting one idea from each group member and recording it on the flip chart. This continues, round-robin fashion, until all ideas are exhausted. The chief objective of this step is to place before the group an accurate list of ideas that can serve as a compilation of group ideas.

Discussion of ideas. Each idea on the flip chart is discussed in the order it appears on the chart. The leader reads each item and asks the group if there are any questions, needs for clarification, agreement, or disagreement.

Preliminary vote on item importance. Each participant makes an independent judgment about the alternatives by rank ordering them secretly on 3 x 5 inch cards. The average of these judgments is used as the group's decision. The nominal group process may end here, or the decision may be further refined through discussion and revoting.

Additional discussion. The voting patterns are analyzed and reasons examined to determine if a more accurate decision can be made.

Final vote. The final voting occurs in the same manner as the preliminary vote, by secret rankings. This action completes the decision process and provides closure.

As noted, the nominal group technique separates ideation from evaluation. Ideas are generated nominally (without verbal communication). This prevents inhibition and conformity, which occurs in the phenomenon of groupthink (Janis, 1982). Evaluation occurs in a structured manner that allows each idea to get adequate attention.

The research on the effectiveness of the nominal group technique is encouraging. In terms of the number and quality of ideas generated, studies indicate that the nominal group technique is superior to both ordinary group decision making and brainstorming (Corey, 2011). Furthermore, nominal group techniques often facilitate the implementation of decisions. In any event, the nominal group technique provides for both greater expression and evaluation of creative ideas by group members than either brainstorming or ordinary group decisions. Despite the research support for the nominal group technique, many managers still do not take advantage of its benefits in group decisions.

Delphi Technique

Researchers at the Rand Corporation developed the *Delphi technique* in the 1960s (Dalkey, 1969). Unlike brainstorming and the nominal group technique, the Delphi approach relies completely on a nominal group; that is, participants do not engage in face-to-face discussions. Instead their input is solicited by mail at their various home bases, thus allowing the polling of large numbers of experts, clients, executives, or constituencies who are removed from the organization by distance and scheduling

problems. For example, suppose the president of a large manufacturing firm wishes to evaluate a new technology for manufacturing a new product line. Selected members of the organization, plant managers, executives, consumers, and nationally renowned experts could participate in the various phases of the Delphi process.

The Delphi technique has many variations, but generally it works as follows.

1. The organization identifies a panel of experts, both inside and outside the organization, and solicits their cooperation.
2. Each member of the panel receives the basic problem.
3. Each individual expert independently and anonymously writes comments, suggestions, and solutions to the problem.
4. A central location compiles, transcribes, and reproduces the experts' comments.
5. Each panelist receives a copy of all the other experts' comments and solutions.
6. Each expert provides feedback on the others' comments, writes new ideas stimulated by their comments, and forwards these to the central location.
7. The organization repeats Steps 5 and 6 as often as necessary until consensus is reached or until some kind of voting procedure is imposed to reach a decision.

Success of the Delphi technique depends on the expertise, communication skills, and motivation of the participants and the amount of time the organization has available to make a decision.

There are several benefits of the Delphi approach. First, it eliminates many of the interpersonal problems associated with other group decision-making approaches. Second, it enlists the assistance of experts and provides for the efficient use of their time. Third, it allows adequate time for reflection and analysis of a problem. Fourth, it provides for a wide diversity and quantity of ideas. And, finally, it facilitates the accurate prediction and forecasting of future events. The major objectives of the Delphi technique include the following:

To determine or develop a range of possible program alternatives.

To explore or expose underlying assumptions or information leading to different judgments.

To seek out information that may generate a consensus among the group members.

To correlate informed judgments on a subject that spans a wide range of disciplines.

To educate group members concerning the diverse and interrelated aspects of the subject.

Today, numerous organizations in business, government, the military, health-care agencies, and schools are using the Delphi technique. Research shows that the technique is superior to ordinary group decision making in terms of the number and quality of ideas generated and group members overall satisfaction (Corey, 2011). The major disadvantage of the Delphi technique is the amount of time involved in going through the questionnaire phases of the process. Variations of the Delphi technique have been used to overcome this problem.

One special type of Delphi approach is a procedure called *ringi* used by the Japanese. This version of the Delphi technique involves the circulation of a written document from member to member, in nominal group fashion, for sequential editing until no more changes are required and each participant has signed off the final document. Another Japanese variation of the Delphi technique is assigning parts of the problem to each of several subgroups who prepare responses for their assignments. This version differs from the pure Delphi approach in that the written mini-reports are then circulated among the group members before face-to-face discussion starts. In essence, the latter Japanese version of the Delphi technique combines with simple group decision making (Eto, 2003).

Devil's Advocacy

Devil's advocacy, another technique for improving the quality of group decisions, introduces conflict into the decision-making process (Schwenk, 1984). Janis (1982) suggests that this concept is an antidote for groupthink. Groupthink, one of the dysfunctions of group decision making, results in inhibitions and premature conformity to group norms. Devil's advocacy can nullify these and other group phenomena to which group members are subjected (Schwenk, 1990). After a planning group has developed alternative solutions to a problem, the plan is given to one or more staff members, with instructions to find fault with it. If the plan withstands the scrutiny of the devil's advocates, it can be presumed to be free of the effects of groupthink and thus viable. Although devil's advocacy can be used as a critiquing technique after alternative solutions to a problem have been developed, it can also be used during the early stages of the decision-making process. For example, during a decision-making session one member could be assigned the role of devil's advocate, expressing as many objections to each alternative solution to a problem as possible (Schweiger & Finger, 1984).

Dialectical Inquiry

Like devil's advocacy, *dialectical inquiry* is an alternative approach for controlling group phenomena such as groupthink in decision making (Schweiger, Sandberg, & Ragan, 1986). The process can be described as follows:

1. The process begins with the formation of two or more divergent groups to represent the full range of views on a specific problem. Each group is made as internally homogeneous as possible; the groups, however, are as different from one another as possible. Collectively they cover all positions that might have an impact on the ultimate solution to a problem.
2. Each group meets separately, identifies the assumptions behind its position, and rates them on their importance and feasibility. Each group then presents a "for" and an "against" position to the other groups.
3. Each group debates the other groups' position and defends its own. The goal is not to convince others but to confirm that what each group expresses as its position is not necessarily accepted by others.

4. Information, provided by all groups, is analyzed. This results in the identification of information gaps and establishes guidelines for further research on the problem.
5. An attempt to achieve consensus among the positions occurs. Strategies are sought that will best meet the requirements of all positions that remain viable. This final step permits further refinement of information needed to solve the problem

Although agreement on a management plan is a goal of this approach, a full consensus does not always follow. Nevertheless, the procedure can produce useful indicators of the organization's planning needs.

Conclusion

Today, many decisions in organizations are made by groups, teams, or committees. The benefits of group decision making include: more knowledge and expertise is available to solve the problem; a greater number of alternatives are examined; the final decision is better understood and accepted by all group members; and there is more commitment among all group members to make the final decision work. There are some common dysfunctions of effective group decision making. There are several ways in which the organization can counter these dysfunctions and improve group decision making. They include brainstorming, nominal group technique, Delphi technique, devil's advocacy, and dialectical inquiry.

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Cardiotronics, Inc. (Case Study)



CLASS PREPARATION

- A. Read "Why Not?" and the following "Cardiotronics, Inc." case.
- B. While reading the chapter, make a list of cues that you should look for with regard to problem solving.
- C. Role-Play Preparation. Make a plan to conduct tomorrow's meeting of Assembly team D as if you were Marion Andrews. Write in the space below your planned introduction to begin the meeting. What can you say to get it off to a good start and ensure a productive problem-solving session? Then develop a list of questions that Marion can use to facilitate and lead the Cardiotronics team through each stage of Kolb's problem-solving model described in the chapter. What kinds of questions would facilitate good problem solving during the visioning stage, the priority-setting stage, and so on? For example, in the visioning stage, Marion could ask: "What would be the ideal situation here?"

What will you say to the team to get this meeting off to a good start? Your Introduction for the Cardiotronics Assembly Team D Meeting:

Write your facilitation questions for each stage below:

1. Visioning/Exploration

2. Priority Setting

3. Information Gathering

4. Problem Definition

5. Idea Getting

6. Decision Making

7. Participation

8. Planning

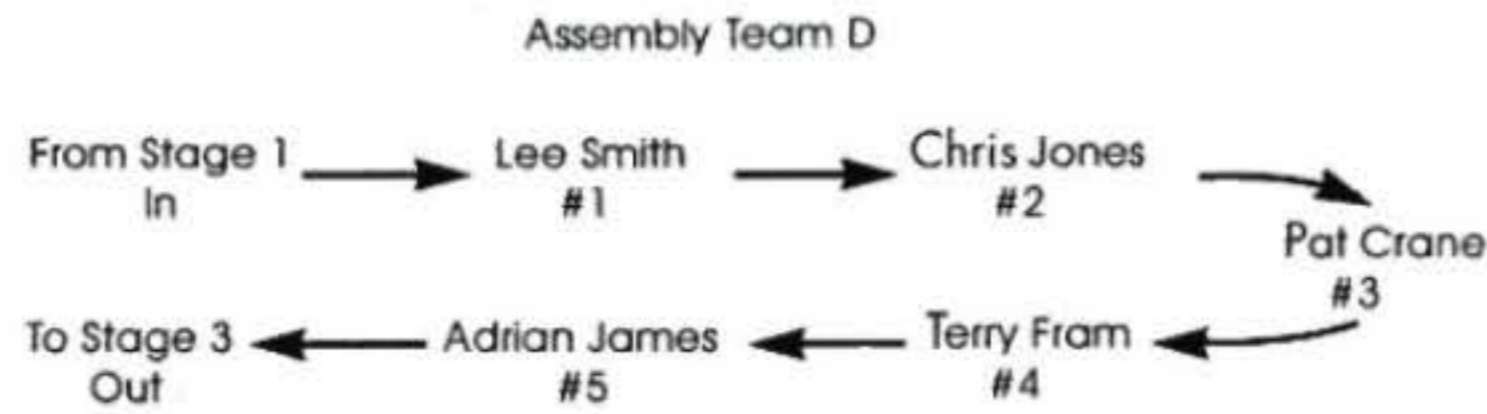
CARDIOTRONICS, INC.

Cardiotronics, Inc., was started 17 years ago in a small New Hampshire town by two biomedical engineers whose goal was to produce a quality cardiac monitor (a device that continuously displays the wave pattern of the heart's function). The company originally produced customized monitors on a small scale. After five years, the owners had perfected a quality monitor that was significantly less expensive than custom monitors, and they decided to mass produce it.

The company currently has just over 200 employees. It remains nonunionized, but the labor union in this old New England milltown has from time to time made efforts to win a union election. For the past 11 years, the company has enjoyed a strong competitive edge and has gained a reputation for a quality product and prompt service. Recently, however, the company's top-management team has been informed that a similar monitor, reputed to be of equal or better quality than Cardiotronics', will soon be introduced into the U.S. market by a large Japanese electronics firm.

Monitor Assembly Process The cardiac monitors (excluding cables) are produced in four stages. In the first stage, circuit boards are produced largely by a machine process. During the second stage, the circuit boards are placed by hand on a motherboard and are connected to one another. The final step in stage 2 is the attachment of the motherboard to the base panel. In the third stage, the casing is mounted by hand onto the base panel and external hardware and cables are placed. In the final stage, the monitors are tested for a week before shipping.

The Second-Stage Assembly Task Four assembly teams are responsible for the second stage of monitor assembly; the manual assembly and the wiring of the motherboard. Each team consists of five workers operating in a U-shaped area. The motherboard is started at station 1. Each worker adds his or her circuit, connects it to the others, and passes it to the next worker. The assembly process requires some manual dexterity but is relatively easy to do. Each job on the line is of equal difficulty as determined by a recent industrial engineering study. The assembly arrangement for one of these teams, Team D, is as follows.



The following are the recently announced assembly team average daily production figures for the last month:

- Team A = 40 boards
- Team B = 32 boards
- Team C = 43 boards
- Team D = 35 boards

Your Problem as Marion Andrews, Supervisor of Team D You are the new supervisor of Team D. You have been in the position for a month, having recently been promoted from the quality control section where you worked for five years. During your second week, you received a memo stating that all second-stage teams have to meet their minimum daily production rates. You passed on this information to the team in a brief meeting but had to leave for a week of supervisory training shortly thereafter. After returning from the training program, you note that the daily production has increased to 36, but your team is still 4 units below the daily minimum rate of 40 units. In looking into the problem you note the following:

- Work accumulates at Pat Crane's station #3 where there are typically several motherboards waiting. Pat is 58 years old and has been with the company for 13 years. The supervisors of the other production teams do not consider Pat acceptable for transfer.
- Only one monitor from your team has been rejected in the past month by quality control, a better quality record than the other teams have.
- Your team's assembly and test equipment is relatively new and in good working order.

Team D's assembly line will be closed for 30 minutes tomorrow, and you have decided to call a meeting for Team D. How will you conduct this meeting? Use the guidelines in the Class Preparation to think through what you will say.

Sample Facilitation Statements and Questions for Problem Solving

Situation Analysis	Problem Analysis	Solution Analysis	Implementation Analysis
<p>1 <u>Visioning/Exploration</u></p> <p>Let's not discuss solutions until we thoroughly understand the problem.</p> <p>What do you think about the situation?</p> <p>How do you feel about it?</p> <p>What opportunities do you see in this situation?</p> <p>What do you hope is the outcome?</p> <p>Is there something else we should be looking at first?</p> <p>What's working well?</p> <p>What do we want to change?</p> <p>What values are involved in this situation?</p>	<p>3 <u>Information Gathering</u></p> <p>Let's try to put our biases aside and take an objective look at the situation. What do we know so far?</p> <p>What do we need to know before we can really define the problem?</p> <p>Who else should we talk to?</p> <p>What's preventing us from reaching the desired state?</p>	<p>5 <u>Idea Getting</u></p> <p>How could we make this change?</p> <p>Let's brainstorm possible solutions to the problem, but let's not evaluate them until all the ideas have been heard.</p>	<p>7 <u>Participation</u></p> <p>Who would be affected by the implementation of this solution?</p> <p>Whose commitment is needed to successfully implement this solution?</p> <p>Who has the most at stake or the most energy to get this accomplished?</p> <p>How can we involve them in planning the implementation?</p>
<p>2 <u>Priority Setting</u></p> <p>What's the most important problem that, if resolved, would cause other things to fall into place? Why?</p> <p>What do others in the organization and external stakeholders think about this?</p> <p>Do we all agree that this is the most important problem or opportunity?</p>	<p>4 <u>Problem Definition</u></p> <p>Do we have enough information to put together a model of the problem?</p> <p>Can we draw a model of the problem?</p> <p>What factors caused the problem?</p> <p>What are the symptoms of the problem and the results?</p> <p>What other factors influence these relationships?</p> <p>Have we identified and verified the key cause?</p>	<p>6 <u>Decision Making</u></p> <p>Are we ready to evaluate these suggestions?</p> <p>What criteria should our solution meet?</p> <p>Do these solutions get at all the causes in our problem definition?</p> <p>Which solution would have the biggest payoff and be the easiest to implement?</p> <p>Which of these solutions meets all the criteria?</p> <p>Are there any unintended consequences that might result from this solution?</p>	<p>8 <u>Planning</u></p> <p>What tasks need to be done to implement this solution and when? By whom?</p> <p>What deadlines are we facing? What constraints?</p> <p>What potential implementation problems might arise?</p> <p>What should be our contingency plan?</p> <p>How will we monitor the progress of the implementation?</p>

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While some types of conflict can be detrimental to a team's success, other forms create a more open, more creative, and ultimately more productive team. The key is knowing how to steer the team toward constructive conflict.

