Organizational Behavior / Human Relations

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COURSE CONTENTS

ABOUT THIS COURSE

In this course, students are introduced to the field of organizational behavior and learn how to analyze the impact human behaviors have on an organization. Students will also learn strategies to influence the behaviors of individuals to improve an organization. The course covers topics from individual and organizational differences, to motivation and stress, to management and organizational structure.

Contributors

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LEARNING OUTCOMES

The content, assignments, and assessments for Organizational Behavior/Human Relations are aligned to the following learning outcomes. For a complete list of topics covered in the course, see the Detailed Learning Outcomes.

Module 1: Introduction to Organizational Behavior

Describe the field of organizational behavior and discuss its relevance to the workplace

- Describe the general history of management theory and practice and frame how organizational behavior has developed from these into a discreet field.
- Describe organizational behavior and differentiate between the three levels of influence
- Describe contemporary issues and topics in organizational behavior

Module 2: Social Diversity in the Workplace

Discuss the impact that diversity of race, gender, ability, religion, and age has on the workplace

- Describe the history of social progress in the workplace
- Describe the complexity of diversity in the workplace
- Describe how contemporary organizations both benefit and struggle with diversity oriented themes and topics

Module 3: Ethics in Business

Describe the methods of encouraging ethical behavior and the laws encouraging good corporate practices

- Describe the history of business ethics as a topic in organizational behavior
- Describe the methods to encourage ethical behavior in contemporary organizations

Module 4: Individual Personalities and Behaviors

Recognize the importance of recognizing and valuing individuals' differences

- Describe how individual personality and behavior impacts the typical contemporary work experience
- Describe how the modern workplace can both homogenize/conform behavior, and encourage individuality and personal expression

Module 5: Organizational Culture

Discuss the impact organizational culture has on individuals and the workplace

- Discuss the definition and levels of organizational culture
- Describe the external factors associated with organizational culture
- Describe the internal factors associated with organizational culture

Module 6: Motivation in the Workplace

Discuss theories of motivations and strategies to improve motivation in the workplace

- Describe how "motivation" operates in organizational behavior
- Describe various theories of motivation
- Discuss impact of motivation in the workplace

Module 7: Managing Stress and Emotions

Explain the importance of managing stress and emotions in the workplace

- Discuss stress and the consequences of stress in an organization
- Describe how theories and concepts around work–life balance affect notions of workplace stress management

Module 8: Communication in the Workplace

Discuss appropriate methods and styles of communication in the workplace

- Describe the key components of effective communication in contemporary organizational life
- Discuss the importance of technology and various methods of communication available
- Discuss the other issues in workplace communication

Module 9: Group Dynamics

Explain group dynamics within organizations

- Explain and explore the tension between individual versus groups and group dynamics in organizational life.

Module 10: Managing Groups and Teams

Discuss strategies to manage groups and teams

- Describe the relationship between general group and team management with various structures and techniques
- Describe the study and theories of group and teamwork

Module 11: Conflict and Negotiation

Discuss strategies for managing conflict and negotiation in the workplace

- Describe why conflict resolution, “crucial conversations,” and other higher stakes communication is necessary to study in organizations
- Discuss the history of negotiating techniques within organizational behavior

Module 12: Making Decisions

Explain the process and techniques of individual and group decision-making

- Describe the types of decisions made in different types of organizations
- Describe the role of statistics, data analytics, data science and managerialism in contemporary decision-making

Module 13: Leadership

Recognize good and poor leadership and the varieties of leadership

- Describe the history of leadership as a topic inside organizational behavior
- Discuss the pros and cons of leadership styles and topics
- Describe the history, context and utility of the distinction between leadership and management

Module 14: Organizational Structure

Identify common organizational structures and the advantages and disadvantages of each

- Describe the various organizational structures and their history
- Identify the best structures for different types of organizations

Module 15: Organizational Change

Discuss the impact organizational change has on individuals and the workplace

- Discuss change management as it functions in organizational behavior
- Discuss various ways change has succeeded and failed in contemporary examples and organizations

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MODULE 1: INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

WHY IT MATTERS: INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

Why does organizational behavior matter in the workplace?

Let's look at two young professionals, Manuel and Rachel. Manuel has an entry level sales position with a computer software company. He spends time at the office and also travels to visit existing clients and build relationships with potential ones. His company is motivating and supportive to their sales force and schedules frequent team building and training opportunities. Manuel's coworkers have diverse experiences and backgrounds and work well to support each other in their sales endeavors.

Rachel works as an entry level accountant at a high profile accounting firm. She works long hours and spends a majority of her day in her cubicle working on her computer. To meet impending deadlines, her supervisors now require Rachel's team to work Saturdays. Their team is understaffed to meet their deadlines so oftentimes work becomes sloppy when the team rushes to have something to present to the client.

The organizational behavior of Manuel's company and Rachel's company are extremely different. Manuel works in a healthy and supportive atmosphere whereas Rachel is being forced to work long hours on an understaffed team. Even if Manuel and Rachel had similar personality types, their workplace performance and satisfaction will greatly differ depending on the organizational behavior of their company.

You may think that numbers and operations are the key to any business. While this is true on many levels, the behavior of an organization is equally as important. It is impossible to have strong numbers, without a strong workplace environment. Understanding what motivates people is key to building a strong and happy environment. If you have an entry level position or if you are the main person in charge, understanding the behavior of individuals and teams can be extremely beneficial.

Could you imagine taking a test without studying? If you did, chances are you wouldn't do so well. Just like studying for a test, studying organizational behavior can help prepare you to be more successful in your career. So let's start "studying" to better understand organizational behavior and how it impacts the workforce!

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MANAGEMENT THEORY AND ORGANIZATIONAL BEHAVIOR

What you'll learn to do: Describe the general history of management theory and practice and frame how organizational behavior has developed from these into a discreet field

Management theory? I thought this was an organizational behavior class.

You are probably wondering why the first section in your organizational behavior text is focused on management theory. Like most modern-day theories and ideologies, organizational behavior has evolved over time as people adapt to changes in society. In order to understand organizational behavior, we must first understand management theory and how the people before us used these theories to guide and direct formal organizations to be more successful.

It is important to remember that organizational behavior has developed from management theory into a distinct field of its own. Let's move ahead to deep dive into how management theories influenced and formed organizational behavior as it is known today.

LEARNING OUTCOMES

- Describe the history of management theory
- Differentiate among Scientific, Administrative, and Bureaucratic Management Theories
- Differentiate among Human Relations, General, and X&Y Management Theories
- Describe the relationship between management theory and organizational behavior

History of Management Theory

So what is management theory? First, let's break down the term. Theories help us understand our experiences by using research and observable facts. Management is the act of supervising and directing people, tasks, and things (Note: Taylor, F. W. (1914). *The principles of scientific management*. Harper.). So, simply put, management theory is a collection of understandings and findings that help managers best support their teams and goals.

The Importance of Management Theories

Management theories help organizations to focus, communicate, and evolve. Using management theory in the workplace allows leadership to focus on their main goals. When a management style or theory is implemented, it automatically streamlines the top priorities for the organization. Management theory also allows us to better communicate with people we work with which in turn allows us to work more efficiently. By understanding management theory, basic assumptions about management styles and goals can be assumed and can save time during daily interactions and meetings within an organization.

Theories can only reach so far, and management theories are no exception. There is no such thing as a one-size-fits-all management theory. What may work for one organization may not be relevant for another. Therefore, when one theory does not fit a particular situation, it is important to explore the option of developing a new theory that would lead in a new, more applicable direction. While some theories can stand the test of time, other theories may grow to be irrelevant and new theories will develop in their place.

The Evolution of Management Theory

While the next section will get into the nitty-gritty behind the history of different types of management theory, it is important to have a basic understanding as to why management theory was such an important and ground-breaking idea. The industrial revolution is at the center of management theory. From the late 1700s through the early 1900s, the industrial revolution brought extraordinary change to the workplace and forever transformed the way companies operate.

The industrial revolution brought better and faster technology allowing companies to perform more efficiently than ever before and gave them the ability to dramatically increase their output. However, increased output meant lower prices which increased demand which in turn required more employees. Companies that once had a couple dozen employees were now growing into gigantic corporations. No longer was it possible for a manager to know each and every one of their employees on a friendly level. In order to meet demand, company leadership had to ensure their employees were productive. Sounds simple, right? Not exactly.

While productivity goals can be set easily, managing a team to meet productivity goals was not so simple. For the first time, managers had to find new and innovative ways to motivate a sizable number of employees to perform. Since this was a new concept, research, observations, experiments, and trial and error were all used to find new and better ways to manage employees. The industrial revolution gave birth to a variety of management theories and concepts, many of which are still relevant and essential in today's workforce. In addition, many management theories have developed since the end of the industrial revolution as society continues to evolve. Each management theory plays a role in modern management theory and how it is implemented.

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Let's take a look at some key management theories, explore their history and reasoning, and learn about the masterminds behind them.

Different Management Theories

During the Industrial Revolution, it became obvious that the ways companies operated their businesses had to drastically change. While many people were in agreement that change was inevitable, pioneers in management theory differed in how they believed things should change and operate. In this page, we are going to explore six different management theories, all of which helped to form the base of management as it is known today. Keep in mind as you read about each one, that while some parts of the theories may be common sense to us today, at the time they were developed, they were groundbreaking. While the industrial revolution sparked these new theories, even more innovation came in the decades that followed as companies changed to adapt to business needs.

Scientific Management Theory

Frederick Winslow Taylor developed and published his Scientific Management Theory in 1909. At its core, scientific management theory believes that it is vital to find the most effective way to complete each and every task, no matter how small. In the early 1900s, managers would give orders to their workers with no guidance on how to accomplish them. Managers and employees rarely, if ever, had interaction with one another. Taylor believed this was an inefficient way to operate a business and recommended some key changes.

Taylor argued each task should be completed as efficiently as possible. In addition, everyone should be assigned a particular job based on their skills and abilities and must be evaluated based on the quantity and quality of their work. Taylor did not think it was fair or cost effective to pay every employee the same amount, regardless of their output. While this may sound like common sense today, this was a groundbreaking idea in the early 1900s. Another big component of scientific management theory is the idea of training and development. Taylor argued it was extremely important to monitor and train your employees on the tasks they are assigned to. By ensuring your employees are efficient at their work, the output will be larger and of a higher quality.

One part of the scientific management theory that is not common today is the idea that managers strictly manage and employees simply work. Nowadays, most companies offer room for growth and advancement for their employees as opposed to keeping a distinct barrier between management and employees. This theory had a huge impact on the way companies operated and were able to create a more balanced pay system, better training, and a more efficient workforce.

Administrative Management Theory

Administrative management theory was developed by Henri Fayol in the early 1900s and is considered to be highly relevant even today. Fayol created fourteen principles which he believed outlined the basis for strong and successful companies. It is important to know that Fayol agreed with many of Taylor's ideas and ideologies, however, the main difference is that Taylor focused on the process of completing the work most effectively, and Fayol focuses on the organizational structure of a company as a whole.

Some of Fayol's principles included a clear division of labor, ensuring each employee had only one direct manager to report to, and a healthy manager-employee relationship. Another important part of Fayol's administrative management theory is the idea that everyone in a company should be aligned by organizational goals. Fayol believed that organizational structure was vital to the success and productivity of a company.

Bureaucratic Management Theory

The word bureaucracy tends to give off a negative vibe, implying that a bureaucratic organization is an impersonal machine that focuses more on numbers and output than on the wellbeing of its employees. However, its intended meaning is quite different. At the end of the 19th century, Max Weber created the bureaucratic management theory. Unlike today's interpretation of the word, Weber believed that bureaucracy meant carefully developing and spelling out company objectives and divisions of labor. While this included developing a hierarchy of command within the company, it also included supporting and developing employees.

Weber built onto Taylor's theory by adding a few key ideas of his own. Like Taylor, Weber believed efficiency in completing tasks was a key component to success and recommended detailed record keeping at all levels to monitor efficiency as well as areas of opportunity. He agreed that all employees need to have clear job

expectations and each job should be standardized to allow for maximum productivity. The greatest difference between the scientific theory and the bureaucratic theory is that Weber believed in the importance of human emotion.

Emotion in business? This was absolutely unheard of during the industrial revolution. However, Weber believed the two words were closely associated. Weber argued that the increased use of technology could have a negative impact on a company's culture. Too much change can be harmful to company morale and create long lasting negative effects on company success. In addition, Weber argued it was extremely important to hire based on skill and, just as importantly, personality. To ensure the safety and longevity of a company's culture, Weber believed hiring employees based on their personality was critical.

Even in today's business world, there is an anti-bureaucratic tone. For example, the term management is often replaced with leadership. The argument for this is that management is a mundane and structured task while leadership is a unique and heroic act. With this thought process, managers are viewed in a negative light while leaders are appreciated and recognized. Although in many places managers and leaders may appear to perform their job the same way, the focus on eliminating bureaucratic tone and perceived terminology from today's workplace is evident (Note: McCann, Leo. "From Management to Leadership." *The SAGE Sociology of Work and Employment*, edited by S Edgell, E Granter, and H Gottfried, SAGE, 2015.).

PRACTICE QUESTION

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Now that you have read about three management theories, do any of them seem familiar? Maybe you have experienced certain aspects of each of these theories first hand. During an interview process, onboarding process, or the day-to-day work environment, some parts of these theories are still active today. Try connecting some of these theories to your personal experiences as we move onto the next three theories we are going to discuss in this module: Human Relations Management Theory, General Management Theory, and X&Y Management Theory.

Human Relations Management Theory

As the title implies, Human Relations Management Theory is centered around human interactions and relationships. Elton Mayo believed that all early management theories only focused on how money affects employee performance. He believed there were more factors that influenced how employees behaved and performed at work. To test his theory, he began a study at Chicago's Western Electric Hawthorne Plant in the 1920s and 1930s and created his own management theory based on his findings which are more commonly known today as The Hawthorne Effect.

The initial goal of the study was to determine how changing the lighting would or would not affect employee productivity. They began the study with a small group of employees who they interacted with throughout the process. The study found that regardless of how they changed the lighting, productivity increased. When they were unable to make a connection as to why productivity improved, they began branching out to other departments to see if the results were similar. They realized that the lighting changes did not affect productivity but instead the daily interactions with the employees throughout the process motivated them to work more efficiently and increase their output. They allowed employees to voice their opinions, frustrations, and successes which in turn helped the employees feel more valuable. In addition, since they knew they were being monitored, they were more motivated to perform on a higher level. This was a revolutionary discovery that put the spotlight on human relations and highlighted the importance of individual and group dynamics.

General Systems Theory

In the 1940s, biologist Ludwig von Bertalanffy created his General Systems Theory. I know you're probably wondering why a biologist would have any impact on management. Keep reading to see if you can connect the dots.

Ludwig von Bertalanffy believed that your body is the sum of all parts. For example, your nervous system works together with your digestive system, which work with each organ and muscle group to allow a person to function. If one function of the body fails to work, the body as a whole cannot effectively operate. Humans are most healthy and functional when all aspects of their being are working together effectively. He also argued that the environment can have an effect on each of the parts. A broken leg can prevent you from walking or the flu can have you bedridden for days. Each of these issues can damage the overall productivity of a person.

Ludwig von Bertalanffy's theory is still found today in many management styles and theories. His work shows that external factors can prove to be toxic to an environment. Although he was referring to the human body, the same can be said for the workplace. Negativity and other toxic outlooks can have a harmful effect on motivation and performance at all levels in an organization. And, like his theory states, even when only one component of the organization isn't executing properly, it will have an undesirable effect on the rest of the organization.

X&Y Management Theory

Based on his observations in the 1950s and 1960s, Douglas McGregor developed the X&Y Management Theory, arguing that all managers can be grouped into two categories. The first category known as Theory X explains that managers have a negative view of their employees and believe that employees need to be forced or coaxed into working. Theory X Managers tend to micromanage with the belief that employees will not motivate themselves to complete their work. This theory can be linked back to the scientific management theory and its focus on output above employee development and input.

On the opposite side of the spectrum, Theory Y Managers believe that employees are inherently motivated to work. Theory Y managers value the importance of helping their employees to thrive by providing opportunities for learning and development. Theory Y is focused on the idea of team versus independent work. McGregor argued that a team environment paired with an emphasis on individual professional development produces better results and a healthier work environment. Theory Y continues to prove its relevance and is still present in today's business world.

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Now that we've discussed six different management theories, where do we go next? I'm so glad you asked! There is a very important link between management theory and organizational behavior. Although the concepts are different, these six management theories helped develop organizational behavior into its own unique field. Let's move on to learn more about how the two are connected!

Management Theory and Organizational Behavior

Similar to some of the management theories we discussed, the foundations of organizational behavior can be traced back to the Industrial Revolution. While the Industrial Revolution began to change company management styles in hopes of increasing productivity, it was also changing the overall culture and behavior of each organization. For the first time, companies were growing at an alarming rate, forcing them to change their workflow, company policies, and management styles.

The first management theory that helped establish the foundation for organizational behavior was Taylor's Scientific Management Theory. As we discussed earlier, Taylor placed a huge focus on productivity and worked to establish the most efficient ways to accomplish every task, big and small. Taylor's theory impacted each organization's productivity and it also changed the professional and personal dynamic of its employees and managers. This classical approach to management was later challenged by the onset of the human relations management movement which helped to further develop the groundwork organizational behavior.