Conflict: An Important Dimension in Successful Management Teams

ALLEN C. AMASON

WAYNE A. HOCHWARTER

KENNETH R. THOMPSON

ALLISON W. HARRISON

The use of teams has become "the solution" of the 1990s for many of the ills of the workplace. Cross-functional teams, continuous improvement teams, teams composed of only organizational members, and teams that include customers or suppliers—all are attempts to get closer to the customer and improve employee involvement. This broad deployment of teams emerged as a natural and major component of work environments geared to support total quality management (TQM). Increasingly, leaders are waking up to the notion that broad participation in the decision process is necessary, not only for quality improvement, but also for the very survival and growth of the organization. Creative solutions can come from many different sources; leaders recognize the need to establish the structure to facilitate the process.

With the use of teams, however, has come the concern that efficiency and productivity may actually falter. Experience validates these concerns. Team meetings can lead to poor decisions, lower productivity, member dissatisfaction, and heightened frustration.

Some have actually called the team concept the Achilles' heel of TQM.

This article examines several important dimensions of team effectiveness, with particular attention to the management of conflict. Conflict is a natural part of the team environment. But to be effective, teams must be able to *manage* that conflict—and *how they do so* brings out the best or the worst of employee involvement. More specifically, we focus on two types of conflict that teams must manage to enhance their value to the organization.

TEAMWORK—THE PROMISE AND THE REALITY

As an organizational tool, teams can expand the role of the employee beyond the level of "tasks to be performed." Instead of having only responsibility for the specific duties, the employee-as-team-member becomes involved in the larger operations of the organization. A team environment prompts the em-

ployee to spend more time considering his or her role in relation to the organization's goals. Consequently, teams can be looked upon as a means of focusing employees' attention beyond narrow duties to the broader role of meeting external needs, such as the needs of the customer.

Teams have also proved useful in improving the quality of decision making, helping to build consensus and support for action, and helping to build a cooperative, goal-oriented culture. Team interaction helps to build the consensus that is so essential to the execution of a decision. In theory, by having everyone participate in a decision, a better decision should result—one that everyone will accept and work toward.

This is critical when the coordinated efforts of key employees are essential to reaching organizational goals. When creative solutions are needed, teams are especially beneficial because their diverse members can evaluate new and different ideas. Everyone can be called upon to suggest creative ways to better serve the customer with new products or improved processes. These solutions may be modifications to existing processes or could involve a total "rethink" of the problem itself—what is sometimes called "finding a new paradigm."

The reality, however, is often different from the promise. As a result, we are beginning to hear managers voice discouragement—even cynicism—with the use of teams. While teams offer the potential of major breakthroughs, too often they slow the decision-making process. Moreover, the resulting decisions are not much different from what the team leader might have concluded alone.

Decisions over important issues can breed a win/lose mentality, with "political gamesmanship" overpowering a view of what is best for the organization. Team meetings can drag on forever. "Compromised" decisions, sacrificing good business judgment for the sake of "total agreement," fuel frustration among organizational leaders and team members alike. This blight is known as "groupthink," and it infects any group that fails to critically evaluate its own ideas, choos-

ing instead to "get along" rather than challenge their assumptions and perspectives.

WHAT, EXACTLY, MAKES THE DIFFERENCE?

On one hand, teams hold true potential for improving an organization's culture. On the other hand, teams can be a source of problems that hinder or even prevent the organization's advancement.

In an effort to get to the heart of the matter—the pivotal issues on which a team's effectiveness or ineffectiveness hinges—we conducted on-site interviews with teams from ten diverse organizations. In each case, these teams were responsible for making important strategic decisions for their companies. In each case, we found that *how the teams managed conflict* was the crux of team effectiveness. This proved true in industries as varied as seafood processing and furniture manufacturing, and in companies ranging in size from \$3 million to \$300 million in sales.

The successful teams used conflict to their advantage to arouse discussion and stimulate creative thinking. The less successful teams did a poor job of managing and resolving their differences. They found conflict to be a burden—something to be avoided. This avoidance led to poor decisions and a poor use of the team as a way to improve both decision making and acceptance of the decisions that were made.

Conflict in Teams

Conflict is central to team effectiveness because conflict is a natural part of the process that makes team decision making so effective in the first place. Effective teams know how to manage conflict so that it makes a positive contribution. Less effective teams avoid conflict altogether or allow it to produce negative consequences that hamper their effectiveness. This is one of the paradoxes in understanding the role of teams in organizations. While a number of studies have found that conflict is important to a team's effectiveness, just as



Allen C. Amason is an assistant professor of management at Mississippi State University. His research focuses primarily on strategic decision making and top management team interactions. His work has been published in journals such as the *International Journal of Conflict Management*, *Managerial Finance*, and *Interfaces*. He has also presented numerous competitive papers at professional meetings. He currently serves on the editorial review board of *Entrepreneurship, Theory and Practice*. He continues to research and consult in the area of team decision making, conflict management, and consensus development. Allen received his Ph.D. from the University of South Carolina.

many studies have concluded that conflict can harm a team's effectiveness.

Are there different types of conflict? Is some conflict good and some conflict bad? Over and over during our interviews with team members, we heard that conflict can improve decision making and enhance a team's performance. We also heard, however, that conflict can create more problems than it solves and thus should, in many instances, be avoided altogether.

Understanding how teams manage conflict first requires understanding that not all conflicts are created equal. The consequences of conflict, whether positive or negative, are largely dependent upon the types of differences that lead to the disagreement. We found that teams generally experience two types of conflict—one that improves team effectiveness and one that is detrimental to teams.

C-Type Conflict

In essence, while disagreements among team members are bound to occur, so long as they focus on substantive, issue-related differences of opinion, they tend to improve team effectiveness. Conflict theorists call these types of disagreements *cognitive conflict*, or what we call *C-type conflict*.

While conducting our interviews, it became clear to us that this type of disagreement is a natural part of a properly functioning team. Natural, because as team members gather to make important decisions, they bring different ideas, opinions, and perspectives to the table. C-type conflict occurs as team members examine, compare, and reconcile these differences. This process is key to the team's ability to reach high-quality solutions that are understood and accepted by all team members. Thus, most of the managers with whom we spoke believed that C-type conflict improves overall team effectiveness.

In one company, a \$15 million processing company, the vice president of operations underscored this point by noting that "everyone can't be an expert on everything." Consequently, he explained, different team members are going to have different opinions

about how best to do their work. C-type conflict occurred as this team confronted and resolved these differences. Similarly, a vice president in a \$50 million import/export firm stated that "multiple opinions make for better decisions." Of course, before a decision can be acted upon, those differences must be examined and resolved. In another instance, the president of a \$42 million wholesale distribution company stated that his team members needed to be "empowered with understanding" to be effective decision makers. In his opinion, empowerment occurred when everyone had an equal opportunity to "speak their minds." This open airing by the team members brought to the surface disagreements about the relative strengths and weaknesses of the different positions and ideas. Once identified, these disagreements could be thoroughly considered and resolved.

C-type conflict is beneficial because it requires teams to engage in activities that are essential to a team's effectiveness. C-type conflict focuses attention on the all-too-often ignored assumptions that may underlie a particular issue. By facilitating frank communication and open consideration of different alternatives, C-type conflict encourages innovative thinking and promotes creative solutions to problems that otherwise might seem insurmountable. As a consequence, C-type conflict improves the quality of team decisions. In fact, without C-type conflict, team decisions are little more than the decisions of a team's most vocal or influential member.

In addition to improving decision quality, C-type conflict also seems to promote acceptance of the decision itself among the team members. By encouraging open and frank communication and by integrating the various skills and abilities of the team's members, C-type conflict builds understanding and commitment to the team's goals and decisions. Team members told us that, as they engage in C-type conflict they tend to "buy into" the decision. The result is not only a better decision but a decision that can be more effectively implemented throughout the organization. The president of the wholesale distribution company mentioned earlier explained that C-type



Kenneth R. Thompson is an associate professor and the former chair of the management department at DePaul University. He has written articles in the areas of organizational behavior, total quality management, and procedural justice. He has co-authored four books and does consulting in the application of behavioral principles in the work setting, application of a total quality management culture in organizations, and leadership. He is past president of the Midwest Division of the National Academy of Management, is presently on the board of directors for the Midwest Academy, serves on the editorial review board of three professional journals, and is in charge of publisher relations for the National Academy of Management.

From 1984 to 1986, Thompson was the director of the Center for Management and Executive Development for the University of Arkansas and was a major developer of the Walton Institute of Leadership. In this role, he worked directly with Sam Walton and other Wal-Mart executives in developing a week-long program (54 contact hours) for all store managers and assistant managers stressing management and leadership skills. Over the next five years, more than 4,300 Wal-Mart managers attended the program.

His current research interests include application of total quality management approaches in service and academic institutions and programs to improve the effectiveness of the educational efforts in collegiate environments. He received his Ph.D. from the University of Nebraska in 1977.



Wayne A. Hochwarter is an assistant professor of management at Mississippi State University. His primary research interests include top management teams, employee selection processes, and individual difference factors. He has had his research published in *Personnel, Benefits Quarterly, Journal of Social Behavior and Personality, Labor Law Journal, Supervision, and Journal of Managerial Issues*. He has also written book chapters that have appeared in *Research in Personnel*, and *Human Resource Management and Occupational Stress Handbook*. Wayne received his Ph.D. from Florida State University.

conflict was a learning process through which team members come to understand how a decision will work and what role they will play in implementing the decision.

To illustrate just how essential C-type conflict can be to a team's effectiveness, consider the example of a \$20 million import and wholesale distribution company we visited. So important was C-type conflict in the mind of this company's president that he cited its absence as the primary reason for a poor decision that the management team had made. The president stated that, had that decision been "seriously debated," the team would have recognized the flawed assumptions on which the decision was based. Because the team accepted those assumptions without challenge, the company built a large, state-of-the-art warehousing facility, only to find that they were unable to attract enough new business to make full use of the additional space. In retrospect, the company president believed that some additional conflict would have disrupted the atmosphere of "groupthink" that seemed to characterize the team's meetings. Because there was so little C-type conflict, this team made a mistake that very nearly cost this company its existence.

A-Type Conflict

We also heard frequently that conflict can be harmful. Our study participants explained that conflict can provoke so much animosity among a team's members that decision quality actually declines along with the commitment and understanding necessary to get the decision successfully implemented.

Unlike disagreements over substantive issue-oriented matters, which seem to be largely beneficial, disagreements over personalized, individually oriented matters are largely detrimental to team performance. Conflict theorists collectively call these types of disagreements *affective conflict*—what we call *A-type conflict*. A-type conflict lowers team effectiveness by provoking hostility, distrust, cynicism, and apathy among team members.

The descriptions we heard of A-type conflict all focused on personalized anger or re-

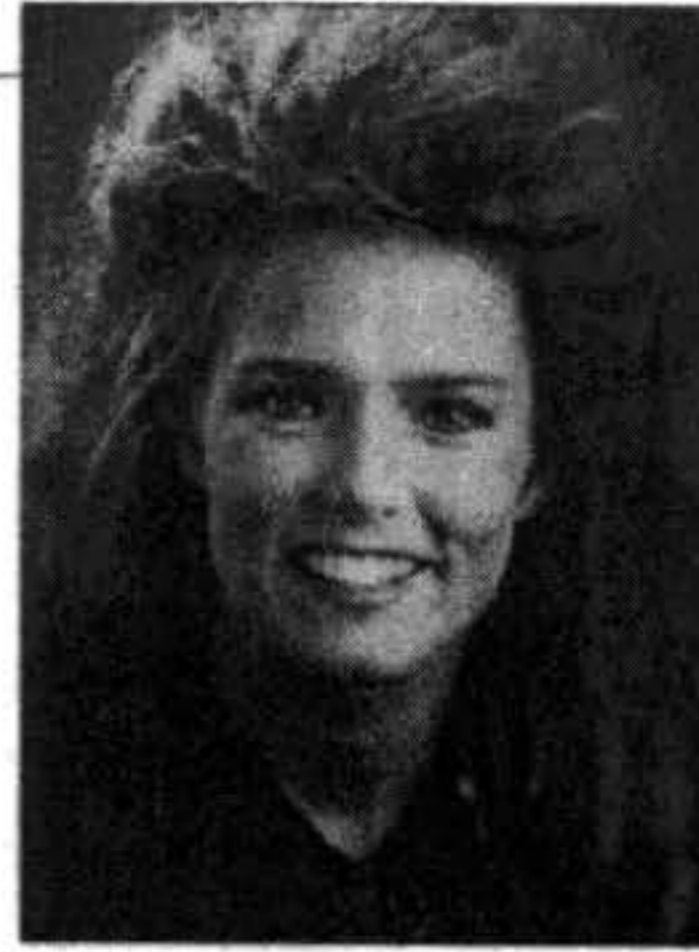
sentment, usually directed at specific individuals rather than specific ideas. We found it especially interesting that these A-type disagreements seemed to emerge when instances of C-type conflict somehow became "corrupted." For example, a vice president at a \$300 million international food processing and distribution company told us that when team members challenge one another about their different opinions, "Sometimes they get angry." This individualized anger can persist well beyond the boundaries of the task at hand.

Unlike C-type conflict, A-type conflict undermines team effectiveness by preventing teams from engaging in the kinds of activities that are critical to team effectiveness. A-type conflict fosters cynicism, distrust, and avoidance, thereby obstructing open communication and integration. When that happens, not only does the quality of solutions decline, but commitment to the team itself erodes because team members no longer associate themselves with the team's actions.

Effective teams learn to combine the diverse capabilities of their members. In contrast, team members who are distrustful or apathetic toward one another are not willing to engage in the types of discussions necessary to synthesize their different perspectives. As a consequence, the creativity and quality of the team's decisions suffer.

Likewise, team members who are hostile or cynical are not likely to understand, much less commit to, decisions that were made largely without their participation. Thus, in the best case, these members are unable to carry out the decision because they do not understand it. In the worst case, these disgruntled team members are unwilling to work to implement the decision as intended. A-type conflict also undermines a team's ability to function effectively in the future. Team members who have been burned by A-type conflict are less likely to participate fully in future meetings.

For example, another vice president at the processing firm mentioned earlier stated that when differences of opinion turned into personalized disagreements, some members of



Allison W. Harrison is an assistant professor of management at Mississippi State University. Her primary research interests include a variety of work-group issues including cohesion, conflict, and personality of group members. She has published her research in *Decision Sciences*, *Educational and Psychological Measurement*, *Journal of Business Strategy*, and *Journal of Management Information Systems*, as well as several conference proceedings. Allison received her Ph.D. from Auburn University.

the team would simply "throw up their hands and walk away from the decision." Those frustrated team members ceased to be active participants in the decision process. Not only did the team lose the value of their input, but the members lost the desire to work vigorously for the accomplishment of whatever decision was reached.

There was wide agreement among the team members whom we interviewed that A-type conflict adversely affects the willingness of team members to support the team's decisions. Thus, as the president of the food distribution company noted, "If people are angry, they are not going to work for you no matter what you decide."

We heard this sentiment repeated in different ways by nearly all of the team members we interviewed. Basically we were told that as teams experience greater A-type conflict, they tend to become less effective. They make lower quality decisions, their members become less committed to seeing the decisions implemented, and their members become less accepting of the team and its goals. The implication is that for all the different measures of team effectiveness, C-type conflict improves team performance and A-type conflict curtails team performance.

These observations are consistent with other research suggesting that conflict can be both beneficial and detrimental to team effectiveness, depending on whether it is C-type conflict or A-type conflict. As illustrated in Exhibit 1, C-type conflict enhances team effectiveness by improving both decision quality and the chances that decisions will be successfully implemented. At the same time, A-type conflict reduces team effectiveness by decreasing quality and undermining the understanding and commitment necessary for successful implementation of a decision.