While effective for productivity, the scientific management theory was missing a key component, human relations. In response to the classical management approach, human relations management theory was born. The Hawthorne Studies were a shining example of how much human relations and interactions can affect the workforce. A connection was finally made between productivity and the people responsible for it. The Hawthorne Studies proved that it was important for companies to take interest in their employees in order to increase productivity and decrease turnover. Not only did the studies show that individuals performed better when given attention, it also revealed that group dynamics were equally as important as individual contentment. It was becoming clear that the individual and group dynamics in an organization were equally important and directly related to the output of a company. It was through this revelation that people began to study the behavior of organizations at multiple levels; individual, group, and whole organization.

Another big impact on the development of organizational behavior was McGregor's Theory X & Theory Y. As you read in the last section, the two theories are extremely different. Theory X states that people are inherently lazy and need to be forced to work. Theory Y on the other hand, says that people are motivated to work and argues the importance of a team dynamic. Theory Y is the more effective of the two theories and is a fundamental part of the foundation for organizational behavior.

While organizational behavior roots can be found in many management theories, it was not officially recognized as a field of its own until the 1970s. Since the 1970s, organizational behavior has developed into its own unique field covering a wide variety of topics for individual and group relations within organizations. This course will help you deep dive into the interworking of organizational behavior and help you understand how organizational behavior affects the day-to-day lives of employees in the workplace.

PRACTICE QUESTION

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Let's move on to better define organizational behavior and enhance our understanding of its influence on an organization!

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ORGANIZATIONAL BEHAVIOR AS ITS OWN FIELD

What you'll learn to do: Describe organizational behavior and differentiate between the three levels of influence

We have discussed management theories and their connections to organizational behavior, however, we have not clearly defined organizational behavior itself. In order to be successful in this course, it is important to fully understand what organizational behavior is, why it is important, and how it can influence an organization on multiple levels.

LEARNING OUTCOMES

- Describe how organizational behavior evolved into its own unique field
- Differentiate between the three levels of influence

What is Organizational Behavior?

What is Organizational Behavior?

In a nutshell, organizational behavior is the study of how human behavior affects an organization. Organizational behavior aims to learn how an organization operates through the behaviors of its members. Instead of taking a strictly numerical approach to determine an organization's operations, it takes a more psychological approach. By understanding people, you can better understand an organization.

Organizational behavior is intended to explain behavior and make behavioral predictions based on observations. If you can understand behaviors, you can better understand how an organization works. In addition, organizational behavior studies how an organization can affect behavior. So, if you think about it, behavior affects an organization **and** an organization affects behavior. Let that sink in for a second—it's all connected! They each affect the other, creating a never ending loop between the two. Therefore, in

order to have a healthy and successful organization, it is extremely important to understand the ins and outs of organizational behavior!

Evolution of Organizational Behavior

The academic study of organizational behavior can be dated back to Taylor's scientific theory as we discussed earlier in this module. However, certain components of organizational behavior can date back even further. In this section we will discuss how organizational behavior developed into a field of its own.

Looking back thousands of years we can find components of organizational behavior. Famous philosophers like Plato and Aristotle discussed key components of today's organizations including the importance of leadership and clear communication. While these seem like very basic and broad concepts today, at the time they were innovative ideas and helped to lay the foundation for organizational behavior.

If organizational behavior were a simple topic, this course would be short and sweet. We could simply say that organizational behavior is how people and groups act within an organization. But it's not so simple!

When organizational behavior grew into an academic study with the rise of the Industrial Revolution, it began to complicate what could appear to be simple topics. People began asking a lot of questions and started critiquing how organizations operated. Like many academic ventures, people began to deep dive into how behavior plays a role in organizations and why changes in behavior alter the way organizations operate. Along the way, organizational behavior has grown to incorporate components of management, psychology, leadership, personality traits, motivation, etc.

Organizational behavior has grown into its own niche within a wide variety of other genres. This is exciting because it allows us to really investigate each and every aspect of behavior within an organization! Today, organizational behavior is recognized as an essential component of an organization. Scholars and businesses alike recognize its importance and continue to help it adapt to current issues and new findings.

One of the great things about organizational behavior is that it is constantly changing. The rest of this module will discuss contemporary issues in organizational behavior and how organizations are adapting to and learning from these challenges.

PRACTICE QUESTION

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Three Levels of Influence

If you have ever held a job, taken a class, or participated in an organized activity, you have seen levels of influence. The three levels of influence are the individual, the group, and the organization. The three levels are interconnected so it is critical to understand each one.

The Individual

The individual level includes each individual person within an organization. Each individual acts differently which affects group dynamics and the organization as a whole. If there are a lot of happy and efficient individuals, the work environment will be an efficient and productive one. However, if there are a lot of negative and disgruntled individuals, it can create a toxic environment.

It is impossible for a company to study each individual employee's behavior, however, it is important for a company to create guidelines and expectations that will attract employees with desirable behaviors. For example, a company may hire employees based on their personality or how they answer behavioral based interview questions. At the same time, companies can help influence individual behavior. They do this by creating a code of conduct, establishing policy and procedure guidelines, and by developing incentives and consequences.

The Group

The group level includes any groups within an organization. Groups can range in size from a couple people working together, to a large group with dozens or hundreds of members. As we just discussed, individuals can affect a group and a group can affect an organization. And at the same time, a group can affect individuals and an organization can affect a group. Imagine organizational behavior as a large spider web over each organization. The spider web connects each level of influence with the two others, creating a pathway between each one.

The Organization

Finally, the organization level incorporates the organization as a whole. In case you haven't picked up on the trend, it's important to point out that the organization impacts the individual and group behavior and that individual and group behavior impacts an organization.

PRACTICE QUESTION

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CONTEMPORARY ISSUES

What you'll learn to do: Describe contemporary issues and topics in organizational behavior

Organizational behavior is constantly evolving. Modern issues and current events have an effect on organizational culture and behavior alike. Changes in society impact how organizations operate. While it is important to understand the history of organizational behavior, it is equally important to understand how contemporary issues affect organizational behavior. For the rest of this module will discuss current challenges within the workforce and how they impact organizations on an individual, group, and organizational level. Pay close attention as you will see some, if not all, of these issues in your own workplace!

LEARNING OUTCOMES

- Analyze the benefits and complications of telecommuting
- Examine the growing focus on green business practices and sustainability
- Analyze the benefits and complications of outsourcing
- Describe the different workforce generations and their impact on the workforce

Telecommuting

The Industrial Revolution was just that, revolutionary. Since then, technology innovation has accelerated and now plays a huge role in day-to-day life. Many would claim that technology makes life easier, allowing people access to information at the drop of a hat. Others, however, would disagree and argue that technology is detrimental to human interactions and negatively impacts relationships. Without a doubt, technology has changed the face of modern society and the organizations within it.

Since technology plays a prominent role in organizations, it impacts organizational behavior. Technology allows organizations to be in constant communication. With cell phones, emails, and video conferencing, people are readily available at any time of day or night. This can be beneficial for many people, providing them a continuous connection to their workplace or it could be damaging to work-life balance. New technology innovations have also made once time-consuming tasks much more efficient, allowing people to accomplish more in less time.

With all of the great things technology brings to the table, it also brings challenges. One contemporary issue facing organizations today is telecommuting. Telecommuting is a work arrangement which allows employees to work remotely, often from home, while completing their tasks. Telecommuting has many benefits and also presents a number of challenges. To better understand how telecommuting impacts organizational behavior, let's learn more about how it works.

According to Global Workplace Analytics 2018 Telecommuting Trend Data, telecommuting numbers are on the rise. There are currently over 4.3 million employees that work from home, at least half of the time. In addition, the telecommuter population has grown 11.7% over the last year, which is the largest yearly growth since 2008. It is obvious that telecommuting is

changing the way employees interact with their peers and supervisors. Let's move on and discuss how telecommuting both challenges and improves organizational behavior.

First, let's discuss the positive impact telecommuting has on organizational behavior. Telecommuting allows people to work from anywhere, anytime. This is appealing to many people because it allows them to better balance their work and personal life. People who telecommute are oftentimes self-motivated and efficient as they do not have the typical distractions of a traditional workplace environment. Telecommuters are often happier in their jobs and are therefore more motivated to perform on a higher level. This in turn benefits the organization and ensures better employee retention. In addition, telecommuting allows companies to hire from a larger pool of candidates which gives them the ability to be more selective in the skill sets and personalities of their employees. Telecommuting can also save companies a lot of money by limiting the amount of office space and supplies needed to operate their business.

So far, telecommuting sounds great! However, there are some challenges to managing telecommuters. Being self-motivated is a huge key to success for telecommuters. If they cannot find a productive place to work, telecommuters may become easily distracted and not meet their deadlines. This becomes a challenge because organizations need to rethink how they will manage telecommuters. Since the managers and employees are not housed in the same building, managers cannot stop by their office to see first-hand how they are doing. Instead, they need to rely on other electronic methods to ensure their team is meeting deadlines. Telecommuting also cuts back on daily interactions with other employees. While conference calls and video conferencing is common practice today, some telecommuters may feel isolated and struggle with the lack of face-to-face communication. This can have an impact on morale.

Finally, another popular practice in today's organizations is having employees that telecommute only part-time. This can create an organization where some employees telecommute all the time, others telecommute part of the time, and the remainder work from the office all the time. A 2010 study of the effects telecommuting had on non-telecommuters revealed some interesting findings. First, non-telecommuters were frustrated with telecommuters. Some even grew to be envious towards the telecommuters' working arrangement. This has the potential to create a toxic work environment and have a negative impact on productivity. There are, however, some key things organizations can do to help limit these issues. It is extremely important for organizations that offer telecommuting to establish clear and concise policies and procedures for their telecommuters. These policies and procedures need to include accessibility expectations, communication requirements, mandatory technology capabilities, etc.

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As you can see, with forethought and a clearly defined and executed plan, telecommuting can be extremely beneficial to organizations. Let's move on to learn about other contemporary issues in organizational behavior!

Green Business Practices

Close your eyes and try to picture yourself walking around during the Industrial Revolution. What do you see? Maybe rows and rows of employees with their heads down, working away on the task at hand. Maybe you see an assembly line, quickly working a product down the row. You may picture managers in early 1900s clothing, observing their employees from an observation deck as they work. Or maybe you picture the outside of a factory, with smoke billowing out of smokestacks, evidence of the production occurring within the building.

Let's focus on those smoke stacks for a minute. Do you think that companies during the Industrial Revolution cared about their carbon footprint? Do you think they even knew that their business could have a negative impact on our environment? If they did, do you think they would care enough to change their practices? Do you think their customers and local citizens would demand better environmental practices if they knew the impact of pollution? While these may not have been important questions back in the day, they are critical in today's society, as climate change becomes an ever-present issue. You may have heard of modern terms like sustainability, going green, carbon footprint, or triple bottom line. These terms play an important role in modern society and sustainability specifically, is becoming common practice as consumers are becoming more aware of the impact companies have on the environment.

PRACTICE QUESTION

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STARBUCKS

Starbucks is the first store that comes to mind when people think about national coffee shop chains—after all, there are over 13,000 locations in the United States alone. In fact, in some cities, you can be within walking distance of 30 different Starbucks locations at once.

Starbucks is taking action to show its dedication "going green." In fact, if you visit their website, they have a portion of their website dedicated to enacting sustainable solutions where they talk about enacting change in their stores, their packaging, and their power solutions. They even are participating in strategies to address climate change issues.

In 2018, as a part of their mission, Starbucks announced a change in the way they deliver their drinks: they will use cups made from all recyclable material and stop using plastic straws by 2020:

> We're removing plastic straws in our stores globally by 2020—reducing more than 1 billion plastic straws per year from our stores.

— Starbucks Coffee (@Starbucks) July 9, 2018

If you read through the comments, you can see Starbucks replying to concerns about not having a straw option, letting customers know that there will be straws available for those who need them but that the straws will be made of alternative materials.

LEARN MORE

Take a look at this article from *Forbes* all about how companies are being driven to more green solutions due to customer choice and demands: A Surprising Push By The Invisible Hand: Why More Companies Are Doing Better By Being Good

Sustainability is a balancing act. It is the ability to successfully perform tasks in the present, while also doing what is necessary to protect the future. Sustainability in regards to the environment includes reducing your carbon footprint and changing operations to be more environmentally friendly. Companies that choose to practice sustainability face many challenges. While many organizations are in agreement that sustainability is important, few have found a way to successfully implement sustainable practices. Change towards sustainability starts with the organizational level but is executed at the individual and group level. Organizational behavior needs to change on all three levels in order to be successful.

SUSTAINABILITY PRACTICES

Let's look at a simple example of how to implement sustainability. Imagine a company is trying to reduce their paper usage. In theory, it sounds like a great idea, but what's the best way to make it happen? In order to be successful, the three levels of influence must work together.

First, the company needs to implement a company-wide goal to reduce paper usage. Most importantly, they need to explain the plan for how to achieve this goal. Then, the groups and individuals within the company need to change their daily behaviors to meet the goal. Now, what happens if no one reiterates the goal/plan? Probably nothing. The goal of minimizing paper usage would be a thing of the past. The follow-through of the plan is equally as important as the goal itself. Paper usage would need to become a common topic of conversation. It would need to become a part of the company's culture through consistent training, purposeful discussions, and regular evaluations.

The paper usage example, in a nutshell, explains the complications of sustainability in today's society. It's easy to set a goal to become more sustainable. It becomes more complicated to create a plan to reach the goal of sustainability. More difficult still is the ability of an organization to follow-through and instill the plan within their culture. Changing an organization's behavior to meet sustainability goals is not a quick and easy thing. It takes lots of time, energy, consistency, and motivation to successfully lessen an organization's carbon footprint. While most organizations recognize the importance of going green, many are still struggling to successfully evolve their organization's behavior to meet sustainability goals.

Outsourcing

Before we get started, it is important to define outsourcing. Outsourcing is the practice of hiring external assets to provide services to help perform job functions typically done by internal employees. Companies in the United States outsource for a variety of services including but not limited to call centers, information technology (IT), human resources, and manufacturing.

Outsourcing is a hot button topic in America. Keeping jobs within the United States is a big concern for many Americans whom argue the importance of employing citizens before hiring outside of the country. If outsourcing is considered such a taboo practice, then why do companies continue to outsource? For starters, outsourcing can

save companies a lot of money. The appeal of increasing profit margins can oftentimes outweigh the value put on hiring American workers. If companies can hire employees to do the same job as their current employees but for a lower cost, why wouldn't they? This is a controversial topic in today's business world. Outsourcing effects each level of influence within an organization differently. However, outsourcing, without a doubt, has an impact on a company's organizational behavior.

Modern technology has connected every corner of the world. Within seconds, people on opposites ends of the world can "meet" through emails, phone calls, video conferences, etc. This has allowed outsourcing to become a more feasible business practice than in past decades. Employees that once all lived in similar locations are now scattered across the country, or the world, bringing together a wider variety of backgrounds and experiences. Managing international teams can be a challenge and may create a disconnect between managers and employees.

Even company employees whose jobs are not directly impacted by outsourcing may be affected. For example, if a company outsources their human resources division, it may have an indirect effect on the marketing department. While the employees within the marketing department have job security, their interactions with human resources may pose a challenge as there would be lack of familiarity and relatability. This has the potential to lead to frustration and disconnect. While companies may control the outsourcing process, they give up partial control by hiring a third party. Changing company procedures or practices used to be completed in house, but with outsourcing they now have a much lengthier modification process. This new process may cost additional resources, time, and money.

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Freelancing is another form of outsourcing that is becoming more popular. Companies use freelancers for a variety of reasons. Sometimes, there are special projects that require an outside perspective or expertise. Other companies frequently use freelancers in order to keep their full time employee count low and to incorporate a variety of backgrounds and experiences. While there are a number of benefits to using freelancers, there are some challenges that accompany them. Hiring too many freelancers (or outsourcing too many positions) can

make uniformity extremely challenging. Keeping company standards and/or products consistent with high quality may prove to be difficult when there are too many cooks in the kitchen. Constant turnover or changes in staffing may create a challenging work environment and make it difficult to maintain effective employee relationships.

So, what do you think? Is outsourcing good or bad for an organization? Obviously the answer depends on the situation and circumstances of each company. However, regardless of your feelings or opinions towards outsourcing, one thing is certain: outsourcing impacts organizational behavior.

Workforce Generations

Think about your most recent family gathering. Were your grandparents there? Maybe your parents, nieces, or uncles? What did conversations around the dinner table sound like? Sometimes family reunions are accompanied by a lot of drama and differing opinions. While some differences may be caused by opposing beliefs, other differences may be something a little less obvious. Generational differences can include lifestyle differences, motivational differences, etc. Although you may view these differences as quirky things your Aunt Susie or Grandma Betty say or do, there may actually be reasons they act a certain way. Understanding generational differences may help to shed some light on why your family acts the way they do. More importantly, learning about generational differences may provide helpful insight into how your coworkers operate. This can be extremely beneficial in creating healthy working relationships and developing a stronger team.

There are three generations currently active in today's workforce; Baby Boomers, Generation X, and Generation Y. Let's break down each one and examine some similarities and differences! Keep in mind, these are generalizations and there are exceptions within each generation.