HOW TEAMS MANAGE "C" WITHOUT GETTING TRAPPED IN "A"

On the basis of our experiences, the most effective teams are those that seem to be intu-

itively aware of the two types of conflict. Teams that understand the importance of C-type conflict, and that can use C-type conflict without provoking A-type conflict, seem to develop attributes or abilities that other teams do not have. These attributes or abilities are fundamental to team effectiveness. And while they seem to flourish in the presence of C-type conflict, they all but disappear in the presence of A-type conflict. We labeled these attributes *focused activity, creativity, integration, and open communication*.

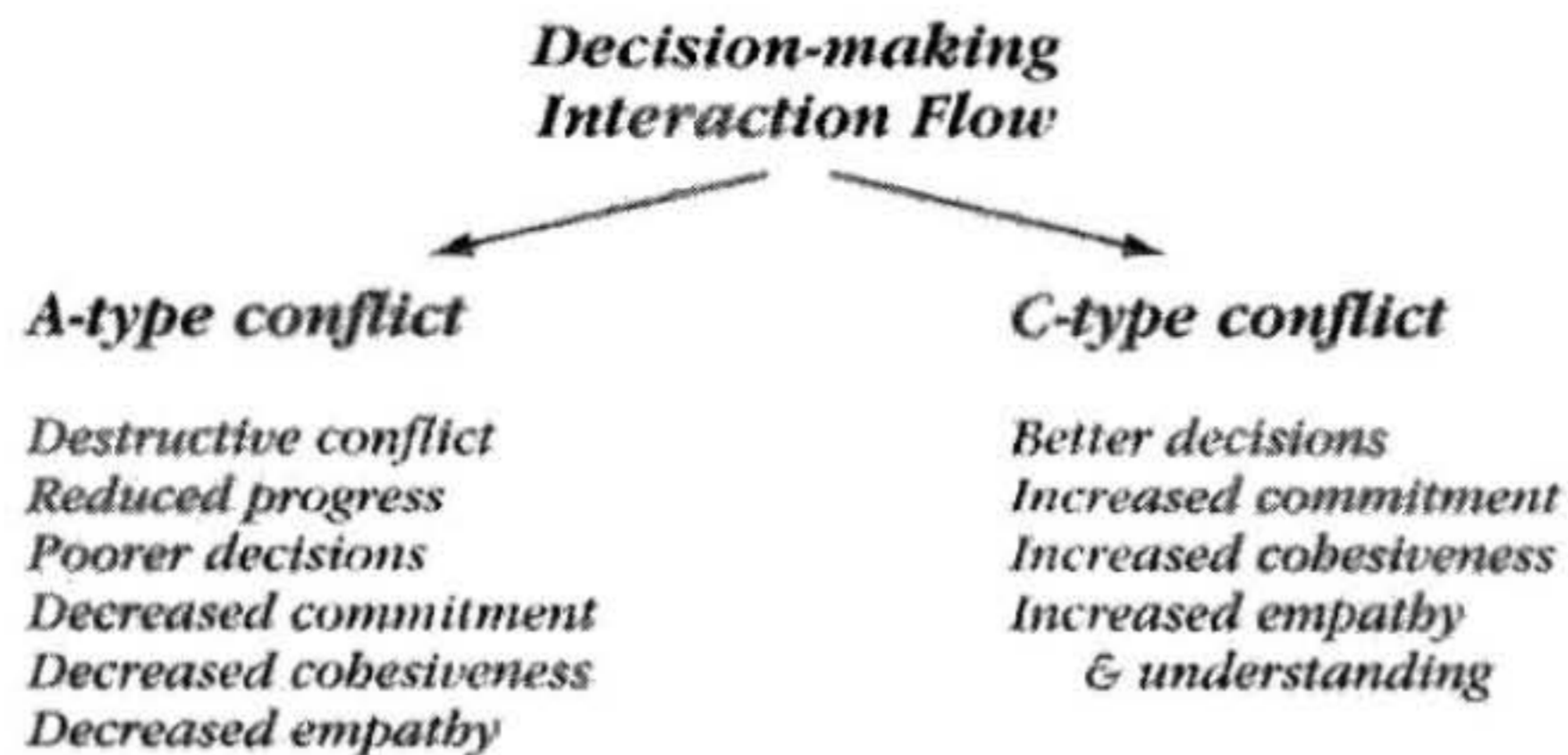
Focused Activity

Effective groups are focused. Focused groups get to the core issues of the problem and stay close to the core. They stick closely to the task at hand and make decisions quickly and efficiently. Less effective groups allow issues to wander. They labor over trivial points and allow task goals to take a back seat to social facilitation. As a consequence, focused groups define problems and develop solutions more quickly than less focused groups.

For example, in a large academic department of a Midwestern university, departmental meetings would regularly last three to four hours. Conversation would drift to matters not relevant to the issue at hand. The end result was a high degree of frustration by members of the team that meetings were a waste of time; nothing ever seemed to get done. A new department chair was hired, one who ran a more focused meeting. To keep the team on track, he would publish an agenda with maximum discussion times indicated for each agenda topic. After the agenda time expired, the team voted on whether to continue on the same topic, vote on the issue at hand, or table the issue for a future meeting. The end result was a higher degree of satisfaction by most team members that their meetings were more productive, and significantly shorter.

The president of another organization, a \$100 million furniture manufacturing company, stated that the ability to remain focused and thus make decisions quickly had given his company a distinct advantage over its competitors. The president stated that "one

EXHIBIT 1
THE OUTCOMES OF C-TYPE AND A-TYPE CONFLICT



thing that we're able to beat our competitors with is that we can make a decision." His company was often able to take advantage of opportunities while competitors were still busy trying to define the problem and narrow the alternatives.

Teams that are comfortable with C-type conflict can quickly identify and address the problem and its possible solutions. They can evaluate different alternatives quickly and efficiently without worrying about the political ramifications of their choices. Thus, they can move quickly to closure and on to other matters. Teams that are uncomfortable with conflict tend either to avoid it altogether or allow the conflict to drift onto any number of unrelated issues. Both produce long, meaningless discussions that seem to go everywhere except in the needed direction. The end results are frustration and cynicism.

Creativity

Effective teams encourage thinking beyond normal options. Creativity comes from getting the group to think of problems differently and finding solutions that approach the problem from a totally new perspective. Bob Galvin, former CEO of Motorola, stressed the importance of "listening to the minority report." He particularly wanted to hear opinions that were out of the mainstream. The

goal was to generate as many ideas as possible and approach each with an open mind.

CSX Railroad encourages creativity through the use of "stretch goals" that force teams to look for innovative solutions. The only way to reach these types of goals is to rethink the entire system. Teams have the potential ability to *synergize* the thoughts and perspectives of their different members, extracting and combining the strongest parts of each member's ideas. As a consequence, teams are often able to produce innovative solutions to problems that seem insurmountable to single individuals.

C-type conflict is at the very heart of team creativity. By encouraging dissenting opinions and promoting innovative suggestions, Galvin was cultivating C-type conflict. As the president of the above-mentioned furniture manufacturing company said, "We don't need people who just agree." One of the benefits of having diverse team members is that the resulting conflicts will inspire creativity and innovative solutions to problems that, from the perspective of any single individual, looked hopeless. A vice president at a \$15 million processing firm told us that "sometimes one of us will see something that the other ones do not see."

However, conflicts that arouse personal animosity and that strain the interpersonal relationships among the team members obstruct

creativity. In the Motorola example, for instance, if some team members felt threatened by other members of the team, they would not likely be willing to offer their creative ideas. Hence, the fruits of A-type conflict—anger, apathy, and avoidance—can undermine a team's ability to produce innovative solutions.

Open Communications

Effective teams have more open communication than less effective teams. Effective teams enjoy a culture that allows their members to speak freely and challenge the premises of other members' viewpoints, without the threat of anger, resentment, or retribution. Open communications are central to getting sincere involvement from team members, which enhances decision quality and reinforces team consensus and acceptance. Less effective teams seem to have less open communications. Team members offer only guarded responses and are fearful of expressing their true opinions. Often, those in less effective teams feel the need to be politically sensitive with their comments. This leads to less communication and results in less effective teams.

Open communications are central to team effectiveness and conflict is a key to maintaining open communications. As one vice president at that food processing plant expressed, "I have a graduate degree in food engineering; another VP's background is in sales. When we make a decision he speaks from his expertise and I speak from mine." Team members overcome this functional specialization by asking one another questions and challenging one another's assumptions. The vice president called this process an "exercise" that facilitated understanding and uncovered flawed logic and outright mistakes.

Naturally, this sort of frank, open, and honest communication produces some disagreement and conflict. Again, however, if team members recognize that the conflict is task-oriented and designed to improve their overall effectiveness, they tend to respond to it positively. It is when the conflict appears to have unhealthy motivations that it begins to

undermine team communication. When disagreements seem to be self-serving, promoting the interests of one at the expense of another, team members adopt a defensive stance that prevents open and honest communication.

For instance, the president of the wholesale distribution company related the following story. While considering whether to enter a new line of business, this company's management team became embroiled in a dispute that pitted two VPs against one another. Over the course of several meetings and several weeks, the disagreement between the two became so intense that they quit speaking to one another at team meetings, choosing instead to go to the president on their own to promote their positions. The source of this bitter dispute was the company's bonus system, which would have given a disproportionately high reward to one VP and a disproportionately low reward to the other. Neither wanted to admit being trapped in a self-centered concern, so each found other ways to criticize the decision and the other person. When the president realized the problem and corrected the inequity in the bonus system, the team was able to openly discuss the matter and move forward on the decision.

The message is clear: Teams that can manage conflict can keep the lines of communication open. In theory, open communication and C-type conflict are two sides of the same coin. Each should flourish in the presence of the other. When teams do not manage their conflicts well, however, A-type conflict erupts and team communication inevitably suffers.

Integration

Effective teams make the fullest possible use of all their members. Effective teams are conscious of the need to include and get the best from all of the members of the team. In less effective groups, there is often a disproportionate contribution between members. The value of using a team is lost if only a minority of team members play an active role in the deci-

Effective teams enjoy a culture that allows their members to speak freely and challenge the premises of other members' viewpoints, without the threat of anger, resentment, or retribution.

sion-making process. Leaders of effective teams, more often than not, help to integrate all team members by seeking out opinions of those who are less active and attempting to moderate the contribution of those members who monopolize the discussion. Integration is particularly important to obtaining a commitment to the decisions being made.

For example, the president of a \$35 million chair and bedding manufacturer stated, "You can't simply tell people that this is the way it's going to be and then expect them to go out and do it the way you'd like them to. If they don't buy into it, they're not going to do a good job." This company had just decided to completely reorganize its two factories. The president believed that complete commitment to this decision by all the managers involved would be essential to the decision's success. As such, several rounds of meetings were held, where every team member was encouraged to voice his or her opinions, concerns, and objections, before the decision to move forward was made. The president believed that what he lost in speed while making the decision, he gained back in commitment for ultimately seeing the decision implemented.

Teams that encourage discussion, debate, and integration can gain higher levels of satisfaction from their members than teams that ignore their differences. The ability to manage conflict so that team members feel free to state their concerns or opinions, even when those concerns or opinions counter the majority, is key to achieving integration of the team members. Obviously, the role of the team leader is central in getting each member of the team involved, as well as building the sort of culture that will improve the team's effective-

ness. To that end, we now focus on how to build that sort of culture.

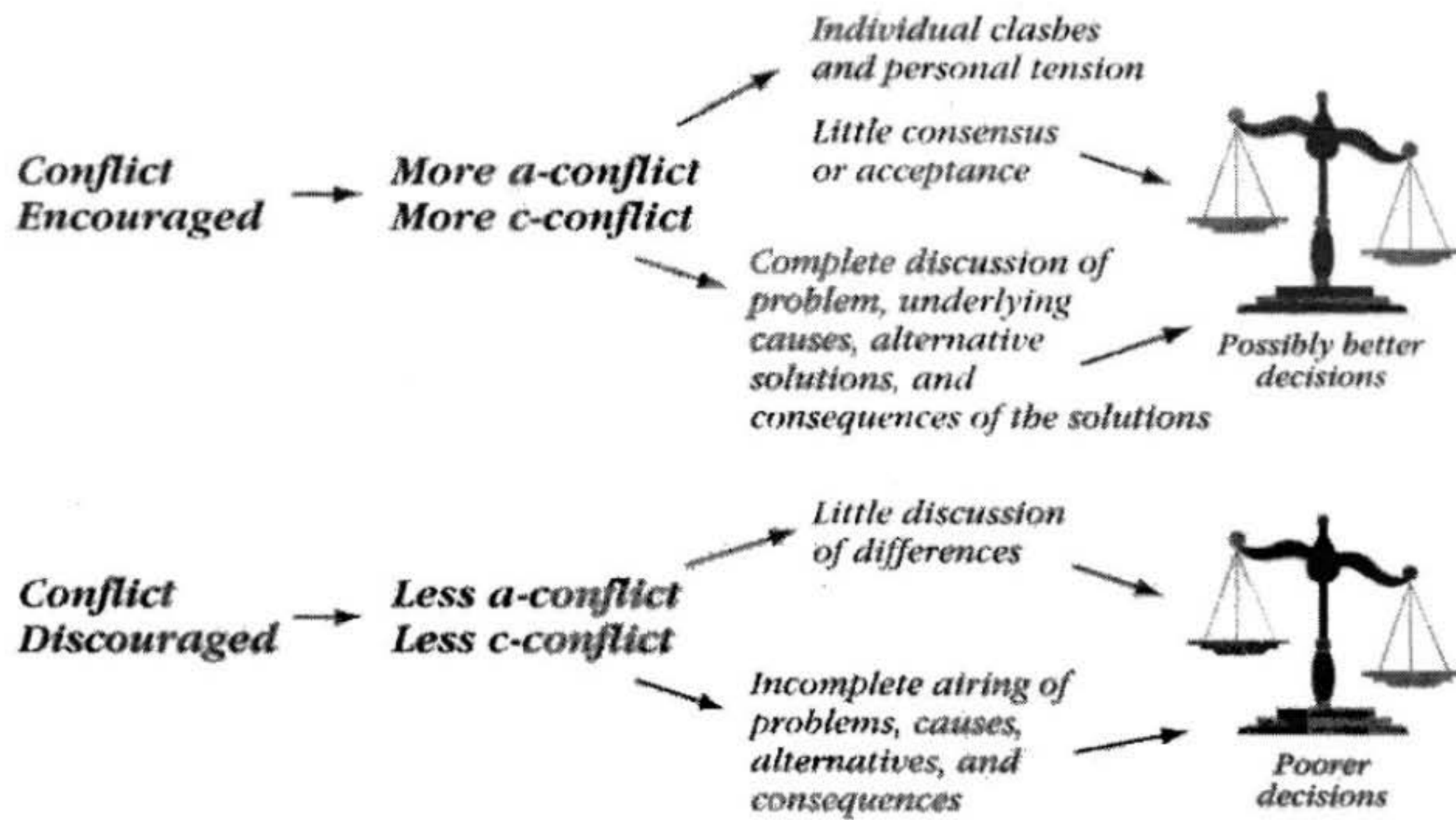
MAKING CONFLICT WORK IN TEAMS

The question for teams is not so much a matter of whether to allow conflict, but how to channel it when it exists. The research on the subject, supported by our own experiences, is clear: conflict *can* improve team effectiveness. The problem is that, once aroused, conflict is difficult to control. Sometimes it remains task focused, facilitating creativity, open communication, and team integration. In other instances, it loses its focus and undermines creativity, open communication, and integrated effort.

Teams must accept conflict if they are to reach their full potential. But, by allowing conflict, teams run the risk of provoking destructive, A-type conflict. As Exhibit 2 illustrates, teams become more effective only when they encourage the good conflict and restrain the bad conflict. The real issue is *how* to do this so as to get the most beneficial aspects of conflict to improve team performance.

One theme that surfaced repeatedly in our interviews held that the responsibility for managing conflict within the team falls disproportionately on the team leader. The following eight steps provide a set of strategies for the team leader to use to build an effective culture before, during, and after the team interactions. Developing the appropriate culture must be the central focus of the leader's responsibilities.

EXHIBIT 2
THE OUTCOMES OF ENCOURAGING OR SUPPRESSING CONFLICT



1. DISSEMINATE A FULL AGENDA EARLY. An effective meeting doesn't just happen; it is planned. A team leader needs to build a positive focus to the meeting and create a full understanding of the team's purpose in the process. Thus, an agenda is critical. An agenda provides focus and can do much to reduce A-type conflict. For example, the leader can order the agenda to discuss the less controversial items first. This may encourage participation while desensitizing the team members to the more emotional issues to come later.

If meetings begin with a highly controversial issue in which team members have a personal stake, C-type conflict may quickly erode into A-type conflict. In other words, a team that gets off on the wrong foot may find it difficult to get back on track. Making less sensitive decisions first may also give the team momentum for making more controversial decisions later. Once they have achieved early successes, team members may begin to feel more like members of an effective team.

It may be helpful to require that the agen-

da not only have an itemized list of proposals to consider, but also include the proposals and their rationales. This has the advantage of allowing members to consider proposals ahead of time and get clarification if needed. In addition, team members will have a sense that all the issues are aboveboard and that each team member is coming to the meeting with full knowledge of the issues to be covered. This will save time in the meeting, in that proposals will not have to be formulated, only modified through the team's discussions.

Also, allowing the team members to consider the proposals before the meeting gives them the time to carefully formulate their own reactions. This will improve the quality of the discussion and the resulting decision. Presenting surprise proposals at meetings is not a good strategy to build trust.

2. STATE THE PHILOSOPHY FOR THE TEAM AND BACK UP THAT PHILOSOPHY. Stating the philosophy behind team decision making will be helpful. A discussion of the

importance of C-type conflict to the process, combined with cautions about the dangers of A-type conflict, should be a part of this discussion. The team should openly consider how the team leader should act when A-type conflict begins to arise. The road map that evolves from this discussion will help the group understand the positive and negative aspects of conflict and what ways might be used to ensure that the process stays on track toward C-type conflict.

The key, however, is not just to openly discuss how best to structure the team's environment, but to back up that discussion with concrete actions that produce the desired environment. Discussion without action will not be sufficient.

3. PROVIDE THE RIGHT ENVIRONMENT FOR THE MEETING. Providing the appropriate environment can increase the team's performance and reduce A-type conflict. For example, seating location at the meeting might be assigned in advance so that there are no appearances of coalitions. Having team members seated in a neutral order that keeps members from the same department separate may foster the development of networks and friendships within the total team. The goal is to focus on the group as the center of relationships, not the various organizational departments that team members represent.

Finally, even the shape of the meeting table can help reduce the potential for affective conflict. Round tables neutralize status or power. Rectangular tables accent status or power, giving the person at the head of the table the appearance of greater command.

While these sorts of details may seem petty to some, remember the kind of environment that needs to be created. Members with negative dispositions are likely to read the worst into every situation and thus may respond to the perception of A-type conflict, even when none is present.

4. HAVE BEHAVIORAL STRATEGIES TO RUN THE MEETING IN MIND BEFORE THE MEETING BEGINS. While structuring the team meeting is important, the behavior of the team leader is central to keeping the meeting productive. What kinds of traits should the

team leader exhibit? There is a great deal of research indicating that openness and cooperativeness are necessary for the effective use of conflict. Increasing the level of openness to diverse and dissenting opinions can stimulate C-type conflict where none previously existed. Similarly, encouraging and rewarding cooperativeness can avert some of the personal insecurity and distrust that prompt A-type conflict. In our own experience, we found that teams whose interactions were open to and tolerant of criticism and dissent experienced more positive C-type conflict. We also found that more cooperative teams experienced less negative A-type conflict. For example, the president of a \$42 million wholesale distribution firm we interviewed stated that his primary responsibility was to "initiate a cooperative decision-making system" where openness and cooperation are encouraged.

Openness and cooperation do not just happen, however. The leader has to have strategies to ensure a climate of openness and cooperation. This is difficult because the leader is also concerned with proceeding with the stated agenda. Sam Walton, founder of Wal-Mart, would often appoint someone else to lead the team through the agenda during the company's Saturday morning corporate general meetings. Walton would then be free to focus on the process aspects of the meeting, observing elements such as, "Are people understanding what the organization is trying to do? Do people agree with what is being said? Is there commitment toward the goals? Is dissent being shared so that it can be dealt with openly?" He would interject into the meeting, asking questions, validating acceptance of what was being said, or challenging team members to become the devil's advocate. Obviously, to fulfill this role the leader must "read" the verbal and non-verbal cues from the team, which is hard to do when the leader is also directing the agenda.

5. KEEP A SENSE OF WHERE THE DISCUSSIONS ARE GOING. To further encourage cooperativeness and openness, the team leader may need, at least initially, to facilitate and strictly monitor team discussions in order to limit personalized statements made during

heated debate. Personalized statements such as "your idea," or "my department," or "you don't know what you are talking about," or "you don't understand our situation," place emphasis on the individual rather than the idea. Such individual emphasis may detract from the collective group nature required to make effective decisions. These types of statements would move conflict toward A-type and away from the C-type.

Personalized or individualized statements may also anger some individuals, further reducing openness and cooperativeness. For example, the VP of marketing may suggest to the VP of operations that he or she alter the production schedule to meet a unique demand in the marketplace. If the VP of manufacturing responds, "You don't know what you are talking about because you don't understand our operation," the VP of marketing will probably respond as though personally attacked. Such an attack would likely result in hostility and anger, which would likely prompt a personal counterattack. Once aroused, this groundswell of A-type conflict would undermine the chances of reaching any sort of solution that would be satisfactory to both parties.

6. CHANNEL DISCUSSION FROM A-TYPE CONFLICT TOWARD C-TYPE CONFLICT. The team leader needs not only to monitor team discussions, but also to channel discussion from A-type conflict back toward C-type conflict. It is not sufficient merely to monitor the process—the leader must also act to keep the group focused on the positive aspects of open discussions. It takes particular skill for the leader to be sensitive to the behavioral dynamics of the meeting. The leader must balance the goals of open and frank discussion of the issues while also trying to reduce the tendency towards A-type conflict. In essence, the leader is trying to draw people out to get their opinions, but also trying to get those opinions by a means that will not personally attack others in the process.

However, when the leader suppresses A-type conflict, he or she runs a risk: might the rest of the group read into it that the leader really only wants to hear one side of an argu-

ment? That possibility makes the leader's job doubly difficult and it takes a well-focused leader to encourage a full discussion of the topic in a C-type manner while making it clear that A-conflict will not be tolerated.

The team leader may need to hold an open discussion on why he or she wants to change the direction of the discussion. This may be necessary to help team members understand how to focus their comments so they are directed toward the issues and not toward the individuals. Initially at least, it will likely be hard for team members to see the difference. Research has shown that most people cannot readily distinguish between the different types of conflict. As children, we learned to think of ourselves as "bad" when we were corrected for acting in a certain way, rather than to see the action as "not appropriate." Hence, the leader has quite an education job to do.

7. SUPPORT THE TEAM. A leader must continually exhibit behavior that shows support for the team. As discussed above, there is a need to focus the team so that it is functioning as a team and not a collection of individuals. This team focus increases the caring nature of each member toward each other and builds support for the team decision. Support for the team is important as it tends to replace much of the "you versus me" mentality of individual group members with an "us" mentality, which is essential for trust and confidence to develop. A stronger sense of identity will strengthen the group's ability to wrestle with meaningful, positive conflict without the destructive nature of negative conflict.

For example, part of Wal-Mart's difficulty is bringing a sense of family into a very large organization. Yet it is important to have people work for Wal-Mart as an organization, not for themselves or their departments. Wal-Mart, under Sam Walton, wanted each associate to care about serving the customers and looking toward improving the organization. At weekly meetings in Bentonville, Arkansas, Walton would ask people for their comments on issues being discussed. He honestly wanted to know what each person's feelings were on the issue. At times he would challenge the

group to make the situation better. Walton wanted to support the notion of the Wal-Mart "family." There was a higher purpose in an associate's life at Wal-Mart than just doing his or her job. Creating this greater purpose is behind much of the employee empowerment issues in the total quality management approaches advocated by such experts as Deming, Juran, and Crosby. The individual employee is the key to making the organization succeed through involvement in decision making and in the organization unlocking the individuals' creativity while building commitment to the organization.

8. BE PROACTIVE AND REACTIVE, NOT PASSIVE. To take many of the concepts above and roll them into one set of actions, the team leader must actively support a positive culture for the team. The development of this culture is done before, during, and after each team interaction. The leader's behavior needs to focus on building the team and the culture that will support active debate that is positive and constructive. The leader needs to be supportive of group members to bring them into the decision process and to ensure that they believe that their views are being heard and acted upon.

The practice of distributing a full agenda, with proposals attached, before the meeting, demonstrates that each member is important to the team. This action implies that each member should have an opportunity to consider the agenda in advance in order to develop their own opinions. In addition, the leader should contact team members in advance to see that they understand the issues that will be considered in the meeting. This reinforces the importance of each member to the process.

During the meeting, the leader continues the job of reinforcing a climate that is supportive of the group and the group's work. Again, the goal is to build a team-centered decision-making body in which every member

is a valued and important contributor.

After the meeting, the leader can do much to further reinforce the team and build a performance-centered culture. Minutes that reflect the issues and thinking of the meeting can be shared and the leader can thank each member personally for their contributions. The leader can also reward the team as a whole for their efforts rather than try to single out individuals for particular praise or attention.

CONCLUSION

Our investigation has shown that the ability to discourage A-type conflict while encouraging C-type conflict is critically important to the overall team success. Unfortunately, the task is not at all simple, and many teams perform well below their potential. However, by focusing on critical, fundamental issues—not the personalities of the participants—teams are, at least, pointed in the right direction. This discussion can best be summed up by the CEO of a petroleum firm who stated, "Our biggest problem was that we found that we were making lousy decisions. Basically, we found that we had two groups left standing at the end of our meetings, those who won and those who lost." Not surprisingly, this team experienced a great deal of A-type conflict. However, when it adopted techniques that nurtured only issue-related conflict, the focus changed dramatically. "We found that our decisions were of higher quality," noted the CEO, "and we had only one group standing at the end—all winners."

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Karen Leary (A)

It did not surprise Karen Leary that her lunch with Ted Chung had turned into a somewhat uncomfortable experience. Although a year had passed since she hired Chung to be a financial consultant (FC), Leary sensed that there was a wide gulf between them. She had tried to get to know him better, but Chung had always distanced himself from her and the other FCs in the office. Leary had hired the Taiwan-born Chung to attract customers from the thriving community of Taiwanese entrepreneurs that had sprung up around Elmhurst, a Chicago suburb. In his first year at Merrill Lynch, Chung opened the \$6 million account of a Taiwanese industrialist and had traded the account actively, generating substantial commissions.

Over lunch, Leary and Chung reviewed Chung's performance during the past year. Leary told him that she was pleased that he opened such a big account. She reminded him of her concern about the appropriateness of some of his trades. The client was new to the American market, and she questioned Chung's investments in risky stocks and his use of margin. She also cautioned Chung not to spend all his time with this one account; she expected him to develop other Taiwanese customers.

Chung explained that he had been actively developing relationships with wealthy Taiwanese businesspeople and expected to bring in more accounts soon. He also reassured Leary that the Taiwanese industrialist was fully aware of how his account was being handled. Chung then said, in reviewing his own performance, that he was certainly going to be one of the most important producers in Leary's branch, and therefore, he deserved and needed a private office.

Leary was taken aback by Chung's request. Of the 45 FCs at the Elmhurst branch, only eight had private offices and they were the best and most experienced brokers. Even FCs doing substantial business in their twentieth year sometimes did not have private offices. Although Chung appeared headed toward a successful career at Merrill Lynch, several elements in Chung's performance over the past year worried Leary. Given her expectations of the Taiwanese market's potential and her aggressive goals for the office, Leary wondered how she should respond to his request.

Merrill Lynch Background

In 1985, Merrill Lynch, one of the nation's largest wirehouses, found itself in the midst of a fiercely competitive battle in the retail financial services industry. Government deregulation of major financial institutions and increased innovation in financial instruments had unleashed a head-on clash

Research Assistant Jaan Elias prepared this case under the supervision of Professor Linda A. Hill as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The circumstances described in this case are reported primarily from Karen Leary's point of view. Although the comments of others have been incorporated, the case does not necessarily reflect all of the perceptions of other participants. It has been made available through the cooperation of both the individual and the company involved. Some names and places have been disguised.

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among a diverse group of players. Merrill Lynch, Citicorp, Prudential, American Express, and Sears had built up impressive arrays of consumer financial services through expansion and acquisition.

From the 1940s when Charles Merrill had pioneered the concept of bringing "Wall Street to Main Street," Merrill Lynch had been in the forefront of bringing one-stop financial shopping to all Americans. The core of Merrill's approach to providing financial services had always been the tight bond that brokers formed with their clients. The company had set up a large network of branch offices and supported its brokers with extensive training and topnotch research. Through its efforts, Merrill created the mold for the modern professional broker.¹ FCs responded by showing fierce pride in the company. Most of the senior management, including many of the past CEOs, had started out as brokers.

The increased competition, however, had Merrill's top management leading its brokers in new directions. The decision to retitle account executives *financial consultants* was more than cosmetic; it reflected a transition in the way Merrill marketed its services. (Brokers at Merrill Lynch were first called *account executives* by Charlie Merrill in the 1940s. In 1983, they were retitled *financial consultants*.) According to the Merrill Lynch 1985 Annual Report, the company had been moving toward a customer-oriented rather than a product-centered structure. Services were to be "wrapped around the customer." Accordingly, the company introduced a menu of new products, ranging from real estate investments and insurance to centralized cash management accounts. Salaried product specialists had been dispatched to branch offices to aid FCs in pinpointing the proper mix of financial instruments to respond to a client's needs. The new lineup of products necessitated additional training in financial planning practices and profiling the customers' long-term financial goals.

Increased competition and consumer sophistication had also meant smaller margins, and concern about the high fixed cost of operating a large brokerage system. (Merrill Lynch estimates that it takes \$100,000 a year to support one broker.) Upper management had targeted goals of cost control and increased productivity per broker while continuing to offer the most professional financial advice possible to the client. The compensation system was restructured to reward asset gathering and top brokers. To be profitable, Merrill's management believed the company must enhance an FC's ability to add value by recognizing and properly satisfying a customer's long-term financial objectives.

Some industry analysts, however, provided a sharp counterpoint to the new strategies being employed by financial service firms. One commented, "People still do business with brokers because they like them. You need the entrepreneurial type of guy. What happens if some of a firm's big ideas don't work?" Another observed, "For most brokers, trading remains the most glamorous part of the business; it provides the high-stakes financial rewards and excitement that motivated them to become brokers." Many thought trading would always be a broker's bread and butter. One broker commented, "The industry is always restructuring. It'll probably happen again in a few years, but the bottom line will still be how much you can bring in with commissions."²

¹*Business Week*, January 16, 1984.

²At large wirehouses, brokers received between 30% and 45% of the business they generated. Branch managers were compensated as a percentage of what the brokers they managed produced. Brokers prized relationships with large customers since over 80% of the commission dollars were produced by 20% of the customers.

Taking Over the Branch Office

Leary's Background

Leary joined Merrill Lynch as a financial consultant in 1975, after having managed a family business for several years. Besides quickly building her own client list, Leary took on various leadership roles, such as product coordinator, in the San Francisco branch where she worked.