- **Baby Boomers: born between 1946 and 1964.** Baby Boomers have been working the longest and have extensive knowledge and experience. They want and oftentimes expect others to value their input and opinions. Baby Boomers believe that hard work equates to long hours and that integrity in the workforce should be top priority. They are known to "live to work" and place extreme value on career advancement and promotion. They enjoy working in a team environment and are said to have created meeting culture.
- **Generation X: born between 1965 and 1981.** Generation X has been through a roller-coaster of economic events. Downturns and upswings have impacted their career choices, career successes, and career futures. Unlike the Baby Boomers, Generation X has a more "work to live" mentality and value their life outside of the workplace. While they have a good work ethic, their work-life balance is of highest importance to them.
- **Generation Y: born between 1982 and 1997.** Generation Y, also known as Millennials, are the youngest members of the current workforce. Generation Y typically grew up with two working parents and a to-do list constantly on display throughout their childhood. Because of this, Generation Y has the ability to multitask and also values work-life balance. However, differently from Generation X, Generation Y believes they need to accomplish things on their to-do list in order to enjoy their free time. Therefore, Generation Y tends to be very goal oriented and efficient.
- **Generation Z: born between 1997 and today.** Generation Z has never known a world before technology. They have grown up in an "always on" world where technology is readily available and used on a regular basis. Technology has been utilized as a babysitter by many parents of this generation and it is also present in the classroom. This constant access to technology makes Generation Z extremely tech savvy but has also changed behavior and lifestyle. Whether or not these behavioral and lifestyle changes will carry on into their adulthood is yet to be determined. Generation Z is the next group to enter into the workforce with the oldest members turning 22-years-old in 2019.

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Why can't we all just get along?

Although there are many differences between the three workplace generations we discussed, there are certain things that all three can agree on. All three generations place a huge value on family. In addition, all three generations believe training and feedback is extremely important for a successful career. Finally, change is hard. Young, old, or somewhere in the middle, most people do not enjoy change. Regardless of your personal opinions and preferences, getting to know your coworkers and how they operate is extremely beneficial to all three levels of influence.

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PUTTING IT TOGETHER: INTRODUCTION TO ORGANIZATIONAL BEHAVIOR

While some parts of this module may seem self-explanatory, it is fascinating to think about the process that led to the study of organizational behavior. Every little detail about the way individuals, groups, and organizations operate has an influence on the culture and operations of an organization. Management theories played a huge role in establishing the foundation for organizational behavior and laid the groundwork for the way workplaces operate today.

Let's look back at Manuel and Rachel from the beginning of the module. Manuel's computer software sales company understands the importance of organizational behavior and has created a motivational and inclusive work environment. Their understanding of organizational behavior allows their company to excel in sales and reach high percentages of employee satisfaction. Rachel's accounting firm on the other hand, has deadlines as their one and only priority. While it may be effective short-term, Rachel's company will eventually suffer the effects of poor organizational behavior and will most likely suffer from high turnover and a loss of clients.

Discussing the history of organizational behavior is necessary to understand why there was a need for it in the first place. Just as importantly, the current trends and challenges facing organizational behavior today need to be examined. Now that you have a clear understanding of both the history and current challenges of organizational behavior, you are better equipped to deep-dive into the interworking of organizational behavior.

Congratulations on taking the first step towards understanding organizational behavior. Let's move on and deep-dive further into the details of organizational behavior!

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MODULE 2: SOCIAL DIVERSITY IN THE WORKPLACE

WHY IT MATTERS: SOCIAL DIVERSITY IN THE WORKPLACE

Why learn about the impact of diversity of race, gender, ability, religion, and age in the workplace?

We all have our strengths and our weaknesses, things we excel in and things we struggle with. We have our endearing personality traits and our sometimes annoying ones. Could you imagine working with only people exactly like you? People from the same background, with the same experiences, the same personalities? Probably not. And that's a good thing! Diversity helps to keep things interesting, exciting, and progressing. Interacting with a large variety of individuals can help stimulate your mind and present ideas and opinions you may not have ever discovered on your own.

A diverse workforce helps raise awareness of cultural worldview and attitudes towards cultural differences.

Recognizing diversity in your daily life can help you to see the world from new and different perspectives. Diversity is an essential part of every organization and it is important to recognize how it influences the workforce. Understanding diversity can help us to work better in group or team situations and gives us insight into the behavior of an organization. This module will explore the history, complexity, benefits, and challenges of social diversity in the workplace. Let's get started!

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SOCIAL PROGRESS IN THE WORKPLACE

What you'll learn to do: Describe the history of social progress in the workplace

This first section will explore the history of social progress in the workplace. Ideally, your history classes from as early as elementary school have addressed social diversity and social progress. You may not have made the connection at the time, but as you grew older, you probably witnessed both social diversity and social progress firsthand. These interactions and observations have hopefully shed some light on how organizations within society operate and have helped you to learn more about others and yourself.

In this section we will study social diversity, what it means, and how it is changing. Understanding the history of social diversity will give us insight into how diversity impacts the workforce and vice versa. Additionally, we will look at the diversity numbers in today's workforce to examine how far diversity has come and how to utilize diversity to continue to improve organizational operations and outputs.

LEARNING OUTCOMES

- Differentiate between social diversity and social progress
- Describe the history of social progress
- Describe the birth of the "Diversity Industry"

Social Diversity and Social Progress

Let's start with the basics. What is diversity? Grab a pen and a piece of paper. Quickly jot down how you would define diversity. What's the first thing that came to mind? Take a minute to write your response and then continue reading.

When students from UNC Gillings School of Global Public Health were asked to define diversity, they each recorded their response. You can check out their responses here. Take a minute to compare your answers to theirs. Chances are, there were similar themes between your answers and theirs, but your response did not identically match any of the others. This is the perfect way to define diversity!

Each of us are different. Everyone comes with different backgrounds and experiences. Diversity cannot be simply defined by a variety of ethnicities or races. It can also not be simply described as people from different countries or cultures. Instead, diversity encompasses all of these things and more. Diversity includes but is not limited to language, religion, marital status, gender, age, socioeconomic status, geography, politics—and the list goes on and on! Just like organizational behavior, diversity incorporates a wide variety of genres and ideas but has developed into its own unique field.

Now that we have reviewed diversity, we need to discuss social diversity. You're probably wondering how the two are different. According to Dania Santana, a multiculturalism, diversity, and inclusion

expert, social diversity is defined as a successful community which includes individuals from diverse backgrounds who all contribute to the success of the community by practicing understanding and respect of different ideas and perspectives. Santana explains that successful socially diverse communities are able to work together to achieve common goals. (Note: Santana, Dania. "What Is Diversity And How I Define It In The Social Context." Embracing Diversity. April 24, 2017. Accessed April 22, 2019. http://embracingdiversity.us/what-is-diversity-define-social-diversity/.)

While the two terms have a lot of similarities, diversity is defined by a variety of differences between individuals (Note: Merriam Webster Dictionary) whereas social diversity describes how a community, society, or organization utilizes their members' diversity to work towards a common goal. Lastly, we need to define and discuss social progress.

Harvard Business School's Social Progress Index defines social progress as, "the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential." (Note: "Social Progress Index." Institute For Strategy & Competitiveness. Accessed April 22, 2019. https://www.isc.hbs.edu/research-areas/Pages/social-progress-index.aspx.) Whew! That's a pretty lengthy definition. Let's try to break it down to better understand the many aspects of social progress.

There are many lenses in which to view social progress. For the purpose of this section, we will specifically focus on social progress in the workplace. Let's focus on the last part of the definition, "to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential." Simply put, social progress is the idea of giving people from all backgrounds the opportunity and environment to work towards their goals and success. Now, how is social progress different from social diversity? Social progress should be constantly evolving and changing to ensure people can reach their full potential whereas social diversity is a term that evaluates where a community or organization is currently operating at.

PRACTICE QUESTION

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You can review the chart below to make sure you understand the differences between the three terms we discussed.

Term	Definition
Diversity	"The condition of having or being composed of differing elements" (Note: Merriam Webster Dictionary)
Social Diversity	"A successful community in which individuals of different race, ethnicity, religious beliefs, socioeconomic status, language, geographical origin, gender and/or sexual orientation bring their different knowledge, background, experience and interest for the benefit of their diverse community." (Note: Santana, Dania. "What Is Diversity And How I Define It In The Social Context.")
Social Progress	"The capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential." (Note: "Social Progress Index." Institute For Strategy & Competitiveness.)

The rest of this module will examine diversity, social diversity, and social progress. We will review how each of these terms impact the workplace, and how the workplace influences them.

History of Social Progress

To completely understand social progress on a global scale, you would have to dedicate your life to studying the ins and outs of cultures and societies around the globe. Since we do not have a lifetime to discuss social progress for the purpose of this course, in this section, we will review the history of social progress in America over the last century. Even more specifically, we will discuss the history of social progress in America's workplaces. It is important to examine the history of social progress in order to fully comprehend how times have changed in the past century and also to better recognize opportunities in which we need to evolve and improve.

The Progressive Era began in the late 1800s and focused on both political and ethical reform. Progressives argued that business organizations needed to be more regulated in order to ensure economic opportunity for all. Progressives believed that all people deserved the opportunity to flourish through government regulations controlling workplace environments, hiring practices, unions, child labor, minimum wage, etc. While many of these things will appear to be common sense by today's standards, these were controversial and rebellious ideas in the early 1900s. Check out Figure 1 to see just a handful of progressive reforms over the last century.

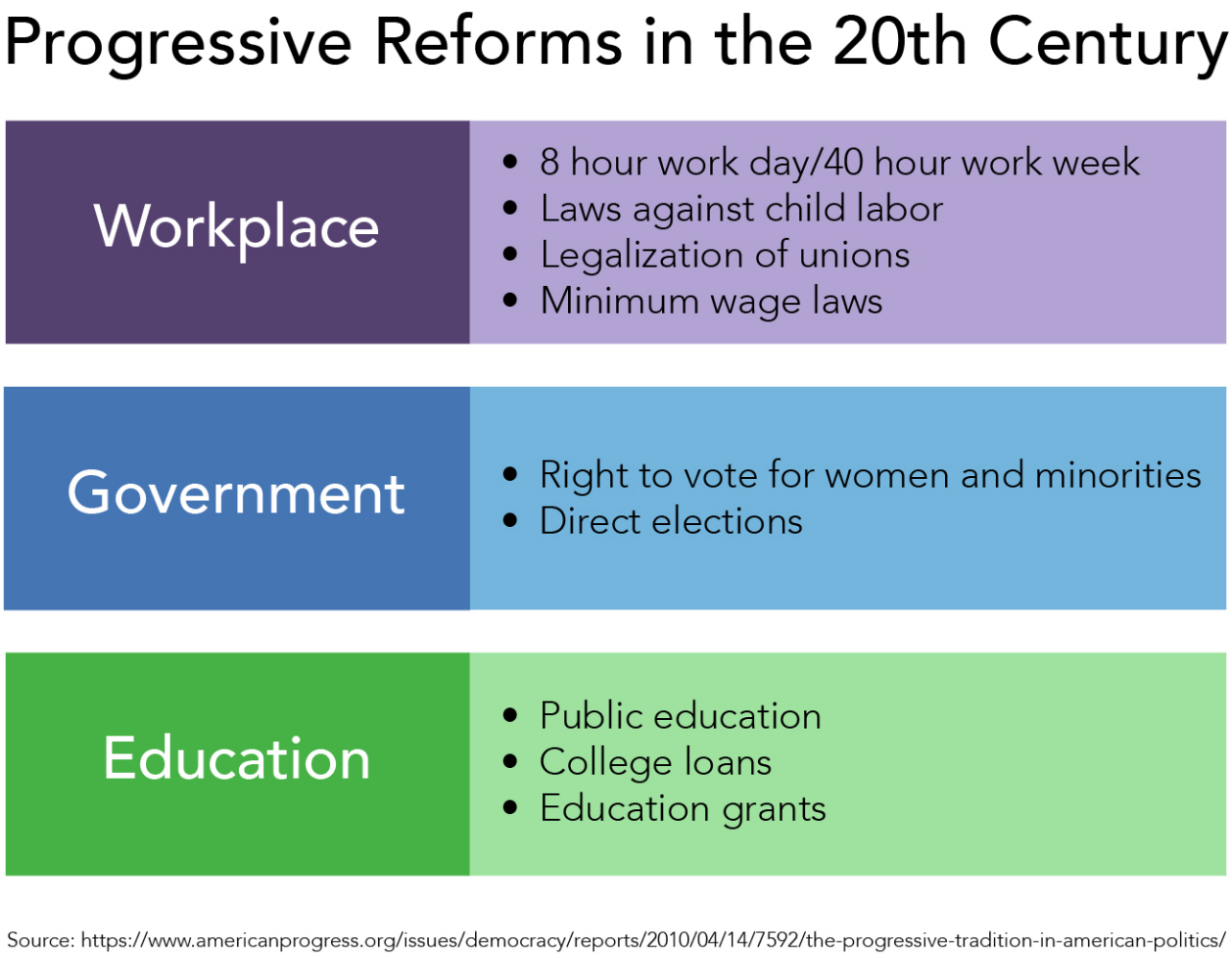

Figure 1. Progressives created reforms in the workplace, government, and education

The Progressive Era created a domino effect of social change. While change has been slow at times, a lot has happened since the start of the 20th century. In 1948 President Truman signed what is believed by many to be the first workplace diversity initiative on record. Executive Order 9981 ordered a desegregation of the armed services. Although it did not prohibit segregation, it did mandate equal treatment and opportunity for all people in the armed services, regardless of their race or ethnicity.

Then, in the 1960s, The Civil Rights Act was passed, prohibiting discrimination based on race, religion, national origin, or sex. This was a huge step in the history of social progress as it drastically changed the number of opportunities available to people from all backgrounds. Next, in 1987, Workforce 2000 was created, discussing factors that would have an impact on the US workforce in the decades to come.

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Workforce 2000 was created in the late 1980s and discussed a variety of factors predicted to influence America's workforce by the year 2000. The Workforce 2000 document was authored by the Hudson Institute, an Indianapolis, Indiana company, and sponsored by the United States Department of Labor. Hudson Institute's mission statement is, "to think about the future in unconventional ways" and that is exactly what they did.

Hudson Institute identified four trends they believed would prove to be true by the year 2000. They are as follows:

1. The American economy should grow at a relatively healthy pace
2. Manufacturing will be a much smaller share of the economy in the year 2000
3. The workforce will grow slowly, becoming older, more female, and more disadvantaged
4. The new jobs in service industries will demand much higher skill levels than jobs of today

While all four of these expected trends are interesting on a variety of levels, for the purpose of this class, let's focus on number three and how it helped to identify diversity changes in the workplace.

The report stated that the number of women and minorities entering into the workforce would grow by the year 2000. Some people believed the report suggested the total number of employees per organization would be comprised of more women and minorities than straight white cisgender men. However, the report clearly stated that the overall additions to the workforce would be comprised of more women and minorities rather than the total. Therefore, while they predicted an increase in the number of women and minorities, they did not predict a large overall percentage change in the makeup of organizations. Although the overall change to the workforce would appear to be minor, the trends presented in the report began to change society's way of thinking. Workforce diversity became a topic of conversation both in and out of the workforce, helping to develop the birth of the diversity industry.

Many companies acknowledged a change in workforce demographics were on the horizon; however, very few companies recognized how diversity could positively influence a company's bottom-line. Instead of welcoming the diverse backgrounds and experiences of their newly acquired female and minority employees, they focused on getting them to adapt to the current company majority. In many cases, a company's diversity was only reflected through the way their employees looked, not in the way their employees behaved and operated. Training and development was focused on getting the new employees to adapt to the current way of doing things, instead of training the whole company to view business operations from a variety of new perspectives. While assimilation is important to foster fluidity within an organization, utilizing the diverse backgrounds and experiences of employees can help propel operations and output to the next level. Being able to properly manage diversity, in all aspects of

the term, became a new focus for many organizations and opened the door for a new era of diversity training and appreciation.

Since there was a new focus on diversity, specifically for hiring and including women and minorities, some current members of the workforce began to feel ostracized. White males specifically were viewed as a diversity problem, and their issues and concerns were not validated because they were the majority, not the minority. This forced people to revisit the concept of diversity, reminding people that diversity includes all people from all backgrounds and that includes white males. All these new concepts and ideas created discussions that are still being held today. For example, there is still a debate about the importance of including white males in the realm of diversity or solely focusing on the traditionally underrepresented groups. Also, does diversity primarily include ethnicity, sexuality, religion, and age? Or does it also include education, socioeconomic background, and previous experiences? Society and the business world are still working their way through some of these conversations today.

PRACTICE QUESTION

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Workforce 2000 gave birth to the diversity industry and is responsible for sparking important conversations and change. Diversity plays a huge role in a company's organizational behavior and can be a great resource when leveraged properly.

LEARN MORE

Although we just discussed a small portion of the Workforce 2000 document, it includes a lot of great predictions and information. If you are interested in learning more about Workforce 2000, you can read the entire document here!

Diversity and social progress continue to be an important focus for companies and the way companies foster diversity continues to develop and grow. In today's workplace, companies can promote diversity through domestic partner benefits, paid maternity/paternity leave, flexible schedules, a range of dress code requirements, etc. At the end of this module, we will discuss strategies and ideas you can use to encourage and promote diversity in the workplace.

While this was just a quick review into the history of social progress, hopefully it gave some insight into how much American organizations have grown and developed over the last century. While there are still changes on the horizon, modern society is more open to diversity and what it can bring to the table.

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THE COMPLEXITY OF DIVERSITY

What you'll learn to do: Describe the complexity of diversity in the workplace

As we have just discussed, diversity is everywhere, including the workplace, and that's a wonderful thing! Diversity can be defined on a variety of levels. There are both external and internal factors that need to be considered when discussing diversity. External diversity is often displayed in a person's appearance. External diversity can include but is not limited to, gender, age, ethnicity, and sometimes even religion. It is also important to note that even external diversity traits are not always easy to identify as not everyone ages the same or looks the same, even if they're from the same part of the world or expressed their gender in the same way.

Internal diversity, on the other hand, is an even more challenging to define and identify. Internal diversity includes individual experiences and backgrounds. Internal diversity examples may include how people were raised, where they went to school, previous job experience, etc.