I truly enjoyed working with my clients and helping them fulfill their dreams, such as getting the money for a new home or funding the investments that would make it possible for a child to go to college. But I always knew that I wanted to go further in the industry.

After six years as an FC, Leary went to the Merrill Lynch assessment center and passed the grueling set of exercises designed to evaluate management skills. She was assigned to a downtown Chicago branch as sales manager. In 1983, she became resident vice president and general manager at the Elmhurst branch, a substantial office for a first-time branch manager.

When I took over the office, there was a large group of people here who had been in production for maybe 10 years or more. Many were average producers who did a lot of options and small trades. A few were oriented toward just getting a commission dollar and were having difficulty implementing a financial planning approach. I felt I would have to change this, that the culture was one that would not allow growth. I knew that even if I brought in new, good people their growth would be inhibited by the prevailing culture. . . . Some managers have the philosophy: "If a person is moderately profitable for the firm and no trouble, then fine." I'm not saying that is a bad approach. The firm makes money, the FCs make money, and the manager makes money. It is just that I am more aggressive and my goals are higher. I wanted to build a winning team that would be recognized for the quality and professionalism of its people, that would excel in matching clients with the products, and that would utilize the full range of Merrill Lynch services. I don't want to be a little country office out in Elmhurst.

Leary terminated eight of the FCs that she inherited, some of whom had been with Merrill Lynch for over six years. She believed that these were people who could not follow the firm's strategy. In many instances it was a difficult decision, and Leary helped some FCs find positions with other brokerage houses.

Leary initially focused on hiring experienced brokers to fill the vacancies.

I interviewed some younger people who had been brokers with other firms. They were already fully registered and for one reason or another had not fit into their firms. To train a person with no experience, it cost Merrill Lynch \$30,000, and it is at least six to eight months before an inexperienced person is at all productive. So it is a long-term, expensive proposition. The people I interviewed were fully registered and knew a little about the business. So I took a risk. It was a business decision; it cost Merrill Lynch little. I hired four or five of them and two made it. . . . But I learned you really can't do it that way and build what I want. It exposes the rest of the office to unsuccessful people and the office needs to view themselves as a collection of successful professionals. So, while it did not cost the firm financially, I think it cost the firm in other areas.

Leary's Management Style

Leary made a point of getting out of the office and on to the floor of the boardroom as often as she could. For at least two hours every day, she navigated among the cubicles, where the FCs were talking with clients on the phone and monitoring market indicators and current events on Quotron screens.

I do a lot of coaching and counseling informally. I find it's effective and less threatening than to be called into the manager's office and asked to explain yourself. So, I'll frequently sit down at a person's desk and just say "Hi. How's it going? Let me see what you're working on. That looks interesting. Have you seen the new tax-free bonds up on page eight of the Quotron?" or I will ask them about a problem they had or a stock that they are watching.

"Karen is by far the most sales-oriented manager I've ever seen," a veteran Merrill Lynch FC commented. "Literally every day, she finds just the right investment for a client. Now a good broker can get on the phone and use that immediately. . . . Some managers are content to just check the mail and do the administration. Not Karen. She really is very aggressive in trying to motivate the FCs."

Leary's superiors praised her development of innovative sales and training programs. She created a voluntary program of partnerships/internships for FCs both to motivate top, older producers and to help young FCs get started.

Some of these older people are doing five or six hundred thousand a year in production and have their business set. They get kind of complacent. At that point in their career, it is very difficult to get these people to prospect or develop new business. On the other hand, younger people need strong role models who are willing to teach them more about the business. I think this program provided a unique opportunity for less experienced FCs to learn firsthand about superior customer service and prudent money management.

Leary persuaded a few of her more experienced FCs to take on younger brokers or trainees as junior partners. The young brokers agreed to make the cold calls and draw up the client profiles needed to gather more assets, while the older FCs helped with the clients and with servicing the accounts. Leary hoped that the program would help reinvigorate the careers of some of her older producers while giving younger ones much-needed experience and supervision.

Leary stressed training her corps of younger brokers. She often came in before the market opened or on Saturdays to lead seminars designed to familiarize young FCs with financial planning techniques. Through case-by-case review, Leary led spirited discussions of Merrill Lynch products and techniques for profiling customer needs. She also leaned on her young FCs, keeping tabs on their cold calling (they were expected to make 200 calls a day) and overseeing the development of their own customer strategies.

Overseeing brokers' trades was an important part of a Merrill Lynch manager's responsibilities, and many of the FCs in Leary's office gave her high marks for staying on top of compliance issues.³ The branch manager was considered the key to a brokerage house's compliance effort, since he or she was in the best position to monitor brokers. Branch managers were charged with guarding against a wide range of broker malfeasance, including churning (doing more trading in an account than warranted), misrepresentation (failing to properly convey the risks of an

³Compliance is the name given to surveillance against broker fraud and to the maintenance of integrity in the brokerage industry.

investment), unauthorized trading, and unsuitability (recommending investments not in keeping with an investor's financial position).

One of Leary's first moves on taking over the Elmville office was to bring in a new chief compliance officer, one she felt would get to know brokers better and evaluate their trades. Daily, Leary reviewed all of her FC's account activity and often questioned FCs about their trades. Leary observed, "There is a great deal of concern about protecting our customers. So it is very important to me that we do quality business for them and make sure their investments are right and proper. We deal with money and are very tightly regulated."

Leary's aggressive approach to sales and compliance appeared to have paid off. During her first year, business increased by 30%. However, her style had some FCs grumbling. "She rides all the FCs hard," one commented. "She is always pushing you and looking over your shoulder." Leary hoped her innovative approach to management would be beneficial to and recognized by Merrill Lynch. From the Elmville office, her specific goals in 1985 included completing an office renovation, opening another satellite office, and developing the small business trade. Generally, she wanted to build "a high-producing, successful group of professionals who help one another and work together to provide clients with complete service in meeting their long-term financial goals. All recognizing, of course, that we're dealing with egos and that it takes a very strong ego to be successful."

Developing the Taiwanese Market

Hiring and Training Ted Chung

Leary hired Chung to develop the Taiwanese market for Merrill Lynch. "The Taiwanese are not really assimilated into the American system, so we needed a person with a Taiwanese background who spoke Chinese to begin to develop this market. I put some general ads in the paper, and Ted Chung was one of many who answered the ad and one of several Taiwanese." Numerous Taiwanese-owned and -operated businesses had sprung up throughout the Chicago area during the 1970s. Unlike other waves of immigrants to the United States, these Taiwanese had a strong network of contacts and sufficient capital to set up businesses. Through hard work and determination, family-run, first-generation Taiwanese businesses had built up substantial positions in a relatively short time. Many active Taiwanese community organizations had formed, and businesses tailored to the Taiwanese had opened their doors.

The other Taiwanese applicants were young, and Leary felt she needed a more experienced broker to work with Taiwanese businesspeople.

Chung was in his early forties and he appeared mature, stable, and responsible. He was married with four children, and his wife was a computer programmer. In his seven years in the United States, he had been a very successful salesman for a real estate company and had owned his own moving business. He was independently wealthy. He had been born in Taiwan, yet he was westernized in many ways.

Leary described hiring new FCs as one of the most important functions of a branch manager. She frequently interviewed people three or four times before making a final decision. She met with Chung eight times in various settings before hiring him.

I felt I didn't really know the whole person, but I wrote that off to the fact that he was Asian and I was not, or maybe there was some concern over my being a woman (though he never expressed any concerns). So after a period of time where I

could not put my finger on anything that was wrong, I made the decision to hire him because I felt there were so many areas where he fit. I knew his wife, met his children, knew where he lived, and investigated his background, and there was nothing there that appeared negative.

Newly hired FCs went through an intensive four-month training program. During the first two months, they prepared for the rigorous General Securities exam, and in their third month they learned additional subjects such as portfolio management and selling techniques. The first three months of the program were spent in the branch office, and Leary saw this as a time when trainees could learn how the office operated. Trainees were often asked to fill in for sales assistants or to help in operations.

Chung studied hard and did well on his test; however, Leary noticed that he bristled and found other things to do when staff members asked for his help.

I called him in and said, "You were asked to sit at the sales assistant's desk this morning, and it appeared that you were uncomfortable with this request, and you found some way not to fulfill it. Let's talk about that." He then described how his feelings were hurt. It came out that he didn't like to do those things; that he frankly considered it to be beneath him, particularly if an underling asked him. He told me that if I asked him he would do it for me. I said, "Well, Ted, this is an office and a business. As a trainee, you are here to learn and to develop, and I would like you to do that."

In their fourth month of training, FCs were sent to the Merrill Lynch training center at One Liberty Plaza in New York City. (Merrill Lynch opened a training center in late 1985 in Princeton, New Jersey.)

When Ted went there, he was very well prepared. He had received excellent scores on all of his tests. Before he went, he and I discussed strategies. I told him there were very fine research people there and gave him names of those people and told him he should develop relationships. And he did.

Leary noted that Chung was very good at establishing contacts with the Merrill people in New York:

Whenever he would go in to meet with a research person, he would bring them something to eat, coffees for both of them, and a doughnut or a bagel. He always made sure to call the person's secretary to find out how they took their coffee and any other preferences. After the meeting, he would send a note along with a little gift, such as a Merrill Lynch pen or cup. He had gone out and bought a whole slew of Merrill Lynch paraphernalia, and he used it effectively.

Bringing in the Big Account

After four months as trainees, FCs began the often arduous process of gaining clients. Most FCs spent their first months back from training making up to 200 cold calls a day. They also gave and attended seminars on personal investing, identifying clients who could benefit from their expertise. Chung, however, felt that the Taiwanese market had to be developed differently.

Ted felt that he could develop the Taiwanese market, but that it was a different market and had to be approached according to Taiwanese tradition. He assured me that in time he would develop very substantial accounts, but that he wouldn't do a lot of business in the beginning, opening what he called "chicken-

feed" accounts. I said fine. This is a responsible person who wants to be successful. This is the game plan he wants to use, and it makes sense to me.

Unlike his peers, Chung did not make cold calls and spent much of his time outside of the office, attending events in the Taiwanese community. He felt that the way to develop the Taiwanese market was to increase his own visibility and prestige. In the first three months after he had completed his training, Chung had yet to open his first account. Leary became increasingly concerned about his lack of prospective clients and business. She met with him occasionally, and he reassured her that he was developing relationships that would lead to substantial accounts.

Over time, Leary was becoming more aware of Chung's "stiff" formality and need for privacy. Leary noted:

Everything about his desk was spotless. He brought in all kinds of items from past lives, framed pictures of himself from magazines and other displays of his importance. No one was allowed to use his desk. People here can be a little touchy [about their desks], but he was really excessive. He didn't want people using his phone, he didn't want people working at his desk. Normally, an FC will have his desk the way he wants it, and if we are going to have someone else sit there, we usually do the person a courtesy and ask them. But sometimes you just can't. Nobody usually minds. . . . Once you sat at Ted's desk, nothing was an informal meeting. If I sat down there to chat with him, he'd get up and clear all of his papers away and arrange his coat and get everything all set before he would start to talk.

In his fourth month after training, Chung set the office buzzing by bringing in a \$6 million account.

I congratulated him, and we made sure that the account was set up properly. I then made calls to New York to three very good Merrill Lynch analysts and set up some private meetings to support him. I talked to him about the possibility of having the account managed by Merrill Lynch Asset Management, a Merrill Lynch subsidiary that manages substantial amounts of money. I was very uncomfortable with the idea of a brand-new FC handling that kind of money. He insisted that the client only spoke Chinese, that there was no way he would allow anyone else to work with him. Chung said he had come to Merrill Lynch only because of him and the fact that they were from the same village in Taiwan. Chung insisted that he could do it.

Leary and her administrative manager, Fred Lewin, began watching the account closely. (The administrative manager is also the chief compliance officer at the branch.) At Leary's request, Chung wrote a letter, in Chinese, to the investor detailing a financial plan that Leary had approved. Chung proposed a conservative stock purchase plan and option-writing program with money (which was coming out of CDs [certificates of deposit] held at a local bank) equally distributed between equities and a conservative fixed-income strategy. Leary commented:

Initially, the investments were pretty good. His first five or six investments were appropriate: they were fixed income and good quality stocks. Then he began to get into takeover stocks. It was an explosive time in the market when takeover rumors about many stocks were booming. While most of the stocks he was purchasing had takeover rumors circulating about them, he initially made sure that the stock was still a Merrill Lynch-recommended security. The stocks Merrill recommends are fundamentally fine, well-managed companies, and have nothing to do with the rumor mill. But the direction he was going in was becoming clear. I'd see his purchases show up on the computer screen and call him in. He would swear, "No, no, no, he's buying it because it's good quality stock, love the earnings," et cetera.

More and more of the account was being invested in equities, and Chung actively used margin borrowing. He also began purchasing stocks not recommended by the Merrill Lynch research department. FCs were not allowed to recommend these stocks to their clients and could not buy them unless the purchases were unsolicited. After making non-Merrill Lynch-recommended purchases, Chung presented typed, signed, certified letters to Leary from the client attesting that Chung had not suggested the stock and that the purchase order had come at the customer's insistence.

When Chung's handling of the account departed from the initial strategy, I told Ted I would need to meet the customer. The customer, a Taiwanese industrialist, spoke little English. Chung brought the customer in, but it was a fairly uncomfortable meeting because our communication was limited. The customer smiled and indicated that he was pleased with Chung's work. Ted interceded after about five minutes and said the industrialist had to catch a plane. Translating for him, Chung told me the client had enjoyed meeting me and thanked me for my hospitality.

Leary was now checking Chung's trades every morning. The account was trading actively, and Chung had generated a substantial amount of commissions. Chung was careful to document all of his trading activity formally and to fulfill standard compliance procedures. As time went on, however, Chung became more annoyed with Leary and Lewin's monitoring. He resisted questioning and occasionally became angry at Lewin's inquiries.

The other FCs were very impressed with Chung's achievement. In handling the account, Chung had made some good trades and had followed compliance procedures. Although he had not brought in any other accounts, Chung hinted that additional substantial accounts were on the way.

Leary commented:

When the trades were good, I would call him in and tell him he was doing a good job. I also kept urging him to try to develop other areas. I was always available to him if he needed consultation, and I got him through to people in New York who could help him with the account. These were people most first-year FCs don't ever get to sit down with.

Back at Lunch

Following Chung's request for an office, Leary mentally reviewed the situation. She felt uncomfortable with several aspects of his performance, and the lunch was doing little to ease her worries. She did not know how involved Chung's client was with the account, and because of the language barrier and Chung's close relationship with the client, she could not check with the client more directly. Chung's growing displays of "ego and temper" also worried her. His request for a private office was totally inappropriate. Leary observed:

It usually takes a person a substantial amount of time to get a private office here. They go to very special people who have really earned their spurs through a lot of good quality business and longevity with the firm. So while the FCs in the office were amazed by the business Ted was doing, they also needed to think of the office as their family, where things were basically fair.

FCs frequently stated that they considered a private office an important success symbol and worked hard to achieve it. One private office was available, and Chung clearly had his eye on it.

Leary talked with Chung on numerous occasions about her expectations and about her views on how FCs should build their business. Chung never openly disagreed with her, but it was difficult to gauge exactly what he was thinking. Although she once had some qualms about Chung's slow start, he was now a strong producer (with this one account), and Leary knew that the Taiwanese market could be further developed. Leary wondered how she should respond to Chung's request, and what impact her answer would have on the rest of the office.



Negotiation

De Janasz, S., Dowd, K.O. and Schneider, B. "Negotiation." *Interpersonal Skills in Organizations*, 4/e, 184-199. New York: McGraw-Hill Company. Reprinted by permission.

Learning Points

How do I:

- Determine what I want in a negotiation and make a plan to facilitate achieving it?
- Determine my best alternative to that goal if I don't get all that I want in a negotiation?
- Understand the other party's wants and needs in a negotiation?
- Involve the other person in a collaborative and interest-based negotiation?
- Know when to walk away from a negotiation if a resolution doesn't appear possible?
- Utilize agendas, questioning, framing, scripting, and other negotiation strategies to increase my effectiveness as a negotiator?
- Identify unethical negotiation behaviors and determine the motivation for engaging in such behavior and strategies for dealing with it?
- Increase my comfort and skill with special situations in negotiation, such as multiparty, virtual, and global negotiations?

John Monroe is a senior vice president for one of the country's largest hotel chains. Given his well-earned reputation as an industry leader in improving customer focus and satisfaction, it's not surprising to learn that a competitor based in the United Kingdom is attempting to lure John away from his company. In fact, the initial contact with Rupert Kingston, the CEO, progressed to two additional phone conversations, and most recently, a face-to-face visit where Rupert and members of the senior management team wined and dined John and ended with "an offer he can't refuse." While John has had some concerns about his present employer, he hadn't been actively looking for another position. In addition, he is concerned about how his wife and 14-year-old daughter would react to a move. They moved 800 miles away from their home when he took his current position five years ago, and both ladies had a tough time making new friends and adjusting to a town that was substantially larger (in size and population) than what they were used to. After his visit, John found himself sitting on the plane, contemplating whether he should accept the offer.

1. At this point, what should John do? What, if anything, should he refrain from doing?
2. What kind of preparation should John do prior to his negotiation about the terms of the offer? What kind of data should he gather, what people should he talk to, and what decisions should he make?
3. What are some specific arguments he could use to improve his chances of getting the opportunity package in which he is interested?
4. Even if he decides not to take the offer from the UK, how can John use this situation to address and improve the “concerns” he has with his present employer?

“You often get not what you deserve, but what you negotiate.”¹

John Mariotti

Everyone negotiates. Children negotiate to decide which games to play or which television show to watch. Students try to negotiate a higher grade from their professor. Employees negotiate for a certain salary, benefits, or perquisites. Corporations negotiate with other organizations on the sale or purchase of assets, materials, or operating units. Negotiations occur globally as in the case of the Mideast, the NATO treaty, and NAFTA. Whether you’re a diplomat or dignitary, spouse or salesperson, student or teacher, you negotiate almost daily. Sometimes the stakes are high, as in the case of a buyout of a firm; sometimes the stakes are low, as in the case of which movie you and your friends choose to see. In this chapter, we discuss the fundamentals of negotiation, benefits of doing it well, types and stages of negotiation, and principles and strategies for enhancing your skill in this arena. At the end of the chapter are several exercises to help you build your negotiating skills, as well as a list of references that will help you pursue this important topic further.

What Is Negotiation and Why Is It Important?

Negotiation is a process in which two or more people or groups share their concerns and interests to reach an agreement of mutual benefit.² It occurs when all parties have both shared interests (meaning they’re committed to a resolution) and opposed interests (meaning they don’t agree on everything). This definition implies that both parties have an incentive for devoting energy to the negotiation and that they are willing to collaborate on reaching a shared agreement.³ Sometimes we use the terms *bargaining* and *negotiating* interchangeably, although most associate bargaining with the type of haggling that occurs over items in a yard sale and negotiating with a more formal process in which parties attempt to find a mutually agreeable solution to a conflict situation.

Why Do We Negotiate?

We negotiate when what one party wants is not necessarily what the other party wants. The conflict of interests may be clear and simple. If the competitor offers John a significant increase plus a package that is attractive to John’s wife and daughter, John may accept the offer. If the competitor doesn’t have the latitude to offer a significant increase, or doesn’t show an interest in the family’s overall needs, John may turn down the offer. At other times, the conflict is more complex, consisting of multiple issues, competing interests, and unlimited potential solutions. Examples of this type of conflict include the merger or takeover of a company, a rift between a company’s management and its unionized employees, or a divorce. While some conflicts wind up in court, most conflicts of this type, even those that appear to be quite complicated, can be negotiated and settled before trial.

Complex negotiation is a fact of life for anyone in business. Managers ensure work gets done on time and within a budget. To do this successfully, managers negotiate for



Source: www.CartoonStock.com.

the necessary resources. As long as resources are scarce, negotiation will always be an essential skill for businesspeople. Another factor driving the need for negotiation skills in business is the increased use of teams in the workplace. As individuals from “competing” business units are brought together on projects, the ability to negotiate with others—both inside and outside the team—is critical for the ultimate success of the project team. Global diversity is another factor motivating the need for acquiring skills in negotiation. As employees from a variety of countries and cultures are brought together to work on projects and joint ventures, an inevitable clash of customs and business practices results in almost constant negotiating that involves developing and modifying relationships and expectations over time. A backlash against the litigious tendency of our modern society is another reason why it is important for managers to develop skill in negotiating. As the court dockets fill with numerous (and often frivolous) lawsuits, the negotiation of differences has become accepted and valued as a cost-effective alternative to litigation. Witness the growth of the number of organizations dedicated to helping individuals and companies improve their negotiating skills. The increasing number and availability of books, audio and videotapes, and Internet sites devoted to this topic provide further testimonial to the importance of effective negotiating in today’s world. All these factors build a compelling case for acquiring and enhancing your negotiating skills.

Benefits of Honing Negotiation Skills

Individuals who master the skill of negotiation can gain many benefits, among which are these:

- **Increase your salary, profits, and marketability.** Good negotiation skills lead to better deals in everything from your salary and benefits to anything you purchase or sell. Near the end of a positive job interview, a recruiter may offer a particular salary/compensation package. An inexperienced or unskilled person will see this offer as fixed—one to accept or decline. However, a good negotiator knows that this typically is an opening bid, and not a final figure. She or he has the experience and confidence to ask relevant questions, present compelling evidence, and request a better deal. The same is true when negotiating on behalf of your employer (or yourself, if you are an independent contractor). Good negotiation skills breed confidence, which breeds successful outcomes, which leads to even greater confidence in yourself and your ability to succeed—in your current and future endeavors.
- **Save time, money, and grief, while ensuring needs are met.** Negotiation is a more efficient and effective way to reach a solution than either a lawsuit or arbitration.⁴ In a lawsuit, the adversarial nature of the environment pits one set of interests against the other. The goal is a “win-lose” situation, where one of the parties is clearly victorious over the other. In arbitration, both parties agree to a settlement reached by

a third party, which may or may not reflect the interests of the conflicting parties. Arbitration occurs outside of the courtroom; however, the parties involved are bound by the verdict—one that may or may not bring satisfaction. Verdicts resulting from arbitration often resemble “win–lose” or even “lose–lose” resolutions, where either one party is victorious or both parties must compromise so severely that the final agreement is perceived as losing by both parties. In contrast, negotiation, when handled properly, typically results in identifying the primary interests of both parties and generating an agreement that addresses key issues of both parties. This can result in a “win–win” solution where both parties feel their primary interests have been listened to, if not addressed.

If a resolution can't be reached, arbitration or litigation may be necessary. However, these options tend to require more time and effort than negotiation. In a lawsuit, attorneys spend many hours doing research and preparing. In arbitration, an outside third party (an arbitrator) spends numerous hours getting up to speed on a case before being able to rule on it. All of this time is costly—hundreds of dollars per hour—to the parties involved. In negotiation, both parties are involved from the outset. Each party serves as the chief spokesperson for her or his point of view. Naturally others are involved, principally the negotiator or negotiators. But they work in partnership with the two parties, not as surrogates. The principal work is performed by the two parties themselves, resulting in a saving of time and energy spent on the negotiation process.

- **Improve relationships.** Even something as simple as a disagreement or misunderstanding with a friend or neighbor can escalate to an ugly and consuming battle if the parties are unable or unwilling to negotiate to resolve their differences. Working or living alongside an “enemy” can be anything but enjoyable. Another benefit of negotiation is that when it works, it helps both parties not only to achieve a workable resolution, but also to help preserve and improve their relationship, reputations, and sense of professional achievement. Conversely, after an arbitration or lawsuit has concluded, the parties involved often experience lingering feelings of resentment and anger that preclude them from being able to continue working together.
- **Reduce the number and severity of conflicts, thereby reducing stress.** Studies show that those who have sound negotiating skills are able to maintain better control in business and personal situations.⁵ Good negotiators can focus on identifying each other's key interests and viewing the situation objectively, while putting their emotions aside. Over time, those who practice negotiating find they are better able to resist responding emotionally to a potential conflict, and tend to experience a reduction in the number of potential future conflicts. Being able to surface issues, clear the air, and deal directly with all legitimate concerns during a negotiation results in a clean slate—a feeling that both parties have been fully listened to and understood. This reduces frustration and the chance that these issues will resurface and generate additional conflict.

Integrative and Distributive Bargaining Strategies

Once we decide to negotiate,⁶ our approach to negotiation or bargaining will generally fall into one of two categories or strategies: integrative, or “win–win,” and distributive, or “win–lose.”⁷ Both strategies have their benefits and disadvantages and can be used depending on the needs inherent in a specific situation.⁸

Negotiators use an **integrative bargaining strategy** when they believe that a win–win situation exists and can be reached. This means that there's a chance both parties can achieve their primary objectives, without either feeling they lost. In integrative bargaining, the goal is to collaborate and generate one or more creative solutions that are acceptable to both parties. A simple example would be a couple trying to decide on a movie to rent. Taking an integrative approach, they would begin their discussion by drawing up a list of only those movies that were acceptable to both parties. They would discuss the available choices and choose a movie to see from that list, rather than arguing in favor of a movie that only one of the two parties wants to see.

A more complex example involves the creation of a “preferred supplier” agreement. Many firms seek to formalize the arrangements they may have with a particular supplier or vendor in order to reduce the uncertainty of changes in price and other market conditions. Should both organizations take an interactive approach to this solution, they would look beyond price—after all, the supplier’s likely interest to maximize price is at odds with the organization’s need to minimize it—to understand both the short- and long-term needs of both organizations. Issues of availability, reliability, quality, and prompt delivery and payment all enter into the equation in which price is but one factor. It’s in both parties’ best interests to find a workable solution, one that meets these multiple criteria. The supplier wins because it has a consistent customer for its product, ensuring a positive cash flow, steady employment, and predictable operations. The organization wins because it can rely on receiving the supplier’s product consistently, when it’s needed, at a fair price, and in the requested quantity. It doesn’t need to search for additional options to save a few pennies; when all factors are considered, a preferred supplier arrangement benefits both parties.

Integrative bargaining only works when both parties are committed to preserving the relationship that exists between them. Integrative bargaining requires a great deal of creativity, problem-solving ability, and time, as well as a set of ultimate goals on which both parties can agree. Arriving at a truly integrative or collaborative solution to a conflict requires that those involved gain and use the necessary skills, knowledge, and attitude (including patience). Another requirement for integrative bargaining to work is a climate that supports and promotes open communication. Both parties need to be willing to change and to confront their conflict directly rather than run from it, resolve it through brute force, or pretend it will go away. The parties must be open to establishing longer-term goals on which they can both agree. For example, the couple choosing a movie must recognize that their relationship is more important than the choice of a movie and must be willing to collaborate or, if necessary, compromise for the sake of the overall relationship.

A **distributive bargaining strategy** is based on an attempt to divide up a fixed “pie” or amount of resources, resulting in a win–lose situation.⁹ Negotiators taking a distributive approach typically take an adversarial or competitive posture to dividing a fixed amount of resources. One improves its lot at the expense of the other. This scarcity mentality implies that only one of the two parties can have the conflict resolved to its satisfaction. In distributive bargaining, the focus is on achieving immediate goals, with little or no regard for building future relationships. Little time or energy is expended in resolving the conflict in a distributive negotiation, resulting in the generation of few if any creative solutions. Generally, one or two fixed solutions are presented and a decision or choice is expected almost immediately, with possibly some consequence if a choice is not made soon. If distributive bargaining were used to resolve the movie decision mentioned earlier, the couple would likely not be very close, and one or both parties would not care whether the relationship was a good one or lasted much longer. In this example, one member of the couple would say something like, “This is the movie I want to see. Take it or leave it.” There would be no real discussion of the wants and interests of both parties. The “agreement” would be reached either by dictate or after some fierce arguing. While win–lose is not a recommended strategy for resolving issues, it can be used in situations where achieving short-term goals is more important than maintaining or building longer-term relationships. Distributive bargaining is also appropriate to use in situations that are so contentious there is no possibility of a win–win solution, when there’s a sense of urgency and time is short, and when the relationships involved are relatively unimportant compared to the issue at hand. Forcing children to wear protective gear when bicycling is an example of this. “Aw, Mom, do I have to wear my helmet? What if I promise to be really careful?” Allowing the child to negotiate on this issue is a waste of time, as his or her safety is paramount in this situation. Despite the intuitive appeal and apparent societal acceptance of the “winner take all” or “ends justify the means” approach to negotiation, distributive bargaining generally tends to be ineffective and counterproductive and should be used only in certain circumstances. Figure 9–1 summarizes these two approaches.

Figure 9–1
Comparing Bargaining Approaches

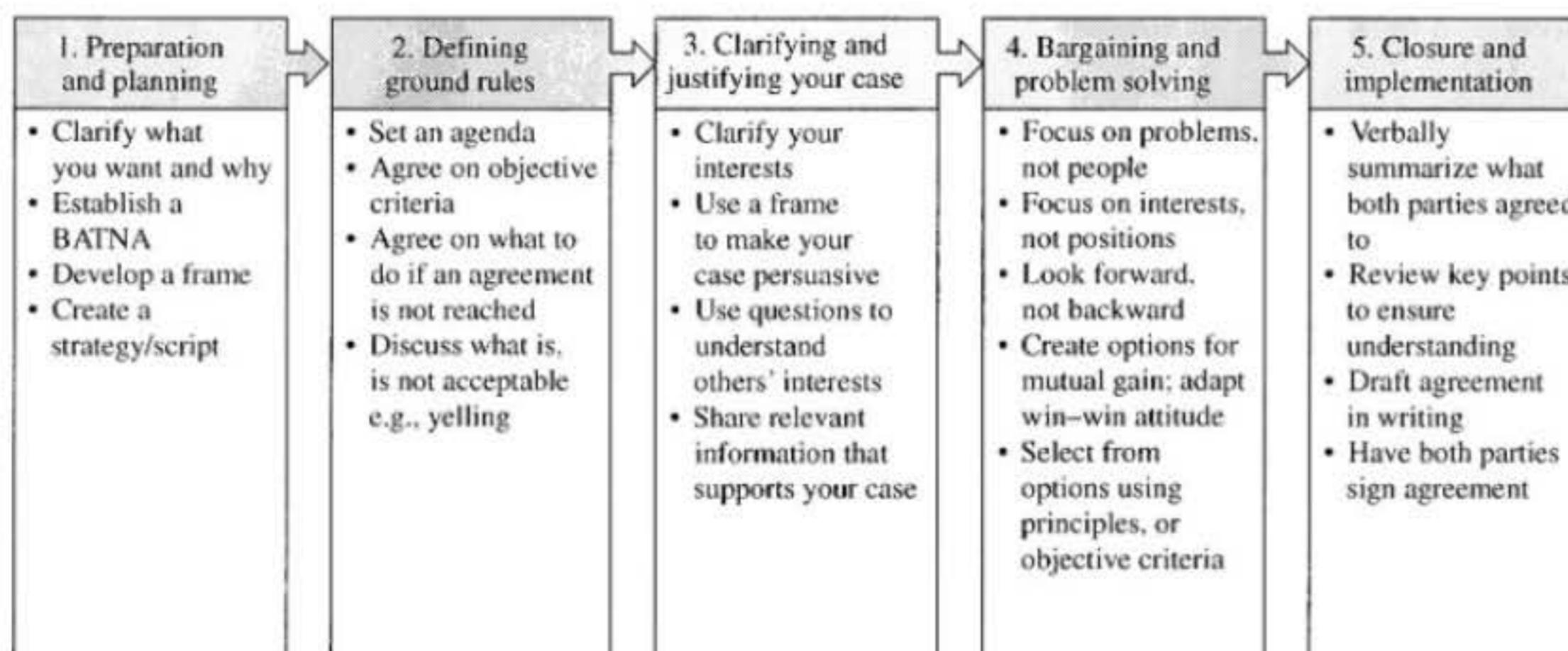
Considerations	Integrative Bargaining	Distributive Bargaining
Likely solution or end result	Win–win	Win–lose or lose–lose
Importance of continued relationship with bargaining partner	High	Low
Goal	Collaborate and generate multiple options or solutions; expand the pie	Winner takes all (scarcity mentality); distribute a fixed pie
Bargaining climate	Open, communicative, creative, willing to change	Determination to win, willingness to walk away, cards held close to the chest, ends justify the means
Amount of time needed	More	Less
Time horizon in consideration	Current and future	Immediate only

Five Stages of Negotiating

We've discussed why people negotiate and the types of negotiation. Now we turn to the how, or the process of negotiating. Keep in mind that all negotiations are different. Simple negotiations, such as choosing which movie to rent, need not require an extensive negotiation process. However, when negotiations involve significant or complex issues, you should consider using the five-stage process model depicted in Figure 9–2. As illustrated, negotiating consists of five stages: (1) preparation and planning, (2) defining ground rules, (3) clarifying and justifying your case, (4) bargaining and problem solving, and (5) closure and implementation.¹⁰ These stages are described below.