Not every piece of the diversity puzzle can fit neatly into a category. Diversity is extremely complex and incorporates almost every aspect of a person's life. You may find people that are similar to you and have similar core values and beliefs; however, there is no one who is exactly like you because everyone has different experiences throughout their lifetime. Even similar interactions and experiences may have a different effect on each individual who lives it.

The workplace is equally as complex as the rest of society. Once again, the workplace will not identically mirror society but it still experiences similar diversity challenges. In this next section we will discuss five different types of diversity and how they each influence organizations.

LEARNING OUTCOMES

- Discuss generational diversity in the workplace
- Discuss the benefits and challenges of gender diversity in the workplace
- Discuss racial diversity in the workplace
- Discuss religious diversity in the workplace
- Discuss the role of sexual orientation in the workplace
- Discuss the impact of disabilities in the workplace

Generations

We learned about generational differences in Module 1: Introduction to Organizational Behavior; we discussed the Baby Boomers, Generation X, and Generation Y. While we discussed the differences within today's three working

generations, we did not discuss why it is important to have these differences. There are both benefits and challenges to having a wide variety of generations working within an organization. Let's get exploring!

BUILDING A PRODUCT TEAM

You are the manager of a marketing department and it is your job to assemble a team to introduce a new product to the market. How do you choose your team? Do you pick a team who is all in the same age range and would use the product you are marketing? Or would you choose a mix of ages to incorporate each generation? There is no right or wrong answer here, but whichever team you chose would influence the path to your team's success.

It would make sense to choose people who would actually use the product to ensure you understand the generation you are marketing to. However, it would be equally as important to include people from other generations to balance out the team. There is value in both experience and youth. Experience brings a level of expertise to the table that has been honed over years and years of hard work and life lessons. Youth on the other hand can bring fresh perspective and enthusiasm to the workforce. New employees enter into the workforce with the newest training and information available. Both the experienced and the youthful members of the workforce each have something valuable to offer to the other and it is imperative that they work together in order to be successful.

Now let's view generational diversity in a different light. A lot of generational differences are stereotypes of how others view the generation. Like many stereotypes, there is usually a reason behind its creation, however it is by no means all encompassing. It is unfair to assume that every member of one generation feels the same way about work-life priorities, other generations, and technology.

PRACTICE QUESTION

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So, the question becomes, is generational diversity a valid way to categorize members of the workforce? Or is there a better, more effective way to understand individuals?

LEARN MORE

Watch Leah Georges's TEDx talk, How generational stereotypes hold us back at work, to learn about a different perspective on generational differences. Then you can decide the best way to approach generational diversity in the workplace!

Gender Diversity

What's in a chromosome (or two)? The difference in the pair of sex chromosomes determines whether a child is female (XX) or male (XY) at birth has a significant impact on the individual's personal and professional development. It is not biology that affects our experience and expectations in the workplace (as some who would justify gender inequality would propose), but socialization, an accumulation of cultural, historical, and legal precedent that has created the gender divide in our society.

According to the Brookings Institution, women's labor force participation has reversed since 2000 and "large gaps remain between men and women in employment rates, the jobs they hold, the wages they earn, and their overall economic security." This is not just a women's issue. In a publication from the Hamilton Project at Brookings, the authors conclude that "barriers to workforce participation for women are stifling the growth of the U.S. economy, and that future economic success hinges on improving career prospects and working environments for all women." (Note: Burke, Alison. "10 facts about American women in the workforce." *Brookings*, 05 Dec 2017. Web. 26 June 2018.)

Over the years, gendered terms (for example, "men") have come to be interpreted more broadly; that is, as referring to both men and women, but the language is hardly inclusive. Indeed, the concept of gender as binary—that is, either female or male—may itself be an anachronism. As the traditional ideas of gender and gender identity are evolving and in order to adapt to a changing reality, the language and operating framework must change accordingly.

Are There Differences in Gender Communication?

Starting in childhood, girls and boys are generally socialized to belong to distinct cultures based on their gender and thus speak in ways particular to their own gender's rules and norms (Fivush; Hohnson; Tannen). This pattern of gendered socialization continues throughout our lives. As a result, men and women often interpret the same conversation differently. Culturally diverse ways of speaking based on gender can cause miscommunication between members of each culture or speech community. These cultural differences are seen in the simple purpose of communication.

Although gender roles are changing, and gender itself is becoming a more fluid concept, traditional roles still influence our communication behaviors. For those socialized to traditional female gender norms, an important purpose of communication is to create and foster relational connections with other people (Johnson; Stamou). In contrast, the goal of men's communication is primarily to establish identity. This is accomplished by demonstrating independence and control and entertaining or performing for others.

Deborah Tannen, professor of linguistics and the author of multiple books on gender and language, provides the following examples of differences in men's and women's communication: (Note: Bucher, Richard D. *Diversity Consciousness Opening Our Minds to People, Cultures, and Opportunities*. Pearson, 2015, p 130.)

- "Men engage in report talk, women in rapport talk."
    - Report talk is used to demonstrate one's knowledge and expertise.
    - Rapport talk is used to share and cultivate relationships.
- Women request; men direct.
    - For example, in communicating a request, a female manager might say: "Could you do this by 5 PM?" A male manager would typically phrase it: "This needs to be done by 5 PM."
- Women are information focused; men are image focused.

    - For example, women are willing to ask questions to clarify understanding. Men tend to avoid asking clarifying questions in order to preserve their reputation.
- Empathy is not apology.
    - Women often use the phrase “I’m sorry” to express concern or empathy. Men tend to interpret this phrase as an acceptance of responsibility for the situation, which it is not.
- Women are judged by their appearance; men are judged by what they say and do.

As in all things, it’s important to remember that while these differences exist between groups, all individuals will fall somewhere along a spectrum of these tendencies. Additionally, you may run into men who demonstrate more “feminine” tendencies in their speech or vice versa.

JAMES DAMORE

We see this struggle playing out at Google, where efforts to include more women in technical roles are meeting with some resistance. The conflict surfaced when James Damore, a white male engineer, posted a ten page critique of Google’s diversity efforts titled “Google’s Ideological Echo Chamber” on an internal discussion board. One of the most inflammatory points made was that “biological differences between men and women might explain why we don’t see equal representation of women in tech and leadership.” In his memo, Damore states his belief that women are better attuned to aesthetics and people rather than ideas and that this, as well as their “higher agreeableness” (versus aggressiveness) and “neuroticism,” rather than sexism accounts for gender gaps. The “manifesto,” as some call it, resulted in Damore being fired for violating Google’s code of conduct by “advancing harmful gender stereotypes in our workplace.”

Google CEO Sundar Pichai responded to the memo in a note to employees, which includes this excerpt: “To suggest a group of our colleagues have traits that make them less biologically suited to that work is offensive and not OK. It is contrary to our basic values and our Code of Conduct, which expects ‘each Googler to do their utmost to create a workplace culture that is free of harassment, intimidation, bias and unlawful discrimination.’”

In a development that reflects the nation’s sociopolitical polarization, it appears Damore’s firing, rather than ending the issue, has turned him into what a *USA Today* writer terms a “hero of a resurgent conservative movement.” Damore has since filed a lawsuit against Google, claiming the search giant discriminates against white, conservative men. In a development worth watching, Damore and David Gudeman, another former Google engineer, are being represented by Harmeet Dhillon, the Republican National Committee’s committeewoman for California. Her law firm is seeking class action status for the plaintiffs.

PRACTICE QUESTION

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Racial Diversity

As with every form of diversity we have discussed, racial diversity is an important part of the workplace. Each year the Equal Employment Opportunity Commission data shows that an average of $112.7 million a year is collected from employers to pay for racial discrimination violations. This tells us that there is still work to be done to provide a welcoming and inclusive work environment.

The Civil Rights Act of 1964 made discrimination on the basis of race illegal. However, even though the Civil Rights Act was able to change the law, changing the minds and perceptions of others in society may not be as cut and dry. To ensure employment equality, additional pieces of law and regulations have been put in place to protect minority groups. This includes, but is not limited to Equal Employment Opportunity Laws and Affirmative Action. However, even with these laws and regulations in place, the racial diversity growth numbers are moving at an alarmingly slow rate. According to recent numbers, Google's workforce is 3% Latino and 2% Black. LinkedIn's company has 5% Latino and 3% Black employees. These are just a small sampling of companies, but the trend is across the board. So what is the problem? Why do companies have such low racial diversity? There is no one-size-fits-all answer here but let's explore some of the possibilities.

First we need to examine company diversity goals. There are four possibilities:

1. A company sets a goal to become more diverse and implements it at all three levels of influence
2. A company wants to be more diverse, sets a goal to do it, but doesn't know the proper way to go about making it happen
3. A company states they want to be more diverse but put in no effort to do so
4. A company wants to keep things as-is and has no interest in diversity

Every company is different and so are their goals. For the purpose of this section, let's address numbers one and two.

We need to examine recruiting methods in order to see why a larger number of diverse individuals do not get hired. Many companies hire employees based on internal referrals. There is no better advertisement for a company than a happy employee. Therefore, it is not uncommon for people to apply for positions where they know someone on the inside. This is not always beneficial for creating diversity because people are oftentimes attracted to individuals similar to themselves. In addition, we need to examine where the company is recruiting new employees. If they continue to recruit from the same places, chances are their applicant pool will remain pretty similar.

Furthermore, there are unspoken and unconscious biases in each of us. Some biases we may not even realize we have. So how does this play a role in encouraging diversity? Marianne Bertrand from Chicago's Graduate School of Business and Sendhil Mullainathan with MIT, conducted an experiment to see how different names on resumes may play a role in getting a call back. They fabricated names and created fake resumes to send to thousands of different job openings and their findings were rather alarming. According to their study, "Applicants with white-sounding names were 50 percent more likely to be contacted for job interviews than those with typical black names." (Note: Leonard, Bill. "Study Suggests Bias Against 'Black' Names On Resumes." SHRM. February 1, 2003. Accessed April 22, 2019. https://www.shrm.org/hr-today/news/hr-magazine/pages/0203hrnews2.aspx.) Whether the decision to call someone in for an interview based on their name was a conscience decision or a subconscious one, it is definitely something to address!

Dawn D. Bennett-Alexander is a lawyer, an associate professor of Employment Law and Legal Studies at UGA, and co-author of the leading Employment Law text in the country. She gave a TEDx Talk on how to utilize "Practical Diversity" in the workplace and in your everyday life. You can view her talk below.

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Many people think of African Americans and Caucasians when they think of racial diversity. However, this leaves out other minority groups, such as Hispanic and Asian individuals, who face similar challenges in the workplace and do not account for a large percentage of the workforce. We must strive to get tomorrow's workforce to more closely mirror the breakdown of the total population—at all levels of all places of work. The bottom line is that today's workforce has room to grow in regards to racial diversity in the workplace, and it starts with identifying the issue and creating a plan to fix it!

PRACTICE QUESTION

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Religious Diversity

Many people have been taught that it is bad etiquette to discuss religion and politics at the dinner table. Both religion and politics are very emotional subjects that can quickly turn from a conversation to an argument. People are likely to take others' opinions and disagreements to heart when discussing religion and politics which does not lead to a nice and relaxing gathering.

So what about in the workplace? People on average will spend about one third of their life at their job. Therefore, it is important to learn how to handle conversations about religion and politics in a constructive manner. This is not to say that religion and politics should be a daily topic of conversation. However, approaching an unfamiliar topic with genuine curiosity and a desire to understand can be a great way to foster diversity. Asking questions does not mean you always have to agree with the answer, however, it may give you a new perspective.

For the purpose of this section, let's specifically focus on religious diversity in the workplace. How can companies foster an inclusive environment for people from all religions? A very simple way is to create a calendar with a wide variety of holidays. This will allow people from all religions to share their holiday celebrations with those at work. It is also a great opportunity for people to learn about their coworkers. Some companies even have floating holiday options available to employees which allows them to take off work according to the religious holidays they observe. Companies can also have a quiet space available for employees who need to pray or reflect. Dress codes should also be accommodating to allow religious attire like yarmulkes or hijabs. Even small actions like having non-pork options at luncheons or social outings without alcohol to better incorporate all religious beliefs can make a huge impact. Often the only "extra" work that needs to be done is pausing to think of others' needs and considerations.

PRACTICE QUESTION

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As with all forms of diversity, the first step is to simply be respectful and understanding of people's differences. Viewing everyone's differences as a learning opportunity or a way to get to know them better will create a more inclusive work environment. Humans are naturally curious and that is a good thing! However, be sure to present your curiosity in a respectful manner. Some people may not be comfortable discussing their religious beliefs, and this is okay—remember that no one owes you an answer. And if you're really curious, there are plenty of online resources written by members of religions that you can find.

So if being inclusive is such a simply thing to do, why do so many companies struggle with it? Incorporating inclusive guidelines on a corporate and team level is important to ensuring an inclusive environment. Since religion is such a personal subject and choice, religious inclusion on a personal level can be a little harder to achieve. However, by implementing some of the ideas listed above, there is a greater possibility for religious tolerance and inclusion.

Sexual Orientation in the Workplace

Even though talking about your personal life is accepted in many workplaces, it is not always an all-inclusive invitation. People with a variety of sexual orientations may not be comfortable sharing information about their personal life for fear that they will be treated differently because of it. That brings us to the topic of sexual orientation discrimination. So what is it exactly? Sexual orientation discrimination is when someone is treated differently or even harassed because of their perceived sexual orientation.

Let's examine what being "treated differently" would look like. Being treated differently would include but is not limited to not getting promoted, receiving multiple coachings or write-ups with little to no justification, wrongful termination, etc. Harassment is another form of discrimination people face at work. Harassment in any form is not acceptable by society's standards. However, there are not universal laws in place to protect people from sexual orientation discrimination in the workplace.

As we have discussed earlier in this module, organizations such as the Equal Employment Opportunity Commission (EEOC) ensure discrimination based on race, color, religion, sex, national origin, age, disability, or genetic information is not tolerated. Sex in this case includes pregnancy, gender identity, and sexual orientation

(EEOC). However, the EEOC is not able to enforce these laws with all companies. Instead, some companies are not covered under the EEOC, and people trying to file a complaint need to look to their state for other anti-discrimination laws to use to support their claim.

There are currently 23 states and Washington D.C. that have explicit state laws in place to ensure discrimination based on sexual orientation and gender identity are prohibited. On the other hand, there are 26 states with no laws in place to protect people from sexual orientation and gender identity discrimination (Wisconsin prohibits discrimination based on sexual orientation but does not mention gender identity). For a more detailed list on which states have anti-discrimination laws in place, you can check out the Movement Advancement Project here.

PRACTICE QUESTION

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So what can people do to prevent discrimination in the workplace based on sexual orientation? As with every form of discrimination, the best way to circumvent it is by approaching every individual with respect. Treating others as you would like to be treated is such an elementary rule but it can have a great impact on building better relationships and healthier work environments.

Disabilities

So far in this module we have discussed cultural forms of diversity, yet in a work setting we are also exposed to individuals with varied skills, talents, and abilities. Another component of diversity in the workplace is the wide range of physical and mental abilities of people you may work with. A common misconception or view of people with disabilities focuses on what an individual may lack or cannot do. Characterizing people solely by their disabilities and perceiving them as inferior to the non-disabled can lead to social prejudice and discrimination, also known as ableism.

Our challenge in the area of disabilities is learning to transcend our perception of someone's limitations, to adopt universal design thinking and practices in order to accommodate a range of abilities, and, thereby, extend the possibilities for both individual and collective business performance.

National Disability Employment Awareness Month: *The goal of this initiative is to celebrate individuals with disabilities strengthening the workforce and to bring awareness and education concerning the issue.*

> Impossible is an opinion—not a fact.
>
> —Paul Hockey

General perception and understanding of those who are different is not unlike ancient cultures' understanding of the world: flawed (i.e., the belief the world was flat) and with large areas marked "the great unknown." This is particularly the case when it comes to people with disabilities. This lack of understanding is due to a combination of factors including a lack of exposure to people with disabilities, the amorphous definition of disability, and privacy and discrimination concerns. People with disabilities are under-represented in media and entertainment—a situation that the Alliance for Inclusion in the Arts is seeking to address. The ADA (Americans with Disabilities Act) text defines an individual with a disability as a person who has a physical or mental impairment that substantially limits one or more major life activities, a person who has a history or record of such an impairment, or a person who is perceived by others as having such an impairment. Further, people with disabilities are not required to disclose their disability, and indeed, they are often advised not to—at least in the job search process. (Note: Disclosing a disability: https://www.monster.com/career-advice/article/disclose-disability-on-resume)

So how do we approach the great unknown? Let's start by considering our perceptions of people with disabilities. In the award-winning short *Different*, by Tahneek Rahman, we see two young people navigating a new relationship. The actors' perceptions and emotions are shaped and colored by what they think they see; then, like a kaleidoscope, reality changes. As you watched the film, how did you feel when you looked through the

young girl's eyes as she peered through the bushes? It may have felt like you've been here before—in a situation you thought you understood, only to have your perspective shift and click into place, framing a new reality. How often do we do this with people who are wired differently or have a different range of abilities?

LEARN MORE

Empathy goes a long way in bridging knowledge and communications gaps. For a start, watch one or more of the videos in Soul Pancake's *How You See Me* series.

SUMMITING MOUNT EVEREST

Perhaps our perception of ability—and disability—says more about us then it does about others. So before we discuss communication specifics, let's broaden our perspective of what's possible. Erik Weihenmayer is one of seven disabled athletes to have successfully climbed Mount Everest, the highest mountain in the world at 29,029 feet above sea level. The only blind person to summit Everest to date, Erik went on to complete the "Seven Summit" challenge, scaling the highest peaks of each of the seven continents. Erik subsequently co-founded No Barriers, a non-profit organization that helps youth, veterans, and people with disabilities achieve transformative challenges. The organization's motto: Unleash the Human Spirit.

Indian amputee Arunima Sinha is another of the seven disabled Everest summiters. In the aftermath of a train accident that severed her leg, Arunima "pondered on the most impossible dream I could set for myself. I decided to climb Everest." Erik and Arunima are remarkable athletes and people, but there are thousands of similar stories—people who, by birth or circumstance, found themselves at a relative disadvantage and yet prevailed and indeed, thrived. Clearly, they did not see their disability as a limitation. Tapping this human spirit is critical to business success in a competitive global economy.

Overcoming Communication Challenges

People with disabilities can experience unique communication challenges whether they have sensory impairments (blindness or deafness), cognitive disorders (autism spectrum disorder, post-stroke challenges), or physical disabilities (head trauma or neurological injury). In particular, some communication difficulties in the workplace can include the following:

- Difficulty speaking: speech may be unclear, interrupted by stuttering, or abnormally slow, fast or irregularly paced
- Difficulty with listening for extended periods or listening to multiple people participating in a conversation
- Difficulty reading manuals with dense amounts of text
- Difficulty keeping track of procedural material without the help of notes or hands-on experience
- Difficulty interpreting language that has implied meaning such as indirect requests or offers for help, or certain types of humor
- Difficulty interpreting body language, the emotions of others, or other non-verbal language
- Difficulty communicating with unfamiliar people; this can include eye contact

Whether individuals have disclosed a disability or not, the way you approach a communication breakdown or misunderstanding matters. If you do not understand something a person says, do not pretend that you do. Ask the individual to repeat what he or she said and then repeat it back. Try to ask questions that require only short

answers or a nod of the head. Concentrate on what the person is saying and do not rush to a conclusion about what you think they mean. Do not speak for the individual or attempt to finish her or his sentences. If you are having difficulty understanding the individual, consider writing as an alternative means of communicating, but first ask whether this is acceptable.

Other things to consider are:

- If you are in a public area with many distractions, consider moving to a quiet or private location.
- Be prepared to repeat what you say, orally or in writing.
- Offer assistance completing forms or understanding written instructions and provide extra time for decision-making. Wait for the individual to accept the offer of assistance; do not "over-assist" or be patronizing.
- Be patient, flexible and supportive. Take time to understand the individual and make sure the individual understands you.

If you notice a communication breakdown or misunderstanding, it is of utmost importance to treat everyone with dignity, respect, and courtesy. Be patient, be supportive, and take as much time as necessary to listen to the individual because it can make all of the difference.

PRACTICE QUESTION

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There are also simple, practical adjustments we can make in our one-on-one interactions that will facilitate effective communication. The following eight recommendations, adapted from a toolkit for medical practitioners, are equally relevant to communicating with people with disabilities in the workplace (Heath Care for Adults with Intellectual and Developmental Disabilities):

- Allocate additional time to achieve the communication objective.
- Be aware of your tone of voice and nonverbal signals.
- Moderate your speaking pace and give the person with a disability adequate time to process and respond to what you've communicated.
- Actively confirm the person's understanding and your own understanding of what he or she communicated.
- Focus on abilities rather than disabilities.
- Use specific rather than abstract language; for example, "bring a pen and paper" rather than "get ready for the meeting."
- Stage conversations in areas that are relatively quiet without distracting activity or background noise.

Just as our history is not our destiny, our frame of reference doesn't need to limit our future possibilities—individually or collectively, as a business or society. Disability rights are not only civil rights, they're human rights—the right to strive to achieve our full potential, whatever that is. As one of the testimonials on Nike's Equality Campaign page phrased it: "we all deserve a starting line."

LEARN MORE

- The 10 Commandments for Communicating with People with Disabilities (CA Department of Rehabilitation)
- The Language of Disability: Do's & Don'ts – Alliance for Inclusion in the Arts
- A Guide to Disability Rights Laws
- Nike's Equality Campaign page
- Communicating With and About People with Disabilities

Social Diversity in the Workplace

Now that we've learned about various types of diversity you will encounter in the workplace, let's take a deeper dive into a few examples, and what the best actions would be in each scenario.

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CONTEMPORARY SOCIAL DIVERSITY

What you'll learn to do: Describe how contemporary organizations both benefit and struggle with diversity oriented themes and topics

Diversity has been around since the beginning of time, however, the way society has dealt with diversity has changed. It has been proven that diverse companies are more successful in their output and profitability. However, many companies still struggle to develop and maintain a diverse work environment. So why is that?

In this section we will attempt to answer that question. We will do this by examining the benefits of social diversity and how it impacts a company's culture and profitability. We will also analyze current investigations and controversies around diversity. And finally, we will examine strategies companies can use to help foster and maintain diverse workplaces.

LEARNING OUTCOMES

- Discuss the benefits of social diversity
- Analyze diversity controversies and investigations
- Describe strategies companies use to maintain and encourage diversity

Benefits of Social Diversity

> While social justice, legal compliance, or maintaining industry standard employee environment protocols is typically the initial impetus behind [inclusion and diversity] efforts, many successful companies regard I&D as a source of competitive advantage, and specifically as a key enabler of growth.
>
> —McKinsey & Company. *Delivering Through Diversity*, Jan 2018.

PRACTICE QUESTION

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In the workplace, employee diversity can be a source of competitive advantage. Here are a few specific advantages:

- Leveraging a cross-cultural (in the broadest sense of the word) awareness to identify opportunities and avoid blind spots
- Increasing the productivity of employees who feel valued
- Improving an organization's employer brand and, therefore, ability to recruit and retain talent
- Improving the market relevance and market value of a company/organization

APPLE'S HEALTH APP

As a case in point, consider Apple's Health App that claims to allow you to "keep tabs on a wide array of data that matters to you—from measurements of your blood pressure and blood glucose to records for your weight and reproductive health." Despite the promised capability to track reproductive health, the app was launched without a provision for monitoring menstrual cycles in what was critiqued as a stereotypical case of gender blindness. TechCrunch writer Sarah Perez summarized the disconnect, noting that menstrual tracking is a key function that "roughly half the population would expect to see included in a comprehensive health tracking app." And as Perez noted, perhaps that's not surprising given that 80 percent of Apple's engineering staff is male.

Perez concludes: "the issue with the Health app is a perfect example of how not having the right [gender] balance internally can actually impact innovations and technology developments." (Note: Perez, Sarah. "Apple Stops Ignoring Women's Health With iOS 9 HealthKit Update, Now Featuring Period Tracking," *Tech Crunch*, 09 Jun 2015. Web. 26 June 2018.) Over a year after the product's initial launch, Apple still hadn't addressed the oversight and didn't respond to *Splinter* writer **Kashmir Hill's** request for comment, prompting her to suggest that the answer to her question why there's still no period-tracking in HealthKit might be answered by the composition of the executive team: nine men and one woman.

For a financial performance view, let's consider McKinsey Consulting's research on diversity in the workplace. In a 2015 report titled *Why Diversity Matters*, McKinsey highlights the following findings, based on the composition of top management and boards:

- Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians.
- Companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians.
- Companies in the bottom quartile both for gender and for ethnicity and race are statistically less likely to achieve above-average financial returns than the average companies in the data set (that is, bottom-quartile companies are lagging rather than merely not leading).
- In the United States, there is a linear relationship between racial and ethnic diversity and better financial performance: for every ten percent increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rise 0.8 percent.
- Racial and ethnic diversity has a stronger impact on financial performance in the United States than gender diversity, perhaps because earlier efforts to increase women's representation in the top levels of business have already yielded positive results.

In their 2018 publication, *Delivering Through Diversity*, McKinsey Consulting again reported finding a "positive, statistically significant correlation between executive team diversity and financial performance." Although correlation is not causation, the report notes that "there is a real relationship between diversity and performance that has persisted over time and across geographies." (Note: McKinsey&Company. *Delivering Through Diversity*, Jan 2018. Web. 26 June 2018.) The conclusion drawn from their 2015 *Why Diversity Matters* report still applies: "diversity is a competitive differentiator shifting market share toward more diverse companies." (Note: McKinsey&Company. *Diversity Matters*, 2015. Web. 26 June 2018.)

PRACTICE QUESTION

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LEARN MORE

Watch this video for review on the importance of diversity:

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Diversity Investigations

Although there are many documents and pieces of legislation in place to protect people from harsh and unfair treatment, not everyone abides by those rules. In this section, we are going to discuss five different cases against employers for discriminatory practices against their employees. Hopefully, these cases will help shed some light on diversity issues that are still present in today's society. Just as importantly, they will demonstrate how the Equal Employment Opportunity Commission and current legislation are working together to help foster diversity and inclusion in the workplace.

ROBERT BRADEN VS. LOCKHEED MARTIN (NOTE: "EMPLOYEE WINS MASSIVE AGE DISCRIMINATION LAWSUIT AGAINST LOCKHEED MARTIN." THE SPIGGLE LAW FIRM. APRIL 10, 2018. ACCESSED APRIL 22, 2019. HTTPS://WWW.SPIGGLELAW.COM/EMPLOYMENT-BLOG/EMPLOYEE-WINS-MASSIVE-AGE-DISCRIMINATION-LAWSUIT-LOCKHEED-MARTIN/.)

In 1995, Robert Braden's employer of 11 years merged with Lockheed Martin, an aerospace and defense contractor. Braden continued to work for Lockheed Martin for over 15 years until he was laid off in 2012 at the age of 66. At the time he was laid off, Lockheed Martin did not give him any explanation for his termination. When Braden did some investigating, he found out that of the 110 employees that shared his same job title, four other employees were also laid off. All four employees were over fifty-years-old.

Braden then argued that he was compensated less than his counterparts due to his age. Braden then explained one of his supervisors gave him a low review score. When Braden asked why, his manager explained that upper management believed he had been with the company for too long. Braden then used his state's anti-discrimination law in combination with the age discrimination portion of the Employment Act of 1967 to file a lawsuit against his previous employer. In order to win his case, Braden had to prove that he was let go for only his age and for no other reason. With the evidence presented, Braden won his case and was awarded $51 million in damages. Lockheed Martin now has one of the largest age discrimination verdicts ever awarded to a single plaintiff.

BUTLER VS. HOME DEPOT, INC. (NOTE: BUTLER VS. HOME DEPOT, INC. (UNITED STATES DISTRICT COURT, N.D. CALIFORNIA. JANUARY 25, 1996);"BUTLER V. HOME DEPOT, INC." GOLDSTEIN, BORGEN, DARDARIAN & HO. ACCESSED APRIL 22, 2019. HTTPS://GBDHLEGAL.COM/CASES/BUTLER-V-HOME-DEPOT/.)

In 1996, Vicki Butler filed charges against Home Depot's West Coast Division for discrimination based on gender, claiming that Home Depot's hiring strategies, job assignments, compensation, and promotion opportunities were heavily based on gender. Butler said that Home Depot had no objective hiring processes in place and job assignments for men and women greatly differed. She claimed that women were primarily in cashier positions while men were in sales and management roles. Even worse, no pay scales were mandated to ensure equal compensation. Instead, pay was left up to the predominantly male management team.

This case was tried as a class action lawsuit and brought to court as a violation of the Civil Rights Act of 1964 and the California Fair Employment and Housing Act. The case was settled for $87.5 million and included a seven-year period in which Home Depot was responsible for making changes to their hiring and staffing practices. Home Depot also made a commitment to increase the number of women in management positions within the seven years following the settlement. Lastly, the two founders of Home Depot spoke out about their experience with the case and preached the importance of creating an all-inclusive work environment to help fight against discrimination.

EEOC VS. BIG 5 SPORTING GOODS CORP. (NOTE: "BIG 5 TO PAY $165,000 TO SETTLE EEOC RACE DISCRIMINATION LAWSUIT." US EQUAL EMPLOYMENT OPPORTUNITY COMMISSION. SEPTEMBER 18, 2018. ACCESSED APRIL 22, 2019. HTTPS://WWW1.EEOC.GOV/EEOC/NEWSROOM/RELEASE/9-18-18.CFM.)

Robert Sanders was a new management trainee for Big 5 Sporting Goods store in Oak Harbor, Washington. Sanders was the only African-American employee at the location and was harassed and even received death threats from his trainers. Sanders was called names like "spook" and "King Kong" and fellow employees told him he had the "face of a janitor." In addition, assistant managers allegedly told him they would "lynch" him or "hang" him if he called in again. They also offered to help him kill himself whenever he was ready to commit suicide. Sanders began to miss work from the stress of the harassment and was eventually terminated by Big 5.

After unsuccessfully attempting to settle outside of court, Sanders brought Big 5 to court with the help of the EEOC. The EEOC argued that Big 5 had violated Title VII of the Civil Rights Act of 1964 and Sanders was awarded $165,000 for lost wages and damages. Big 5 was required to meet additional requirements including training the entire staff on how to prevent, report, and correct workplace racial harassment.

EEOC VS. SCOTT MEDICAL HEALTH CENTER (NOTE: LONG, DANIEL R. "EEOC SCORES VICTORY IN SEXUAL ORIENTATION DISCRIMINATION LAWSUIT." LABOR & EMPLOYMENT LAW PERSPECTIVES. NOVEMBER 27, 2017. ACCESSED APRIL 22, 2019.

HTTPS://WWW.LABOREMPLOYMENTPERSPECTIVES.COM/2017/11/27/EEOC-SCORES-VICTORY-IN-SEXUAL-ORIENTATION-DISCRIMINATION-LAWSUIT/.)

EEOC vs. Scott Medical Health Center was one of the first sexual orientation discrimination lawsuits filed by the EEOC. Dale Massaro was a telemarketer for Scott Medical and claimed he was harassed because of his sexual orientation. His supervisor used derogatory comments towards Massaro and asked inappropriate questions about his personal relationships. Massaro reported the harassment to Scott Medical's CEO and was told that his manager was just performing his job functions.

The EEOC helped Massaro sue Scott Medical claiming that they had violated Title VII of the Civil Rights Act of 1964. This was one of the first cases where the federal court system recognized sexual orientation as a part of gender discrimination.

PRACTICE QUESTION

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EEOC VS. ABERCROMBIE & FITCH

In 2008, Samantha Elauf applied for a job with Abercrombie & Fitch. Elauf was a practicing Muslim and wore a hijab on a daily basis and to her interview. She claimed that Abercrombie & Fitch did not hire her because her religious practices did not fit with their dress code requirements. Elauf argued that Abercrombie's unwillingness to hire her and make dress code accommodations for her religious beliefs was a direct violation of Title VII's prohibition against religious discrimination.

The verdict went back and forth over the next 7 years. In the initial trial, the jury voted in favor of Elauf. However, Abercrombie & Fitch appealed and the US Tenth Circuit Court of Appeals ruled in the company's favor. Finally, in June of 2015, the Supreme Court overturned the Circuit Court's decision and awarded Elauf with monetary damages totaling $25,670. The Supreme Court explained that if the company had even a hunch that her head cover was for religious purposes, they were guilty of violating Title VII of the Civil Rights Act of 1964.

Encouraging Diversity

Let's imagine a company has decided to put time and effort into creating a more diverse workforce. They reevaluate their hiring process and recruit to a wider variety of individuals. After filling all open positions, they were successfully able to fill their diversity goal while still hiring the most qualified people for the job. So this means their company is now diverse, right? Well, on paper that might be an accurate statement; however, what the company does after they hire a diverse group of employees is equally as important. If companies hire for diversity but then endorse conformity, are they really diverse? The answer is no. Promoting diversity is key to having a diverse organization. If you hire a variety of individuals and they feel isolated when they start working, word will travel quickly and prevent minorities from applying for future job openings.

So how does a company promote diversity? There are many strategies companies can use to foster an inclusive working environment. First, people need to know that is it okay to acknowledge differences. Being aware of differences is the first step in ensuring your actions and words are respectful and inclusive in nature. Some companies even offer Implicit Bias Training to help their employees identify biases they may not have realized they had. Harvard's Project Implicit provides online Implicit Association Tests (IAT) which can reveal implicit attitudes you may have towards certain groups of people. Having open conversations about inclusiveness and acceptance of people from all backgrounds is key to a healthy working environment. The bottom line is; it is important to treat people the way they want to be treated.

Diversity Committee at Milbank, Tweed, Hadley & McCloy LLP

Successfully diverse companies encourage open lines of communication. It is okay to ask appropriate questions if you do not understand someone's culture or background. Also, if you offend someone with your words or your actions it is important to apologize and understand how you offended them to avoid doing it again in the future. Having a work environment that will support these conversations is key to inclusion and acceptance. There are very simple and fun ways to celebrate diversity. Establishing a holiday calendar with a wide variety of holidays is a great way for people to learn about other cultures and religions while also getting to know their coworkers. There are even smaller day-to-day activities that can make a big difference. For example, when scheduling a lunch meeting try not to schedule it during a coworker's religious fasting, or make sure to choose a place with vegetarian options for the coworker that doesn't eat meat. While these may seem like small examples, they can make a big difference!

What happens if someone feels discriminated against? There needs to be a set process in place to voice these concerns and correct the issue. Oftentimes there is a Diversity Champion in each organization who is there to foster a diverse environment. Human resources and unions are also key players in ensuring a fair and unbiased working environment. It is important for organizations to have a number of resources available to employees so they are able to seek assistance, guidance, and support when needed. There should be a combination of both formal, informal, and anonymous complaint options provided.

As with many company processes, diversity training and initiatives need to be implemented through all three levels of influence. If these initiatives are not introduced through the individual, group, and organizational level, they will not be successful. Creating a goal to ensure a more diverse workplace is just the first step on a long list

for developing a diverse company. It is the day-to-day interactions and conversations that will lay the foundation for a diverse company.