1. Preparation and planning. Without question, preparation and planning are the keys to successful deal making. While some may think they can negotiate effectively “on the fly,” all negotiators benefit from thorough advance thought and preparation. Be clear about what you want and why. Gather data to support your position. Consider ways to present your arguments persuasively. Consider what the other party wants and

Figure 9–2
The Five Stages of Negotiation



Many of the strategies or tips discussed in the chapter that should be considered during each phase are listed under the corresponding stage.

why. What data or tactics might they use? How will you counter? Answer these questions when preparing your negotiation strategy. Understand your and the other party's strengths and weaknesses, and take these similarities and differences into account in your strategy. If negotiating is new to you, learn and practice the basics of negotiating well in advance of a planned negotiation. Build new skills that are appropriate to this particular situation.

Another important component in preparing for negotiations is determining your **BATNA**, which, according to negotiation experts Fisher and Ury, is the best alternative to a negotiated agreement or the best outcome one party to a negotiation could get should the negotiation neither occur nor conclude.¹¹ By identifying your BATNA, you strengthen your bargaining position and chances for a positive outcome. For example, if you want to secure a position with a well-regarded firm in a particular industry by June, what will you do if that hasn't happened by then? Will you accept a lower salary at a lesser firm? Will you choose to go to law school? Would you accept a low-paying or nonpaying internship that provides marketable experience? The BATNA is not your bottom line, or the minimum you'd accept; instead, it's a desirable outcome that you've considered or arranged prior to the negotiation should the negotiation not take place. This alternative gives you flexibility and a sense that you don't have to take whatever is offered.¹² Lastly, prepare for a negotiation by learning as much as you can about the other party prior to the negotiation. In addition to the questions above, see what you can uncover about their negotiating style by talking with others with whom they've negotiated. If possible, try to become acquainted with the other party before the planned meeting. By establishing your willingness to get to know the other party, you will be better able to begin the negotiation with a positive, relationship-based tone rather than on an adversarial note.¹³

2. *Definition of ground rules.* Determining your own guidelines or rules for the negotiation helps you plan a strategy that can be successful.¹⁴ Establish who will or should be present and at what part of the negotiation. Decide where the meeting will be held and offer a possible agenda for how the time will be allocated and for which issues. The location has implications in terms of who's in charge. While there may be a benefit to having the negotiation at your office—the home court advantage—agreeing to have the negotiation at the other party's office might show flexibility and willingness to negotiate on your part. When the topic covered is potentially divisive or difficult, a neutral location might help level the playing field for both parties—an important consideration when an integrative solution is desired.

Set enough time in the negotiation to deal with the critical issues that are involved. Getting two opposing parties to agree, especially when multiple issues are being simultaneously considered, requires more time than you might imagine. Shortening the time available for the discussion serves as a conversation stopper and is counterproductive. Prior to the negotiation, establish a flexible, reasonable plan that outlines what you hope to accomplish, how you intend to talk about the topic, how you plan to introduce the topic, and how you will handle any responses from the other party. Set clear parameters for the discussion and the process such as no name calling, it's okay for either party to call a time-out, additional issues may be set aside for a later discussion, and you both must agree. Finally, seek agreement on standards and criteria to use when discussing the various alternatives that the discussion generates.¹⁵

3. *Clarification and justification.* As the negotiation begins, state what you want and why. A key issue here is the difference between positions and interests. A **position** is a stance—typically a firm one—taken by a negotiator. "I'll give you \$4,500 and that's my final offer." An **interest** is the explanation behind the position, need, or desire that expresses why a negotiator wants what he or she wants. "I'm asking for \$5,000 because the car has low miles, an upgraded stereo system, and brand new, all-weather tires." It's important for both parties to learn the interests behind the stated position. When you share your interests and expectations, you set the stage for the other party to be similarly open about their desires and reasons behind them. Doing so also allows them to become fully engaged in the process. Clarifying to one another your proposals and the rationale behind them requires

Figure 9-3
Verbal Negotiation
Tactics¹⁶

Tactic	Description	Example
Self-disclosure	I will tell you something about myself or important information.	We have had to lay off 100 employees this month. We really need to sign a major contract by the end of the year.
Question	I will ask you something about yourself.	Can you tell me more about your foreign operations?
Reward (unconditional, positive)	I will give you something positive now, on the spot.	Let's make it easier on you tomorrow and meet closer to your office. I have appreciated your meeting at my building.
Threat (conditional, negative)	I will do something you do not want me to do, if you do something I don't want you to do.	If you don't give me a good price, I'll take my business elsewhere.
Recommendation	If you do something I want you to do, a third party will do something you want.	If you give me a good deal on this item, I will get my friend to buy one too.
Warning	If you do something I don't want you to, a third party will do something you do not want.	If you do not replace this item, the government will investigate your operation.
Promise (conditional, positive)	I will do something if you will do something I want you to.	I will lower the price by \$5 if you will order in bulk.
Punishment (unconditional, negative)	I will give you something negative now, on the spot.	I refuse to listen to your screaming. I am leaving.
Normative appeal	I will appeal to a societal norm.	Everybody else buys our product for \$5 per unit.
Commitment	I will do something you want.	I will deliver 100 units by June 15.
Command	I will order you to do something.	Lower your price.

excellent communication skills and enhances both parties' understanding of the key issues that are involved and the ability to collaboratively discover common interests. The first three verbal tactics included in Figure 9-3 will facilitate this negotiation stage.

4. *Bargaining and problem solving.* In the fourth stage, both parties are actively and constructively engaged in working toward solutions. Once the interests and criteria are clearly communicated, it is time for a creative, idea-generating process. This requires skill in finding solutions that might address one or more of the parties' collective needs, as well as "expanding the pie" and generating even more creative solutions that may not be readily apparent. At this stage, it is best to remain open-minded, considering options without making value judgments or critiquing them. Judgment curtails creativity. By exploring all possibilities for solutions, rather than trying to focus too quickly on one fixed solution, interesting ideas and combinations of ideas may emerge.

Consider, for example, the aging patriarch who is looking for a potential suitor to buy his company. It would be easy to argue over dollars and cents—what the company is worth—and never arrive at a mutually agreeable solution. First, the assumptions or models both parties used to estimate the company's value are likely different. Second, there is a great deal of hidden "value." The business is not just a collection of assets, employees, customers, patented processes, and accounts receivable; it is, in the founder's mind, a child he nurtured for years and years. Putting yourself in the shoes of the founder, think about what he really might want, besides money. Recognition for his business acumen? A position as chairman emeritus and consultant? A monthly stipend and benefit package? An opportunity to share in the profits for the years he remains

as a consultant to the new owner? When you look outside the box of the calculable solution, you might find something even better.

Once a number of alternatives have been put forth, analysis and discussion of each can begin. Take the time to assess carefully how well each alternative meets the interests of both parties, the benefits and disadvantages, and its relation to the key issues involved in the negotiation. At this stage, it is appropriate to begin narrowing the options to the one or few that appear to best solve the initial problem in a way that is satisfactory to both parties. Don't worry about "dotting all the i's and crossing all the t's" at this point. Details like the exact percentage of the profit-sharing plan described above can be worked out later. Structure a deal on which you can both agree by recording key terms of the agreement and the steps necessary to complete the details and maintain the agreement.

Sometimes, you don't have all the data available to finalize a decision. For example, you might agree to provide a benefits package to the founder of the company for a period of no longer than three years and at a price no greater than 30 percent of his monthly draw. Determining which insurance company and whether it covers monthly chiropractic visits is more detail than is necessary at this point. Other times, you might have to end the discussion with some terms still up in the air. Perhaps a key piece of information will only be available at year-end. Record the terms to which you've reached agreement, and agree to postpone deciding on the remaining issues until a specified future date. This approach is generally preferable to one in which the last few details are quickly and perhaps forcibly pushed through. If the deal is likely to stipulate how two parties will work together over the next 5, 10, or more years, isn't it worthwhile to invest a proportionately similar amount of time and energy to ensure that the partnership will be successful?

5. *Closure and implementation.* In this final stage, the terms of the agreement that has been reached are formalized. Unfortunately, many overlook or ignore this step, thinking that once an agreement is reached it will be implemented automatically. Leaving out this step can lead to future misunderstandings. No two people will leave a communication with the same perceptions. The only way to ensure that both parties know what they're agreeing to is to take specific steps:
 - Document what you agreed on.
 - Review the key points to avoid misunderstanding.
 - Discuss issues that the parties hedged on, describing clearly all stipulations of the agreement.
 - Get it in writing.
 - Read the written agreement before signing to ensure clarity and commitment to what was negotiated.¹⁷

Every negotiation is likely to present you with different challenges and opportunities. By following these five steps and the advice contained therein, you can increase the likelihood of arriving at an agreement that meets the needs of all parties involved in the negotiation.

Strategies for Negotiating Effectively

The process model we described provides a helpful template for preparing for and participating in a negotiation. Within these stages, and as depicted in Figure 9-2, a number of tips and techniques can improve the likelihood of achieving success. Because of their importance in the negotiation process, three of these concepts—scripting, framing, and managing—are discussed in greater detail below.

Scripting

There is no substitute for adequate preparation in negotiation. Unlike other business interactions that can be handled simultaneously, negotiation is a serious enterprise that requires focus, attention, time, research, and planning. The more prepared you are, the greater the chances that you'll get what you deserve and bargain for.

Figure 9-4
Negotiation Script/Strategy
Outline

Goals:

- Develop an interest-based strategy/approach prior to a face-to-face negotiation
- Identify potential options/plans that can be proposed

Topics to Consider:

1. The other person's probable strategy. What do they want (goals) and why (interests)?
2. My strategy. What do I want and why? What am I willing to accept (my BATNA—best alternative to a negotiated agreement)?
3. How I'll begin the negotiation. What can I say to position the negotiation positively and to express my desire to arrive at a solution that is mutually rewarding and satisfactory?
4. The core issues, and any assumptions about those issues, include the following (remember to focus on the problem and not the person):
5. The primary focus or the real problem(s) to be resolved is:
6. What might get in the way of achieving the desired outcome? How can I overcome this?
7. How I'll react to . . . (list several potential proposals that may emerge during the negotiation and how you feel about those proposals):
 - (a)
 - (b)
 - (c)
8. Potential creative options or integrative, win-win solutions that I might suggest:
 - (a)
 - (b)
 - (c)
9. Components of a plan and/or objective criteria on which we can both agree:

One of the best ways to ensure adequate preparation time is to develop a **script** or **strategy outline** (see Figure 9-4). Take some time to think about the negotiation situation in which you find yourself. What are your interests and those of the other party? What would you each ideally like to see come out of the negotiation? How would you each like things to end up? What are some ways in which that might be possible? What can you do to make this happen? By thinking through the issues, objectives, options, and solutions from both your and the other's perspective, you are better able to handle almost anything that develops during the negotiation. Preparing ahead doesn't prevent surprises. But it can certainly lessen the number of surprises and make it more likely you can handle the unexpected if and when it happens.

Framing

Another important element to consider when preparing for or managing a negotiation is a **frame**. A frame is a point of view or perspective we bring to an interaction such as a negotiation. How we view a situation can affect how willing we are to engage in a negotiation and even our goals. Negotiation experts Margaret Neale and Max Bazerman offer the following example.¹⁸ You and a friend go to the beach. After a few hours, your throat becomes dry and you'd like a sparkling water—if the price is right. Your friend offers to investigate the options, and you consider your limits. In one scenario, you're about a mile from town and notice a small, run-down market about a block away. How much are you willing to pay for a bottle of water? In another scenario, you and your friend are lying on the beach owned by a four-star resort. The waiter is about to approach and ask if he can get you anything. Now, how much are you willing to pay for that sparkling water? Chances are, you'll pay more in the second scenario—for the same bottle of water. Similarly, if people are convinced they are getting a good deal, they are more likely to accept the offer presented. On the other hand, if they think they are being taken advantage of, they are much less likely to accept the offer even if it means they end up worse off. Indeed, the more negatively you frame a situation, the more risk you are likely to take, because you believe you have less to lose. Imagine you were working at General Motors in the summer of 2006 when the company offered a buyout—paying you to leave your job—to a large number of employees. If you hated your job or believed you would be laid off permanently, you would be more likely to accept the buyout, even if you didn't have another job lined up, than if you liked your job and believed you were unlikely to be laid off.¹⁹

When we use frames in negotiation, we provide a perspective that helps others understand where we are coming from and manages expectations. When proposing a plan for downsizing an organization to shareholders, one possibility is to frame this move as a means to minimize costs or losses. Another possibility is to frame this move as a means to maximize competitiveness. While both frames explain downsizing, the frames—posed as either losses or gains—will likely have differing effects on the perceivers. Similar to framing a picture, the frame highlights the points you want to make in negotiation and provides a filter for the other party to assess your position and supporting evidence. This is done by selecting a perspective believed to be credible, compelling, and appropriate to your intent. Frames can also provide a rationale for the evidence presented and a sequential pattern for presenting the evidence. This is done by creating a structure for organizing and presenting the evidence.²⁰

Framing is beneficial in negotiation because it helps focus attention on the priorities you want to emphasize—the data and premises within the frame. It also establishes a “big picture” context for the listener to use in perceiving and sorting through various options.

Framing can also save time and words. Extending the picture analogy, because a picture is worth a thousand words, a frame that paints a picture can efficiently and effectively enliven the goals you are pursuing. Imagine two CEOs discussing a potential merger of their companies. One uses a metaphorical frame and alludes to a “melting pot of employees” in describing his hoped-for outcome for the merger. This frame paints a picture that both parties understand. The second CEO is a bit more creative. She recasts the frame and refers to the “mixed salad of employees” her plan is designed to create. Both plans highlight employee diversity, but the second frame recognizes the individual talents and skills of employees who can collaborate and work together while the first plan may be interpreted as a homogenization of all employees. As negotiators we can use frames to recast the other party’s notion of what is desired in a negotiation. We do this by reframing the discussion—describing it differently to ourselves. By reframing we’re able to see it in a new light and approach the negotiation in a different way. A frame can be used to sell a proposal and overcome objectives others might raise. To do this,

- Develop a frame based on *both* your needs and those of the other party.
- Construct a set of messages that influence the other party’s perception of these needs.
- Provide the other party with a filter to interpret your message—such as “half-empty or half-full,” “good or bad,” “profit or loss,” “cost or benefit.”
- Think ahead about possible misinterpretations or negative twists on your frame, and be prepared to reframe as needed.