PRACTICE QUESTION

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Diversity is everywhere. If you learn to embrace and appreciate it, chances are you will learn more about others and yourself than you ever thought possible!

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PUTTING IT TOGETHER: SOCIAL DIVERSITY IN THE WORKPLACE

Life without diversity would be a boring and unsuccessful one. Without diversity, societies would never progress or endure. Since diversity encompasses a wide variety of attributes, it is important to remember that everyone is diverse in some way. Whether it is their outward appearance or their internal perspective, everyone has something unique about themselves to bring to the table. The idea of collaboration and idea sharing is critical to technical and social advancement within organizations and society alike. Having a larger pool of ideas and experiences to pull from is extremely beneficial.

Since the benefits of a diverse working environment are so clear, why do some organizations struggle to attain diversity? It all starts with an inclusive workplace. Ensuring policies and procedures are in place to combat discrimination and support diversity is key to a successful company. In addition, learning from the mistakes of others (like the court cases we discussed in this module) can help companies proactively avoid discriminatory practices and lawsuits. Understanding diversity and its importance will give you the ability to enter the workforce with eyes wide open and aware of responsible and inclusive business practices.

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MODULE 3: ETHICS IN BUSINESS

WHY IT MATTERS: ETHICS IN BUSINESS

Why learn to encouraging ethical behavior and about the laws that encouraging good corporate practices?

Luke is a real estate agent and is currently under negotiation on a four bedroom home outside the city. Luke is representing the seller, but in attempts to increase his commission he has also agreed to represent the buyer. Although he is representing both the buyer and the seller, he is a long-time friend of the seller and therefore prioritizes their needs and demands. This creates an ethical dilemma since he is representing both sides of the transaction and acting in a biased way throughout the process. Unfortunately, in a situation like this, there is no way to avoid a bias. It is impossible for Luke to equally fight for the desires of each client, and he is therefore not acting in an ethical way. Although his decisions may be legal, they are not ethical.

Not operating ethically can get a company or individual in a lot of trouble. While sometimes trouble presents itself in the form of a lawsuit, other issues may also arise when ethics is not at the forefront of a company's operations. Unethical behavior can negatively impact a company's productivity, profitability, and company culture. Ethics needs to be a large focus throughout all levels of a company and should be enforced and reiterated on a regular basis.

Understanding what business ethics entail will prepare you to enter into the workforce and help guide you to make smart decisions throughout your career. Although many people think ethics is simply deciding between right and wrong, the business world can sometimes complicate that a little bit. It is important to remember that just because something is legal does not mean it is ethical. This module will help you to identify ethical behavior and give some insight into the consequences of not acting ethically.

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BUSINESS ETHICS IN ORGANIZATIONAL BEHAVIOR

What you'll learn to do: Describe the history of business ethics as a topic in organizational behavior

The term "business ethics" is not just a hot-button topic in today's society. Instead, it has become an integral part of all successful companies. Now, more than ever before, business ethics are valued and examined on both an internal and external level. In the information era we live in, information about any topic is available at the click of a button. Thanks to easily accessible information, society can now hold companies accountable for their ethical behavior. Furthermore, millennials entering the workforce are searching for employers who operate responsibly and ethically.

Business ethics must penetrate into the organizational behavior of a company in order to be sustained. Therefore, understanding how organizational behavior works is essential for ensuring an ethical environment. Business ethics and organizational behavior go hand-in-hand in a variety of ways. This module will help to better understand the meaning of business ethics and why they are so important to running a successful company in today's day and age.

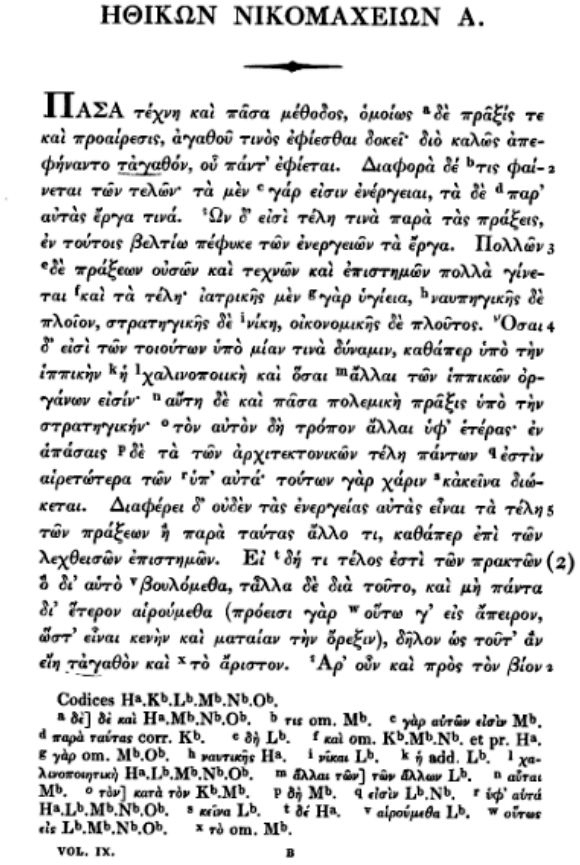
LEARNING OUTCOMES

- Discuss the history of business ethics
- Describe business ethics and why they play an important role in the workplace
- Examine recent ethical investigation cases in the workplace

History of Business Ethics

What comes to mind when you hear the phrase "business ethics?" Many people associate ethics with following your conscience or the law. However, business ethics is a lot more complicated. Business ethics is not simply following the law or choosing to follow along with the status quo of other companies. Instead, business ethics are principles and values that guide how a company does business. Like organizational behavior, there is no exact time and place in which business ethics were created. However, there are historical events that have helped to develop each aspect of the term. Let's explore some of these events and how they contributed to business ethics as we know them today.

Richard T. De George describes the history of business ethics to have blended together from different strands. He believes each strand represents a different yet equally important perspective on business ethics. Depending on what perspective historians have on the topic, will shift their version of history. (Note: De George, Richard T. "A History of Business Ethics." Markkula Center for Applied Ethics. Accessed April 10, 2019. https://www.scu.edu/ethics/focus-areas/business-ethics/resources/a-history-of-business-ethics/.) For the purpose of this section, let's examine a few of the strands he has identified to ensure we get more of a "whole picture" perspective.



ΗΘΙΚΩΝ ΝΙΚΟΜΑΧΕΙΩΝ Α.

ΠΑΣΑ τέχνη καὶ πᾶσα μέθοδος, ὁμοίως [a]δὲ πρᾶξίς τε καὶ προαίρεσις, ἀγαθοῦ τινὸς ἐφίεσθαι δοκεῖ· διὸ καλῶς ἀπεφήναντο τἀγαθόν, οὗ πάντ' ἐφίεται. Διαφορὰ δέ [b]τις φαί- 2
νεται τῶν τελῶν· τὰ μὲν [c]γὰρ εἰσιν ἐνέργειαι, τὰ δὲ [d]παρ' αὐτὰς ἔργα τινά. [1]Ὧν δ' εἰσὶ τέλη τινὰ παρὰ τὰς πράξεις, ἐν τούτοις βελτίω πέφυκε τῶν ἐνεργειῶν τὰ ἔργα. Πολλῶν 3
[e]δὲ πράξεων οὐσῶν καὶ τεχνῶν καὶ ἐπιστημῶν πολλὰ γίνεται [f]καὶ τὰ τέλη· ἰατρικῆς μὲν [g]γὰρ ὑγίεια, [h]ναυπηγικῆς δὲ πλοῖον, στρατηγικῆς δὲ [i]νίκη, οἰκονομικῆς δὲ πλοῦτος. [1]Ὅσαι 4
δ' εἰσὶ τῶν τοιούτων ὑπὸ μίαν τινὰ δύναμιν, καθάπερ ὑπὸ τὴν ἱππικὴν [k]ἡ [l]χαλινοποιικὴ καὶ ὅσαι [m]ἄλλαι τῶν ἱππικῶν ὀργάνων εἰσίν· [n]αὕτη δὲ καὶ πᾶσα πολεμικὴ πρᾶξις ὑπὸ τὴν στρατηγικήν· [o]τὸν αὐτὸν δὴ τρόπον ἄλλαι ὑφ' ἑτέρας· ἐν ἁπάσαις [p]δὲ τὰ τῶν ἀρχιτεκτονικῶν τέλη πάντων [q]ἐστὶν αἱρετώτερα τῶν [r]ὑπ' αὐτά· τούτων γὰρ χάριν [s]κἀκεῖνα διώκεται. Διαφέρει δ' οὐδὲν τὰς ἐνεργείας αὐτὰς εἶναι τὰ τέλη 5
τῶν πράξεων ἢ παρὰ ταύτας ἄλλο τι, καθάπερ ἐπὶ τῶν λεχθεισῶν ἐπιστημῶν. Εἰ [t]δή τι τέλος ἐστὶ τῶν πρακτῶν (2)
ὃ δι' αὐτὸ [v]βουλόμεθα, τἆλλα δὲ διὰ τοῦτο, καὶ μὴ πάντα δι' ἕτερον αἱρούμεθα (πρόεισι γὰρ [w]οὕτω γ' εἰς ἄπειρον, ὥστ' εἶναι κενὴν καὶ ματαίαν τὴν ὄρεξιν), δῆλον ὡς τοῦτ' ἂν εἴη τἀγαθὸν καὶ [x]τὸ ἄριστον. [1]Ἆρ' οὖν καὶ πρὸς τὸν βίον 1

Codices $H^a.K^b.L^b.M^b.N^b.O^b$.
[a] δέ] δὲ καὶ $H^a.M^b.N^b.O^b$. [b] τις om. M^b. [c] γὰρ αὐτῶν εἰσὶν M^b. [d] παρὰ ταύτας corr. K^b. [e] δὴ L^b. [f] καὶ om. $K^b.M^b.N^b$. et pr. H^a. [g] γὰρ om. $M^b.O^b$. [h] ναυτικῆς H^a. [i] νίκαι L^b. [k] ἡ add. L^b. [l] χαλινοποιητική $H^a.L^b.M^b.N^b.O^b$. [m] ἄλλαι τῶν] τῶν ἄλλων L^b. [n] αὗται M^b. [o] τὸν] κατὰ τὸν $K^b.M^b$. [p] δὴ M^b. [q] εἰσὶν $L^b.N^b$. [r] ὑφ' αὐτά $H^a.L^b.M^b.N^b.O^b$. [s] κεῖνα L^b. [t] δέ H^a. [v] αἱρούμεθα L^b. [w] οὕτως εἰς $L^b.M^b.N^b.O^b$. [x] τὸ om. M^b.
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Aristotle's The Nicomachean Ethics (translated by W. D. Ross) begins with the statement that "every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good."

The first strand De George discusses is the one that can be dated back the furthest. "Ethics in business" as he refers to it, includes the history of moral standards used in business practices since the dawn of time. Instead of having a code of ethics like many companies do today, people centuries ago would still use ethical guidelines like the Ten Commandments or Aristotle's economic relations philosophies. Even after the fall of Rome, clear discussions of business ethics did not exist, however, there were many conversations about justly and honestly buying and selling good and services. Religious organizations used morals and biblical teachings to support ethical behavior, however, it was not until the mid 1900s that the term "ethics" or "ethics in business" was coined.

The next, and more recent strand De George investigates is the academic field of business ethics. During Vietnam, Americans became hypercritical of ongoing government and business operations. Big businesses were booming and the chemical industry was growing rapidly. These swift changes in growth drew a lot of attention and protest. People were concerned for equal employment opportunities and upset about the environmental damage caused by large corporations and the chemical industry. To help counter the protests, some corporations began to focus on a new term, social responsibility. Social responsibility was a term used by companies to help correct the error in their ways. If they were being accused of hiring discrimination, companies could then tell the public that they had a social responsibility to hire a diverse group of individuals. A company was accused of too much pollution? They can use social responsibility to change their impact on the environment and promote cutting back on harmful pollutants. Social responsibility differed from one industry to another since there were no set standards or descriptors in place to clearly define it. In the 1960s, social responsibility entered into the world of academia and is still a popular class in many business schools today. However, it wasn't until the 1970s that business ethics as an academic field of study was born.

In the 1970s, scholars, theologians, and philosophers were all investigating the world of business. With the onset of so many new perspectives and ideas, the term business ethics was born. In November 1974, the first ever business ethics conference was held at the University of Kansas. The ideas and case studies discussed at the conference could be found in new business courses in the years to follow. Professors of philosophy and business alike were working together to fully examine and understand this new field. So what was the difference between social responsibility and business ethics? Business ethics were developed with a clearer set of boundaries and expectations. In addition, business ethics created more controversy within the business world than social responsibility did. Business ethics took a more critical approach to how companies operated and many argued that ethical decisions were outside of a company's control. As we continue through this module, you will learn how companies actually can enforce business ethics and why it is so important and impactful to the success of their company.

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Business Ethics in the Workplace

What is business ethics? In the simplest sense, business ethics is being able to identify the difference between right and wrong and then consciously choosing to do the right thing. Another way to define business ethics is written guidelines or standards used to hold a company accountable to moral actions and just decisions. Business ethics is an extremely valuable part of every company and can impact a company's reputation and the community in which it serves. How companies choose to practice and enforce business ethics can differ from one company to the next, however, there is no denying that an ethical work environment is an essential key to success. This section will evaluate the role business ethics plays in the workplace and further explain why ethics are such an important component in business.

Like organizational behavior, business ethics impact a company at three different levels. These levels are personal, professional, and organizational. Also similar to organizational behavior, they three levels are all linked together and each one influences the other two.

Personal Ethics

Personal ethics are determined by each individual. Personal ethics may be determined by religious practices or how someone was raised. While professional and organizational guidelines may influence personal ethics, they are not one and the same. Personal ethics is the most diverse level of business ethics because each individual person has a different set of values and beliefs. Since personal ethics differ from person to person, professional and organizational ethics help to establish parameters and guidelines for individuals to follow in the workplace.

Professional Ethics

Professional ethics is the idea that individuals in their job field have extensive knowledge and experience which prepares them to work within certain industries. This training equips them to know business ethics standards for their line of work. For example, a doctor knows better than to violate HIPAA by sharing a patient's medical information. And a teacher is taught to never be alone with a student. Neither of these examples may be something considered on a personal ethics level, however, they are expected on a professional level since their schooling and training has covered the information.

Organizational Ethics

Lastly, an organization's ethics are established and then implemented company wide. Organizational values are external indicators used to ensure a company is behaving ethically. However, the foundation of organizational values is grounded within the internal culture of the company. Organizational values can positively or negatively impact productivity, morale, the community, and the list goes on and on.

Training your employees can greatly increase their (and your!) understanding of ethical behavior in business.

So what are some examples of ethical issues? There are a wide range of company policies, behaviors, and practices that can fall into an ethical category. Let's explore a few of them.

- **Fraud.** Fraud is a big ethical no-no for companies. Fraud is participating in any type of bribery, insider trading, misrepresentation of a product, etc.
- **Sustainability.** Sustainability is another ethical idea many companies are participating in today. Helping to minimize a company's carbon footprint is an important ethical decision for organizations.
- **Diversity.** Diversity is another example of business ethics. Think back to the diversity lawsuits we discussed in the last module. Each of those examples were in violation of business ethics.
- **Exploitation.** Exploitation can include the environment, the population, the government, etc. Taking advantage of questionable situations can lead to ethical dilemmas. Finding a tax loophole for example may be legal, but it doesn't mean it is ethical.

If not handled ethically, each of these categories can have a harmful effect on the community and the organization. It is also important to consider how each individual within the organization can have an impact on a company's reputation. Establishing a code of ethics and training employees to fully understand the importance of making ethical decisions is essential to a successful company. We will explore how to implement these things in the upcoming sections. For now, let's move onto the next section to explore recent ethical investigations.

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Recent Ethical Investigations

Ethical violations and investigations are ever present in today's world. Unfortunately, not everyone learns from the mistakes of others which can cause history to repeat itself. In this section we will explore some business ethics scandals over the last 20 years, and what happened to the companies and people who caused them.

ENRON—2001

Enron was at the center of one of the most infamous ethical scandals to date. Enron was an energy trading and utilities company headquartered in Houston, Texas. For years, high level executives at Enron fabricated their books to hide massive losses. In 2001, the Securities and Exchange Commission (SEC) announced their investigation into Enron's accounting practice. At the end of 2001, Enron filed for bankruptcy after their stocks dramatically dropped from $75.09 in February to $0.26 in December.

After their investigation, the SEC filed charges against high level Enron executives who knowingly manipulated accounting rules. The CEO and CFO were charged with 46 counts which ranged from conspiracy, fraud, money laundering, and insider trading. In the process, the Enron scandal also destroyed a large auditing firm, Arthur Andersen, who overlooked and helped conceal accounting inconsistencies and fraud.

BERNIE MADOFF—2009

Bernie Madoff had an extensive background in finance, even helped to establish the Nasdaq stock market and used this credibility to convince thousands of wealthy investors to give him their savings. Although he promised a high payoff, in reality Madoff was running an elaborate Ponzi scheme and cheated his investors out of $65 million. He was charged with 11 counts of fraud, money laundering, theft, and perjury and is currently serving his 150-year prison sentence. Madoff is infamous for the most expensive Ponzi scheme in history.

SCOTT THOMPSON, YAHOO!—2012

In 2012, Scott Thompson was brought on as Yahoo's new CEO. Within a few months after he started his role as CEO, an activist group challenged Thompson's credibility and qualifications for the job. After a quick investigation, Yahoo! learned that Thompson did not have a computer science degree as he claimed he did when he applied for the job. While this may seem like a little white lie, it was a brazen act of deception. Not only was it concerning that he lied on his resume, but it was equally, if not more concerning, that the board did not properly corroborate any of his qualifications. Thompson willingly resigned as CEO in May of 2012.

BILL O'REILLY & 21ST CENTURY FOX—2017

In early 2017, it was reported that Bill O'Reilly had paid off multiple women to keep them quiet about sexual harassment accusations. There were five women who were said to have been paid millions to keep quiet about any interaction with O'Reilly. Advertisers for the Bill O'Reilly show quickly pulled their ads from his show and 21st Century Fox removed O'Reilly from his position in April. Although O'Reilly and his show were canned neither O'Reilly or 21st Century Fox admit to any wrongdoing.

EQUIFAX'S DATA BREACHES—2017

In 2017, Equifax, a credit rating firm revealed that it had been hacked and roughly 145 million people's information had been compromised. To make matters worse, it was revealed that Equifax was aware of a system flaw that allowed the hackers to gain access to their systems. Even worse, they knew about the breach but waited two months before making it public knowledge. In addition, right before the breach was made public, executives sold around $1.8 billion in company shares. Since the scandal, many high leveled executives stepped down and there is still a pending investigation into insider trading.

ELON MUSK, TESLA—2018

Elon Musk, Tesla's CEO, got himself into trouble with a tweet in 2018 claiming that Tesla had secured funding to take the company private. The tween explained that Musk was considering it and that the stock price would be $420 a share. This tweet was not accurate and the SEC began investigations with the idea that Musk's tweets had the potential to sway the market. Both Musk and Tesla were each fined $20 million and greatly damaged both Musk's personal and Tesla's company reputations. After the scandal, Musk was removed from his chairmanship.

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BEHAVING ETHICALLY

What you'll learn to do: Describe the methods to encourage ethical behavior in contemporary organizations

As you read in the last section, ethical violations can happen on an individual or corporate level. It is imperative to implement ethical standards and behaviors throughout every level of business operations. An ethical company begins with smart hiring practices and onboarding processes. It then continues into the company's code of ethics and company-wide training to help foster and promote an ethical environment.

Ethical behavior requires accountability from all levels of the organization and needs to be audited and enforced on a daily basis. Unethical decisions and actions can have a detrimental effect on an organization and it is up to each individual to ensure ethics is at the cornerstone of every business decision.

LEARNING OUTCOMES

- Examine smart hiring methods
- Discuss the importance of a company's code of ethics
- Examine how training can impact ethical behavior
- Describe how upper management impacts ethical culture

Hiring Ethically

Companies place a lot of resources into their hiring process as it is a fundamental part of a successful company. The human resources department spends many hours on each new hire selecting who they believe to be the correct individuals for the job. But when the right person is not hired for the right job, chaos can ensue.

A bad hire can be toxic to a work environment—hiring the wrong person can negatively impact morale, productivity, and company standards. Consistently making bad hires effects multiple levels of an organization.

While the hiring process can prove to be lengthy, the process of terminating an employee is equally, if not more, strenuous. Unfortunately, hiring a new

employee isn't a simple or inexpensive process. Therefore, it is critical to use smart hiring practices to increase your odds of hiring and retaining the right person for the right job. When a company is unable to retain new employees, it leads to a lot of wasted time and energy.This section will examine some smart hiring practices and how they are beneficial to the hiring process.

Roadblocks to Making a Good Hire

Before we dive into the different types of smart hiring practices, let's examine some roadblocks to making a good hire:

- If a company is desperate to fill a position, they are more likely to rush through the hiring process and focusing more on filling the void rather than hiring the right person. Therefore, a short staffed company is oftentimes at a greater risk for making a bad hire and continuing the turnover trend.
- Companies often make decisions heavily on resumes and how a candidate looks on paper. Although a resume is a great place to start, candidates' GPAs, resume buzzwords, and where they went to school do not always tell the whole story. A candidate's interview should play a much larger role.
- Interviewers often have different ideas of who they'd like to fill a position. There should be a system in place to properly evaluate a candidate's interview. If there are multiple people participating in the hiring process, it is important to have a streamlined way of ensuring fair and consistent hiring practices. This can include a rubric system that evaluates how well a candidate performed based on their responses.

Smart Hiring Practices

Now let's review some smart hiring practices. First, you need to make sure you partner with the departments who have spots to fill to fully understand the type of employee they are looking for. Meeting with their team to create a list of qualifications and behavioral needs is the first step to ensuring you have a clear picture of the type of person that would work well on the team. You can then use this description and list of desired traits to start searching for the best candidate. The next step includes creating a smart recruiting process. Once a recruitment plan is in place, you are ready to start the search! While collecting resumes, now is the time to screen candidates and pull the ones with proper qualifications aside. It is also a great time to prescreen your candidates to help narrow down your applicant list. Once you have a pool of qualified candidates, it is time to start the interview process.

It is important to remember that how you interview a candidate can make or break your success rate. A behavioral-based interview style is a great way to better understand how a person would act in certain situations. Behavior-based questions help gain insight into how people would perform in the future. If you only ask questions based on the candidate's resume, you will miss your opportunity to get a full picture of that person. Here are some behavioral-based interview question examples:

- Describe a stressful work situation and how you handled it.
- Tell me about a time you used logic to solve a problem.
- Tell me about a time you did not meet your goal. How did you handle that?

Personality tests are another great way to gain a deeper understanding of the candidate. Personality tests can help hiring teams determine how candidates would contribute, or take away from, a team. Learning about someone's negative personality traits may be helpful in avoiding making a hiring choice that could turn out to be toxic to a team environment. On the other hand, learning about a candidate's positive personality traits may help guide the team to find the perfect placement for the candidate. We will discuss personality traits further in the next module.

After the interview, it is time to run a background check and follow-up on their references. This step should either solidify your hiring decision or force you to find another candidate. These additional checks can help ensure you are hiring an ethical candidate who will bring value, not conflict, to your company.

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It is important to remember that there is no such thing as a perfect hiring system. There is a chance you will go through all the "right" steps and still end up with a candidate who is not the best fit. However, having a smart hiring process in place will help increase your chances of finding the right candidate for the job.

Code of Ethics

Before we can understand why a code of ethics is important, we need to first understand what a code of ethics is. In school, you probably had to sign a student code of conduct. In these documents, rules and regulations for your behavior were outlined. The school created this document to make sure their students knew exactly how they were expected to behave. Similar to a student code of conduct, businesses have a code of ethics they use to help guide the behavior of their employees. While not every company is required by law to have one, a code of ethics has become an expectation by today's standards. Since a code of ethics is such an extremely helpful tool for an organization, it makes sense for all companies to create one, regardless of legal obligations.

A code of ethics should include a company's mission, values, and principles. A code of ethics allows a company to connect these important components to clear professional expectations and standards. It is a framework from which the entire company should operate and should reference on a daily basis. A code of ethics also gives actionable ways to measure performance. The clear guidelines and values included in a company's code of ethics can be used to help promote and educate employees. While a code of ethics is a great internal guide for a company, it is also an important external declaration. Externally, a code of ethics informs the public of the company's values and goals. It is a way for outsiders to learn about a company and hold it accountable to its promises.

So how do you implement a code of ethics within an organization? There are many answers to this question. The exact way in which to apply a code of ethics may differ greatly from company to company; however, there are a few key trends. First, the code of ethics needs to be delivered to all employees in some way. It can be an electronic copy or a hard copy, depending on preference. A company should give time for all employees to review the code of ethics and ask any questions they may have. Training is the next step to ensuring proper implementation of a code of ethics. We will discuss the training portion in more depth in the next section. After training is held, every employee that received the training and a copy of the code of ethics should sign the document to verify their understanding and commitment.

The last step in implementing a code of ethics is the reinforcement of the code. After employees have been trained and signed the code of ethics, they are now under obligation to abide by the code. It is the responsibility of everyone in the company to enforce the code of ethics. If you observe unethical conduct, it is your responsibility to report it immediately. It then becomes the responsibility of the management and human resources teams to handle ethics violations according to company policies.

PRACTICE QUESTION

Let's move onto the next section where we will further explore the importance of training to ensure ethical behavior.

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Training for Ethical Behavior

Could you imagine starting a new job and receiving zero guidance on how to perform your job functions? There would be a lot of confusion and frustration. In addition, there would not be any consistency in day-to-day operations. Job training is imperative to creating an effective workforce that is able to meet goals and required output. Without training to align all employees with company policies and procedures, a company would suffer tremendously.

Training is also a fundamental part of implementing a code of ethics. Without training, parts of the code of conduct may be left up to interpretation. Training will help to ensure that every employee is on the same page about their obligation to the code. It is also a great way see a variety of ethics-violation scenarios. Seeing examples of ethics violations and being able to ask questions can be a wonderful learning opportunity. So why is it so important to train employees on every aspect? A code of ethics is the foundation on which a company operates. If employees of the company are not fully aware of the code of ethics and its expectations, it creates a weak foundation. Although it takes time to train everyone, training is a critical part of implementing a successful ethical culture.

Training can occur in many different ways. Some companies hold large group training sessions, others prefer one-on-one training or online training modules. Regardless of how a company decides to train their employees on the code of ethics, a refresher course should also be made available. Some companies retrain their employees on their code of ethics every six months or every year. This is done to ensure everyone understands the code of ethics' expectations and has the opportunity to refresh their knowledge on the subject. A lot can happen in a year, and it is a good idea to reexamine expectations to help realign and guide employees moving forward. A code of ethics should be used as a daily guide for members of an organization. Although it may not be referenced every day, it should still be at the forefront of employees' minds when making daily decisions. Therefore, it should not be a document discussed one time during training, but rather a living, breathing document that is used at all levels of an organization on a regular basis.

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Training employees on the code of ethics and how to report violations is key to implementing the code of ethics on the ground level. It is equally important to train the management team on how to handle enforcing ethical conduct on their team. Management ethics training should include how to handle an ethics violation report from an employee. If management does not know how to process a complaint or violation, the code of ethics is compromised. If they do not properly handle violations, they will continue to occur without repercussions. Managers play a big role in ethical culture. We will discuss their role further in the next section.

Creating an Ethical Culture

Each organization is responsible for creating and fostering ethical culture. The organizational level of a company creates a code of ethics to support the company mission statement and business principles. It is then passed down to every level of the organization to align everyone to the same goals. Individuals are then responsible for using the code of ethics to guide their daily decisions. So does it end there, where individuals are responsible for acting independently under the guidance of the code of ethics? In some ways, yes. Individuals are responsible for their own actions and decisions. However, management also plays a big role in helping to foster an ethical environment.

Management at the highest level creates the company code of ethics. They are the first level of management to influence company culture. It is up to them to ensure the code of ethics aligns with all of the company's values and principles. As we discussed in the last section, the human resources management team is next in line to help implement the code of conduct by developing training programs for all employees to attend. They are also responsible for enforcing the code of conduct through managing ethics violation concerns. While the top dogs in the company and human resources each have a large role to play, the lower-level managers are equally important.

Managers interact with their team on a regular basis. Therefore, they tend to have a better idea of what ethical culture looks like in their department. It is up to managers to reinforce ethical standards on their team. The best way for a leader to create an ethical environment is to act ethically themselves, to lead by example. That is the number one responsibility of leaders. When a leader is acting ethically, they become a role model for other employees. In addition, it gives them credibility and makes them more approachable. If someone witnesses an ethics violation by a coworker, they are more likely to report it to their manager if the manager follows ethical guidelines. It is then up to the manager to continue up the chain of command to report ethical concerns. If a report of an ethics violation is swept under the rug, more than likely, the unethical behavior will continue and possibly worsen. It is up to the management team to follow all policies and procedures in place to handle ethical concerns. There need to be repercussions in place for unethical behavior. On the other hand, it is wise for management teams to reward ethical behavior. This can help to create a positive incentive for acting ethically.

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It is also important to note that even one manager or employee has the ability to damage a company's reputation. Earlier in this module, we examined recent lawsuits and investigations; these cases are the perfect example of how even a few employees can destroy ethical culture and company reputation. Consistency in how ethics violations are handled is key to developing a strong ethical culture. If some ethical concerns are addressed while others are not, it creates inconsistencies that may suggest that unethical behavior is sometimes tolerated. Unethical behavior should never be tolerated. It is up to the management team, on every level, to enforce each component of the code of ethics and lead their team to do the same. Without a strong ethical management team, companies face an uphill battle to establishing an ethical culture.

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PUTTING IT TOGETHER: ETHICS IN BUSINESS

Ethical culture can propel a company to the next level. Unethical behavior can destroy a company's culture and reputation. Understanding how to foster an ethical environment is critical to establishing a successful company. Ethical concerns are not limited monetary issues like money laundering, fraud, or embezzlement but also include behavioral issues like discrimination or harassment. It is critical to know how to properly identify and address any ethical concern. Both employees and managers alike play an important role in developing an ethical culture with their company code of conduct at their guide.

Let's revisit Luke and his real estate ethical dilemma. By representing both the buyer and the seller, he is not transparently performing the sale. In an industry where he is paid to be an advocate, it is impossible for him to advocate for both sides. Luke faces consequences through a severely damaged reputation, loss of clients, and possible civil lawsuits. So is the additional commission worth the risk of unethical behavior? An ethical individual would ague no.

In order to avoid lawsuits and a ruined reputation, companies must put ethics at the forefront of their business policies and practices. Utilizing the information in this module will help you avoid ethical violations when you enter into the workplace. Regardless of the role you play in a company, you are partially responsible for the condition of their ethical culture.

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MODULE 4: INDIVIDUAL PERSONALITIES AND BEHAVIORS

WHY IT MATTERS: INDIVIDUAL PERSONALITIES AND BEHAVIORS

Why learn to recognize the importance of valuing individuals' differences

Brad works for a marketing firm in Kansas City, Missouri. He has worked for the company for over 15 years and is very talented at his job. He has recently been promoted and now runs the marketing team for a number of the company's largest clients. Brad is a very direct individual, and is extremely comfortable giving feedback, even unsolicited. During every team meeting, Brad is quick to shut down ideas and is known for giving harsh, personal feedback during his teams' presentations. Although he is one of the most tenured, no one goes to him for help or advice because they fear he will use it as an opportunity to point out every professional and personal flaw.

Since Brad was promoted to leading the marketing team, employee morale and productivity have dropped significantly. Is this a matter of clashing personalities? Or is Brad too abrasive and brutal in his communication style and feedback techniques?

Personality traits play a role in every relationship. Individual personalities help to form an organization's culture and image. Therefore, every successful organization relies heavily on the personality traits of its employees. While everyone has a different personality, there are certain traits and characteristics that are common amongst individuals. Understanding these similarities and differences can help you to better understand your coworkers, your team, and even your supervisors and bosses.

It is also important to make a connection between personalities and behavior. Certain personality traits can be used to predict behavior. This is why smart hiring practices are so important. It is equally, if not more, important to hire based on behavioral based interview questions and personality questionnaires as opposed to hiring solely on previous experience. Being aware of how personality traits influence behavior can be extremely beneficial to your success in the workplace. This module will deep dive into the idiosyncrasies of personality traits and how certain ones can negatively or positively impact an organization. Let's get started!

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PERSONALITY AND BEHAVIOR IN THE WORKPLACE

What you'll learn to do: Describe how individual personality and behavior impacts the typical contemporary work experience

Every work environment is different. While there may be similarities between them, every organization is comprised of different people which creates a unique groupings of personalities. While every organization is different, there are certain similarities we can discuss to comprise a "typical" contemporary work experience. Understanding personality traits is the key to predicting behavior and understanding how situations can influence individuals.

As we have discussed in many of the previous modules, organizational behavior operates on three levels. This section will also evaluate how work experience can differ at each level. Keep in mind while reviewing this section that there are outliers to every situation. The first part of this module will examine a typical work experience and how to best understand and navigate it.

LEARNING OUTCOMES

- Examine personality traits
- Discuss how personality traits can influence or predict behavior
- Discuss situational influences on personality

Personality Traits

Recognizing your personality traits is the first step in successfully achieving your goals. Being able to capitalize on your strengths and also understanding how to strengthen your weaknesses is the cornerstone of success. When we use our personality to make decisions best suited for ourselves, we are more likely to find long-lasting happiness and satisfaction. Similarly, understanding the personalities of others will help us to form stronger relationships.

In some ways, finding someone with differing personality traits can be beneficial. Relationships involving individuals with opposite personalities can challenge each person to view situations from a different perspective. In the workplace, differing personality traits are important to creating a diverse workplace where creativity and varying ideas can thrive. At the same time, it is also important to surround yourself with people who have similar core beliefs, values, and goals. If you are generally a positive person but choose to surround yourself with negative people, you will most likely become more pessimistic. This type of toxic personality trait can be detrimental to the workplace. Hiring employees while taking their personality into consideration (through behavioral based interview questions, personality tests, etc.) can help foster an inclusive and positive work environment.

Before we dive into the varying types of personalities and how personality traits can be categorized we first need to address the difference between personality and character. Though the two are often used interchangeably, they are indeed two different topics. Personality is fairly easy to identify early in a relationship. Even when just first meeting someone, it is easy to tell if that person is outgoing, talkative, funny, or energetic. It is also easy to determine if someone is boring, negative, or shy. On the other hand, character traits such as loyalty, honesty, kindliness, etc. are harder to identify immediately upon meeting someone. Character traits require experience with an individual to fully understand and interpret their choices and actions. While having a strong character is extremely important for any strong relationship, for the purpose of this section, we will focus primarily on personality.

Thousands of personality traits have been identified over the years. It would be nearly impossible to find an effective way to identify each and every one of an individual's personality traits. To help streamline the process, multiple types of personality tests are available to help individuals recognize their strengths, preferences, communication style, among many other important characteristics. Let's look into some of the most popular personality tests used today.