Managing

The last strategy to consider when preparing for and in the thick of the negotiation is *managing*. Every negotiation is an opportunity for you to manage: yourself, your expectations, the timing of the event, the way in which you approach the situation, your feelings toward the other person. The more you respond to a negotiation as a management challenge, the more proactive you can be in looking at it positively. A negotiation can be a learning experience, a chance to acquire some new skills, and maybe even a way to get what you want! Or it can be something you dread, fear, and avoid if possible.

The adage “practice makes perfect” really applies here. Negotiation doesn’t come naturally to most people. Practicing negotiation greatly improves your ability to manage a negotiation situation successfully. Start small, with minor events day-to-day, such as negotiating an earlier lunchtime with co-workers. The more you negotiate—paying attention to your needs and speaking up for them—the better prepared you will be for significant negotiations in business and in life. Only negotiate when you’re ready—when you have the time, have had the time to prepare, and are in an appropriate state of mind. Thorough negotiations can be exhausting; you have to be ready to persist. You can ensure you’re ready by managing the circumstances under which you’ll negotiate. Only agree to terms that are acceptable to you. For example, where, when, and with whom you’ll negotiate are all things that make a difference and things over which you have some control. Assert that control so that you are at your best at the time of the negotiation. For example, if your boss asks you if you would delay your vacation by two weeks, and your plans

involve others, respond with, "I'll have to get back to you in a day or two after I discuss this with my spouse."

Manage your emotions. Demonstrate exceptional listening and clarifying (communication) skills. This helps you focus on the issues at hand, not on how you are responding emotionally. Plan to engage only in discussions or arguments that are constructive. Be prepared to walk away or take a "time-out" if necessary. Sometimes called a caucus, this time-out could be used alone (or with a negotiating partner in a team negotiation) to gather your thoughts, adjust your strategy, and discover new frames or solutions.

Agree to disagree. Sometimes issues are unsolvable at that moment. It's better to quit while you're ahead and set another time to continue discussing remaining issues. Don't put anyone on the defensive. When we're upset, we often blame or label others, causing

Figure 9-5
Questioning²¹

Questioning is recommended in negotiation when it is necessary to clarify communication. **Manageable questions** start thinking, get information, and prepare the other person for additional questions. **Unmanageable questions** cause difficulty by bringing the discussion to a false conclusion. Manageable questions can produce dialogue and creative approaches, while unmanageable questions may produce defensiveness and/or anger.

Manageable Questions

Type of question	Example
Open-ended	Could you explain the reasons for your decision?
Open (to get the other person thinking)	What is your feeling on the matter?
Leading (point toward an answer to the question)	Do you feel our proposal is fair?
Cool (without emotion)	How much would be charged for the additional work?
Planned (follows an overall sequence of questions)	After the additional work is completed, may we begin our phase?
Treat (flatters the opponent while soliciting information)	You are an expert in this area; what is your opinion?
Window (assists in seeing what the other person is thinking)	What brought you to that conclusion?
Directive (focus on a specific point)	How long will it take to complete the job?
Gauging (assists in determining how the other person feels)	What do you think about our proposal?

Unmanageable Questions

Type of question	Example
Close-out (forces your opinion on the opponent)	You wouldn't want to make us look bad, would you?
Loaded (puts opponents on the spot regardless of answer)	So, you are not willing to negotiate further?
Heated (triggers an emotional response)	Haven't we spent enough time on this crazy idea?
Impulse (tends to get the conversation off track)	While we are on the subject, is there anyone else who might care about this?
Trick (appear straightforward, but are actually "loaded")	What are you going to do—agree to our position, or go to court?
Reflective "trick" question (directs the opponent into agreeing with your point of view)	Here is the way I see it, don't you agree?

them to strike back in kind. This kind of negotiation will go nowhere. Make statements that are factual and “I” based rather than “you” based. For example say, “I am upset about the amount of raise I got,” rather than “You’re unfair for giving me such a low increase.” Other techniques for managing negotiations include the use of agendas, questions, and summarizing techniques. A negotiation is a meeting and should be treated as such. If an agenda was not created in advance, and the negotiation is getting off-track, spend a few minutes establishing an agenda. Decide key issues to discuss, and allocate time accordingly. Post the agenda and refer back to it to keep the discussion on track. Periodically summarizing what’s been discussed and agreed upon not only helps to keep the discussion focused, but can also help reduce redundancy (i.e., beating a dead horse). Sometimes, negotiators revisit issues that have already been resolved because they forget or are unsure whether a point was resolved or deferred for later discussion. By saying, “Okay, let’s review. We agreed to points *a*, *b*, and *d*, but are still working out the details on points *c* and *e*. Does that track with how you see it?” you can manage time and stay focused on the negotiation.

Finally, questions can be useful in many ways. Aside from helping you understand others’ viewpoints and needs, questions can help steer the discussion toward desirable issues in a more subtle way. Depending on the goals of the negotiation, consider using various types of questions as appropriate from the list shown in Figure 9–5.

Additional Tips for Effective Negotiating

What else can you do to ensure that you not only reach an agreement but also maintain or enhance your relationship with the other party? The following principles of successful negotiation should help ensure that negotiations are integrative, objective, and potentially relationship enhancing.

- *Determine the importance of the outcome for you.* What do you want and why? Only negotiate when the matter is something you truly care about and when you have a chance of succeeding. Identify what you really need from the deal, not what you assume you need. Identify several items of interest to you and rank them in descending order of importance.²² Do your homework. If the negotiation includes a financial outcome, consider several options or scenarios and the economic implications of each. This information will serve to eliminate the guesswork and strengthen the rationale of your proposal during the negotiation. Will you lease or buy the car? What if you put 10 percent, 20 percent, or nothing down? How does the financing rate change when the loan period changes or if you decide to buy a used instead of a new car? Calculating the implications in advance can also increase your confidence and strengthen your position in the negotiation.
- *Look forward, not backward.* It’s easy to get caught up in who did what and who is to blame. We sometimes do this to avoid having to resolve the problem or just out of habit. While it may be easy to get into long discussions about the past, it is clearly unproductive. Focus on where you want to be and not where you’ve been. There’s no harm in brief discussions of the conditions that led to the current problem, but move on to what to do now and in the future.²³
- *Separate people from problems.* To negotiate effectively, separate the people involved in the discussion from the issues that are being addressed. Remain objective. Avoid personalizing issues, and don’t allow yourself to be drawn into an emotional debate.²⁴ If the negotiation veers in this direction, request a time-out. After you reconvene, remind the negotiators of the ultimate goal and the ground rules previously set. If emotions are still running high, consider deferring the remainder of the negotiation to another time. Focus on the problem, the issue at hand. Avoid making personal attacks, criticizing style or personality traits, and placing blame. Negotiate in such a way that the people on the other side know they will not lose face if they have to back down on something. For example, match the other’s concession with

one of your own. A good rule of thumb is to be hard on the problem, soft on the people. Throughout the negotiation constantly ask, "Am I dealing with the person or the problem?" Entangling people, issues, and relationships with the problem dooms the negotiation to failure.²⁵

- *Adopt a win-win attitude.* Negotiation is a collaboration between parties with common interests and objectives. Think in terms of helping, not hindering; of listening, not ramming something down someone's throat; of a team and partnership, not competition. Take the perspective that both parties can win and it's in your best interest to want the other side to thrive, as future cooperative ventures may be possible.²⁶
- *Be clear about your best alternative to a negotiated agreement (BATNA).* Fisher and Ury explain that results from a negotiation can be improved by identifying your best alternative for each of your goals. Don't set your BATNA too low. When you go to a job interview with no other offers or prospects, you go in with a low BATNA—this job or nothing. Sometimes you have to do this. But whenever possible, it's better to have options in mind to avoid being or appearing desperate. For example, in the absence of job offers, you could consider living with family for a while rather than taking a job you don't want. This alternative gives you flexibility and a sense that you don't have to take whatever is offered.²⁷

Fisher and Ury argue that negotiators ought to be problem solvers who explore interests as opposed to refusing to change or compromising only slightly on their positions. In fact, when you carefully listen to and help the other side get what it wants, you increase the chances of getting what you want.²⁸ When a negotiation is a test of wills, it is destined to fail. By identifying compatible interests, you can build a bridge from your goals to the others.²⁹

- *Go into the negotiation with objective criteria.* This leads to principled negotiation—negotiations based on principles, or objective criteria on which both parties agree. Bringing standards of efficiency, fairness, and scientific merit, for example, can facilitate agreement and final satisfaction with an agreement. Rather than struggling for dominance, locate objective criteria both of you can agree to apply in determining goals and actions. Sometimes objective criteria are readily available. Other times, the negotiators will have to research, present, and jointly decide on these criteria.

Objective criteria should be independent of each side's will and should be legitimate and practical. For example, you can find published data on industry salaries, comparable house sale prices, and area bank or finance company mortgage rates. Once you have determined objective criteria, you can frame each issue as a joint search for the solution that best fits the criteria.³⁰

- *Respond, don't react.* When other parties throw their power around, don't react negatively or emotionally. When this happens, Fisher and Ury recommend you invite feedback and input with regard to the problem. Ask them their opinion. You can also reframe or recast their objections as attacks on the problem, not on you—attacks that are understandable given the circumstances or pressure they might be experiencing. When the other party attacks, ask questions. Avoid getting bullied into battle.
- *Use a third party*—someone who is objective and has no vested interest in the outcome of the discussions. When two parties can't arrive at a mutually agreeable resolution, it can be helpful to involve a third party. Consider using the one-text procedure. Let someone draw up a plan that considers your interests and those of the other party. Then each of you does some editing. The third party redrafts it and perhaps requests additional feedback from both of you. By involving everyone in the development of a single text and having the parties involved edit it several times, at the end both parties feel they have been included in the solution. At the end, all that is left to do is make a simple yes-no decision, not enter into a long discussion or argument over details.³¹

Integrity and Ethics in Negotiation

So far, we've discussed the process of, benefits of, and strategies for negotiating effectively. It all sounds straightforward, and with practice, negotiation is a skill that will bring personal and professional success. However, there are times when others—or perhaps even you—knowingly or unknowingly use tactics that are questionable or unethical. Perhaps this has happened in the past, as in a time when you didn't tell the "whole truth,"³² but managed to get what you wanted. Or maybe you were in a situation where you sensed your negotiating partner was lying,³³ but you weren't sure, nor were you sure how best to deal with such behavior. The use of deceptive tactics negotiation, which can include withholding information, stretching the truth, and bluffing, is risky, to say the least. In some cases, it may be illegal.³⁴ While some negotiators engage in these activities and "get away with it," they do so at the risk of bungling the present deal and damaging others' trust in and cooperation with the negotiator and his or her organization. Let's start by clarifying what we mean by unethical behavior with some examples:³⁵

- Withholding information that would alter decision choices.
- Disguising information so that it is more acceptable to the other party.
- Manipulating the other party through emphasis on false deadlines.
- Making false statements about expertise or understanding about issues.
- Lying to mislead the other party.
- Using information gained through covert methods to create unfair advantage.
- Using bribes or kickbacks that are unknown to some of the negotiators involved.
- Insulting or demeaning the other party to inhibit confidence or judgment.
- Making promises that can't be fulfilled.

The two questions these examples raise are why negotiators use such tactics, and more importantly, what we should do when we become aware of such behavior. Let's start with the first one. By knowing what motivates such behavior—ours and others—we may be better able to behave ethically and identify when others aren't doing so in negotiation situations. Why do people intentionally lie or deceive in negotiations? Two reasons seem especially important:

- *Expected norms.* In some situations, negotiators use a tactic because they believe "everyone does it."³⁶ For example, the use of puffery or exaggeration in resumes and during interviews is widespread. In 2004, the outplacement firm, Challenger, Gray & Christmas, reviewed 249,000 resumes and found 52 percent had discrepancies.³⁷ You might also recall that Michael Brown, the infamous ex-FEMA director whose performance during the Hurricane Katrina disaster was publicly criticized, was found to have lied on his resume and in his interviews about positions he'd held, degrees awarded, and awards he supposedly received.³⁸
- *Pressure from management or others.* As we've discussed in an earlier chapter, performance expectations from stakeholders, combined with the behaviors of top management, can set the tone for ends expected and means necessary to achieve those ends. Related to this issue, some negotiators use deceptive behaviors to gain an advantage³⁹ and thus, "win" in the negotiation. Businesses reward the achievement of goals, and negotiators base their sense of self-worth on "winning" and achieving these goals and the rewards that go with them.⁴⁰

How do we deal with others' potentially unethical behavior? The first rule of thumb is to know as much as possible about the other party's situation, goals, and approach. Is she under pressure to win, and to do so within a tight time frame? Is she, and does she view you as, trustworthy? Will we negotiate again in the future?⁴¹ If you have done your homework, you'll know what to expect and be ready to prevent unethical behavior from creeping into the negotiation. However, despite your best efforts in preparing, you might face

another party's use of unethical tactics. These suggestions can help you deal with such behavior:

- *Ask direct questions to reveal the truth or missing information.*⁴² This may include asking specific questions about things that might be presumed to be "understood" but not communicated. For example, you might ask, "Is this piece of equipment covered under warranty . . . and under what circumstances?" even when you've purchased other equipment from the same vendor.
- *Inform the other party about the tactic being used.* Describe it using specific examples of what was said or done and the impact it is having on you (e.g., "I'm having a hard time trusting what you're saying is true and it's making me hesitant to continue"), and explain that such behaviors will not be tolerated. By discussing the tactic you remove its strength and cause its user to worry about alienating you further.⁴³
- *Request a different party with whom to continue negotiations.*⁴⁴ If your attempts to curb others' questionable tactics aren't successful, consider asking, "I'm concerned that continuing our conversation won't get us sufficiently closer to an agreement. Is there anyone else that I can speak to?"
- *End the negotiations immediately.* It's better to end the negotiation without a resolution or contract than participate in a negotiation that compromises your values or reputation, or causes you to be a victim.⁴⁵

Resisting the Temptation to Lie or Deceive: Three Suggestions⁴⁶

1. If you're asked about your bottom line and you're hesitant to reveal it, ask your opponents for their bottom line, or say that you are not ready to reveal yours at this point . . . but you will in due time.
2. If you don't want to offer up other options or alternatives when asked to do so (because you feel that you'd be giving away too much), don't say that there aren't any. Instead, ask your opponent to suggest options to which you could respond, or engage your opponent in collaborative brainstorming or problem solving.
3. Don't lie about your intentions and only make promises you can keep. You could say, for example, "I'm sorry, but that's not something I'm able to implement. We could consider . . ." Related to this alternative, don't check with your management or other authority figure prior to a negotiation. This way, if you are asked, you can honestly say that you do not have the authority but will pursue it if an agreement on the issue can be reached.

In sum, behaving unethically in negotiations is a risky move. The ends do not justify the means, and there's a good chance the behavior will be discovered and the relationship will be irreparably damaged. Even though you may view your negotiating partner as an opponent or even competitor, your goal—much of the time—should be about cooperating to find mutually beneficial resolutions and not about winning at all costs. Don't underestimate the role of the relationship—and thus, trust—in a negotiation. As we've said earlier in the text, while it takes a long time to build trust in a relationship, that trust can be broken in the blink of an eye. And once broken, trust is difficult if not impossible to restore. It's best to put your efforts into preparing thoroughly and negotiating with integrity.

Special Situations in Negotiations

Not all negotiations involve two individuals who meet face to face in an effort to reach a resolution or sign a contract. Some negotiations involve a third party, teams of individuals (called multiparty negotiations), virtual communication (using teleconferencing, telephones, e-mails, and faxes), or global negotiating partners.

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