Myers-Briggs Type Indicator

First, let's examine the Myers-Briggs Type Indicator (MBTI). This test was created by Isabel Myers and her mother, Katherine Briggs. They made the first assessment in the 1940s based on their familiarity with Carl Jung's theory on personality types. Myers and Briggs did not intend to point out people's flaws but instead aimed to help people better understand themselves so they could live a happier life. They used four different scales in their assessment:

1. What energizes you and gets you excited?
    - **Extraversion (E):** Are you a person who draws energy from the outside world of people, things, activities or interaction most of the time? (Keywords: external, outside thrust, talks out, thinks of many things, involved with people/things, interaction, action, do-think-do)
    - **Introversion (I):** Are you a person who draws energy from the internal world of ideas, emotions or impressions most of the time? (Keywords: internal, inside thrust, hold back on comments, thinks deeply of few things, involved with own thought, work alone, reserve, think-do-think)
2. Where do you put most of your attention?
    - **Sensing (S):** Do you prefer to take in information through the five senses, noticing what is here and now most of the time? (Keywords: The five senses, what is real, practical, present orientation, facts, using established skills, utility, step-by-step)
    - **Intuition (N):** Do you prefer to take in information through a "sixth sense," noticing what might be most of the time? (Keywords: sixth sense, hunches, what could be, theoretical, future possibilities, insight, earning new skills, novelty, leap around)
3. What do you value most when making a decision or judgment?

- **Thinking (T):** Do you prefer organizing and structuring information and deciding in a logical, objective way most of the time? (Keywords: head, logical system, objective, justice, critique, principles, reason, firm but fair)
- **Feeling (F):** Do you prefer organizing and structuring information to decide in a personal, value-oriented way most of the time? (Keywords: heart, value system, subjective, mercy, compliment, harmony, empathy, compassionate)

4. What do you show outwardly most of the time?
   - **Judging (J):** Do you prefer living a planned and organized life and are strong on decision making most of the time? (Keywords: plan oriented, regulate, control situation, settled, run one's life, set goals, decisive, organized)
   - **Perceiving (P):** Do you prefer for living a spontaneous and flexible life and are strong on information gathering most of the time? (Keywords: spontaneous oriented, flow along, adapt to situation, tentative, let life happen, gather information, open, flexible)

Based on how they answered questions in each category, participants receive a four letter code using one letter from each of the four categories listed above (e.g., ISTJ, ENFP). These four letter codes categorize individuals into 16 different personality types.

LEARN MORE

If you are interested. you can take the Myers-Briggs Type Indicator test online.

The Big Five

Another popular way to assess a person's personality is the The Big Five. The Big Five is a psychology based assessment that focuses on five wide-ranging categories that describe personality. The acronym used for The Big Five is OCEAN and include openness, conscientiousness, extraversion, agreeableness, and neuroticism.

Openness

People high in openness are more likely to be creative thinkers and enjoy taking on new activities and challenges. People low in this trait tend to be less imaginative and may not do well with change.

Conscientiousness

People high in conscientiousness are good at planning ahead, organizing details, and meeting deadlines. They are also mindful of others and understand how their decisions and actions can influence those around them. People who are low in conscientiousness procrastinate on or fail to complete tasks. They also tend to be shy away from schedules and live unorganized lives.

Extraversion

People high in extraversion enjoy meeting new people and inserting themselves into gatherings and conversations. They tend to make friends easily and have a large group of friends. People low in extraversion,

also known as introverts, prefer seclusion over company. They also try to avoid small talk and being at the center of attention.

Agreeableness

People high in agreeableness show a genuine concern for others. They are known for helping others in need and feeling empathy for the struggles of others. On the other hand, people low in agreeableness tend to act rude and inconsiderate towards others or even use manipulation to put their own needs above anyone else.

Neuroticism

Someone high in neuroticism tends to be very moody, stressed, and anxious. They may get stressed and upset easily. People low in neuroticism tend to be emotionally stable and do not allow stressors to effect their mood.

PRACTICE QUESTION

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Each personality test we discussed are used today to help companies better understand their employees or employee candidates. It is important to remember that there are thousands of different personality traits. Each individual has their own unique set and combination of personality traits. While each of the personality tests we discussed in this module are effective in their own right, there is no exact science to identifying each and every personality trait present in an individual. In addition, many personality tests are based upon an individual's self-assessment and results may differ from day to day. Personality tests may help to confirm things you already believed to be true or they may open your eyes to a side of yourself you didn't realize existed. Let's move onto the next section to examine how an individual's personality can help to predict their choices and behavior.

LEARN MORE

Check out these pages to learn more about personality:

- "Personality vs. Character," *Psychology Today*
- "Myers-Briggs Type Indicator: The 16 Personality Types," *Verywell Mind*
- "What Are the Big 5 Personality Traits?" *Verywell Mind*

Personality and Behavior

As we discussed in the last section, personality traits do not fall under a one-size-fits-all category. Every individual has their own unique personality that helps to form their outlook on life and shapes their interactions with others. Imagine being able to take an individual's personality fingerprint and predict how they would act in any given scenario. While seeing into the future is impossible, using personality traits to predict an individual's behavior is on the spectrum of possibilities.

Personalities have been studied and discussed dating back to Ancient Greece and Roman times. Research has been conducted for years and years to try to determine how to properly predict behavior using an individual's personality traits. However, in the 1970s, after years of research and testing, psychologists Daryl Bem and Walter Mischel had limited success in making consistently successful predictions (Note: McAndrew, Frank T., Ph.D. "When Do Personality Traits Predict Behavior?" Psychology Today. October 2, 2018. Accessed April 16, 2019. https://www.psychologytoday.com/us/blog/out-the-ooze/201810/when-do-personality-traits-predict-behavior.). Their frustrations led them to believe that situational factors and stressors were more responsible for decisions than an individual's personality.

So which is it? Is it personality or the situation that plays a leading role in influencing a person's behavior? The short answer is both. Many people expect a clear-cut answer to the question. However, that is an impossible task when it comes to predicting behavior. It is important to take into account the individual's personality in addition to the situation they find themselves in. The next section will discuss how situations can influence behavior, but for the purpose of this section, let's explore the benefits and limitations of using personality to predict behavior.

Personality traits are all on a spectrum. The more extreme an individual is on the spectrum, the easier it is to predict their behavior. Since many personality tests focus on broad traits (OCEAN for example), there is a wide range for interpretation. Let's look at introverts versus extraverts as an example. Everyone falls somewhere on the introvert vs. extravert scale. Even if you are more of an extravert than an introvert you may still not be considered a very outgoing person. Depending on the group of individuals you find yourself with may also change others' perception of you. For example, if you are surrounded by extremely extraverted people, you may appear to be introverted, even though you consider yourself an extravert. Similar to weight or height, everyone has a measurement unique to them but it may appear to be higher or lower when compared to that of others. According to McAndrew, (Note: Ibid.)

> Research has shown that the more to one of the extremes a person falls on a trait, the more consistently the trait will be a factor in his or her behavior.

It is also important to take into consideration that observing personality traits in multiple scenarios can be more accurate in predicting behavior. Trying to make a prediction based on a single interaction does not paint a completely accurate picture of an individual. Being able to observe the varying degrees of an individual's personality can help to better understand a person and determine the best way to maximize their strengths and support their weaknesses.

PRACTICE QUESTION

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So how is predicting behavior helpful in the workplace? Using personality traits to form workgroups and teams can be extremely beneficial in the long run. As we discussed in previous modules, diversity is important to success. At the same time, pairing together like-minded individuals can help to promote efficiency and collaboration. Using personality traits and tests to form teams can help to bring together a beautifully balanced group. It is important to keep in mind; however, that observing an individual's personality multiple times may provide additional insight into how they operate. It is extremely important to utilize new found information and observations to rearrange team dynamics.

Personality traits alone cannot successfully predict behavior. Situations also play an important role in determining how an individual will act. Let's move onto the next section to better evaluate and understand the role situations play in determining behavior and influencing personality.

Situational Influences on Personality

Certain situations and circumstances can influence a person's day in a positive or negative way. Depending on the circumstance, a normally positive person may become more negative. On the other hand, a traditionally pessimistic person may appear to be more positive. So how is this possible? You have experienced both triumphs and tribulations in your lifetime and whether or not you realized it, they most likely impacted the way you acted and altered your personality for that period of time. It is human nature for emotions and personalities to differ depending on what is happening in our lives.

Even if we are not aware of what others may be going through, it is reasonable to assume that certain situations in the lives of all individuals impacts their personality. For example, you are out with friends, and you see your friend Lorenzo, who is the most extroverted person in the group, crying in the corner. Does this mean Lorenzo is no longer an extravert but rather an introvert? Or could he be crying because he just heard some upsetting news? Chances are, the latter option is a more realistic one. While the news may have changed his personality during that social setting on that day, it most likely did not alter it permanently.

Let's look at another example. The coworker you disagree with most, Kayla, who constantly argues against your ideas, comes into work Monday morning with a pep in her step. At your team meeting, she completely supports your proposed project idea and offers to help execute it. Has Kayla turned a corner and has decided to end the feud between you two? Possibly. But odds are there is something in her life that has temporarily altered her personality. What you may not know, is that over the weekend her all time favorite team won the Super Bowl. Her excitement from the day before spilled over into Monday, presenting a much version of Kayla that seems to like you a great deal more.

These are just two small examples of how situations in people's lives can alter the way they act. People can also change their personality based on who they're around. If the person you're with makes you uncomfortable, you're not likely to be very talkative and offer up good conversation. However, if you're on the phone with a friend you haven't talked to for awhile, you're likely to have an animated conversation.

PRACTICE QUESTION

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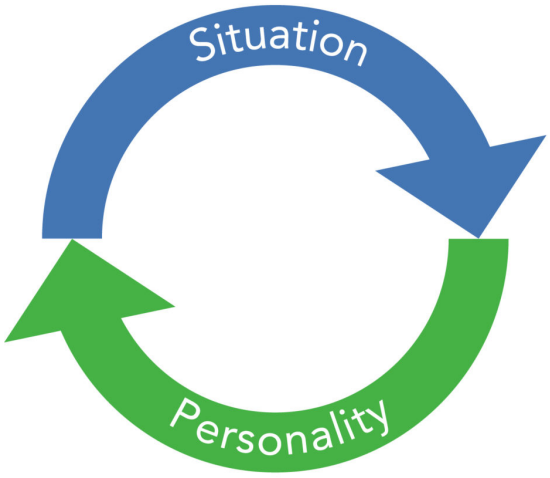
If situations can influence personality and personality can predict behavior, then situational influences also contribute to predicting behavior. It also brings into question whether or not personality traits are consistent since they are easily influenced by situations. In 1968, Walter Mischel published a book entitled *Personality & Assessment*. In his book, Mischel argued that an interactionist approach was best suited when exploring personality, situations, and behavior. This interactionist approach believes that both personality and situational circumstances create behavior. In addition, Mischel explained that personalities tend to differ across a range of situations (personality at work versus home); however, they keep consistencies within similar situations (work meetings). This revelation created an upset in the traditional view of personality by arguing that personality stability and instability can each exist at the same time. (Note: Tweten, Carol. *Intraindividual Personality Change: Situational Influences, Patterns of Change, and Frequency-based Measurement*. Master's thesis, University of Northern Iowa, 2014. https://scholarworks.uni.edu/cgi/viewcontent.cgi?article=1076&context=etd.)

There are two main correlations to remember here:

1. Situations can influence an individual's personality.
2. An individual's personality paired with the situation can help to predict behavior.



Companies can use these correlations to create stronger and more efficient teams. While unique circumstances may arise, understanding personality traits is the first step in developing a strong organization.

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WORKPLACE INFLUENCE ON INDIVIDUALITY

What you'll learn to do: Describe how the modern workplace can both homogenize/conform behavior, and encourage individuality and personal expression

Today's workforce is a balancing act. It is important to promote diverse thinking while also aligning all employees to the company mission and goals. It is important to streamline processes within an organization while also allowing room for creativity and out-of-the-box thinking. So how can a company successfully balance all of these expectations?

In this section, we will explore a variety of strategies companies can use to become both more unique and more uniform. While this sounds like an oxymoron, it is actually a feasible goal. By outlining acceptable behavior, companies can set guidelines for their non negotiable company standards. It is also important to understand that diversity and individuality are not the same. While they each have their benefits, they should not be used interchangeably. We will also explore different management approaches that can be used to better develop an organization. Finally, with the continued growth of technology in the workplace, it is important to understand how technology can impact organizational behavior. Understanding its influence can help companies to better prepare and adapt to challenges. Let's jump in and explore conformity versus individuality in the workplace!

LEARNING OUTCOMES

- Examine how individuality and conformity work together in the modern workplace
- Describe how companies narrow the range of acceptable behavior
- Describe the individualized management approach
- Discuss the impact a technology driven workplace has on organizational behavior

Individuality vs Conformity

Diversity and individuality are vital components of today's workforce. Differing perspectives and experiences have the ability to meld together and create a more productive workplace.

There is a huge push in today's society for support of individuality in the workplace. The idea behind the importance of promoting individuality is that if people feel supported and have the ability to do their job the way they want to, they are more likely to enjoy their work. Employees with high job satisfaction are more likely to perform better for the company.

Therefore, if a company wants to be more successful, they should let employees do what they want at work, right? Well, not exactly.

Equally as important as diversity is a company's ability to bond their employees together and work towards common goals and values. To do this, companies need to have regulations and guidelines in place to help streamline and regulate output standards and maintain brand integrity. Therefore, both individuality and conformity are important to modern organizations but balancing the two may prove to be challenging.

Fostering an environment of diversity and individuality is important but it also needs to be done within parameters. Allowing employees to come to work and perform when and how they want to is not conducive to running a successful business. This is where conformity comes into play. Conformity is typically defined as the expectation of employees to adapt to company policies and standards and use traditional business practices to complete job functions. This type of outlook is what gives conformity a bad wrap. Successful conformity in today's workplace does not include limiting individuality and forcing employees to conform to societal norms. Instead, conformity includes setting boundaries for which employees are expected to complete their job functions. Both the MBO strategy and competency models we discussed in the last section are examples of conformity guidelines to help direct employees towards company goals. In this case, conformity is not the evil villain but is instead a sidekick to help lead employees to reach success and meet expectations.

PRACTICE QUESTION

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As we discussed in Module 3: Ethics In Business, the easiest way to narrow the range of acceptable behavior for ethical concerns is to create and enforce a code of conduct. There are also legal guidelines and standards to consider when making decisions. While these are both great examples of outlining acceptable behavior, there is much more a company can do. Acceptable behavior does not simply mean "right" or "ethical" behavior. It should also include quality of work standards, meeting deadlines, working well on a team, etc. These types of expectations may not be as cut and dry as ethics, but there are tools leaders and organizations can use to help guide their teams to act within the limits of acceptable behavior.

First, let's explore the idea of **Management by Objective (MBO)**. The main idea behind MBO is the importance of goal setting. MBO can be practiced on varying levels at different organizations. Some companies may follow its outlines very strictly and others may use it as a general guideline when developing goals. In general, the focus of MBO is to have employees and supervisors work together to set clear and realistic goals. Instead of passing down orders from one level to the next, using MBO creates an opportunity for an open dialogue around the task at hand and the best way to accomplish it. (We'll talk about MBO again in Module 6: Motivation in the Workplace.)

When creating goals within the MBO strategy, it is important to create SMART goals. SMART stands for **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**ime-bound. By using this goal setting standard, you are able to create realistic goals and have details in place to hold your team accountable to meeting them. Working together to create goals gains the buy-in of everyone involved and helps maintain accountability for those responsible.

Competency models are another way to define and outline acceptable behavior. Competency models define requirements for job success. These requirements include both the knowledge and skills required to perform the job. Many competency models also have varying degrees of success outlined. There are standards set for successfully completing a job and other standards in place to show when an employee goes above and beyond the job expectations. These differing expectations can help a company identify employees that are average versus great.

Competency models are extremely useful to everyone within an organization but specifically within the human resources departments. These models help to create job openings with clear descriptions of what is expected of the candidates. Equally as important, competency models help to develop training and development courses to ensure employees have what they need to be successful in their position. Finally, competency models are used to assess employee performance during employee reviews. Competency models should be discussed and provided on day one and used as a guideline while an employee is performing their job functions. Therefore, reviewing each part of a competency model should easily reveal whether or not an employee met the company's expectations.

Companies that utilize both MBO and competency models are setting both their managing team and employees up for success. By clearly outlining and discussing expectations and goals, organizations are able to narrow the range of acceptable behavior and minimize confusion. Establishing clear standards and goals makes it easier for companies to identify top performers and also makes it easier to identify employees that need additional assistance or those that may not be a good fit for the organization.

EXAMPLES OF CONFORMITY IN THE WORKPLACE

Examples of conformity in today's workplace include but are not limited to: working hours expectations, dress codes, compensation guidelines, code of ethics, and timely communication expectations. Each of these components may differ from company to company. Companies may also choose to change parts of these guidelines to better meet the needs of their employees.

For example, companies may choose not to have a strict dress code and promote a casual workplace in order to allow people to dress how they prefer. However, that same company may still have dress code regulations in place to prevent people from coming to work barefoot or wearing clothes that are too revealing. Another company may allow their employees to work from home two days a week while still having a 24 hour or less response time in place for all communication. The point is, regulations differ from one organization to the next and may not allow complete freedom for employees to do whatever they want. While employees may advocate for a policy change, they must still follow company guidelines until a change has been made or they may face consequences.

PRACTICE QUESTION

It is important to keep in mind that when applying for any job there are certain company expectations you will be asked to comply with. This is how companies maintain their brand integrity, company reputation and desired output. While individuality is welcomed on many levels (differing communication styles, varying approaches to a

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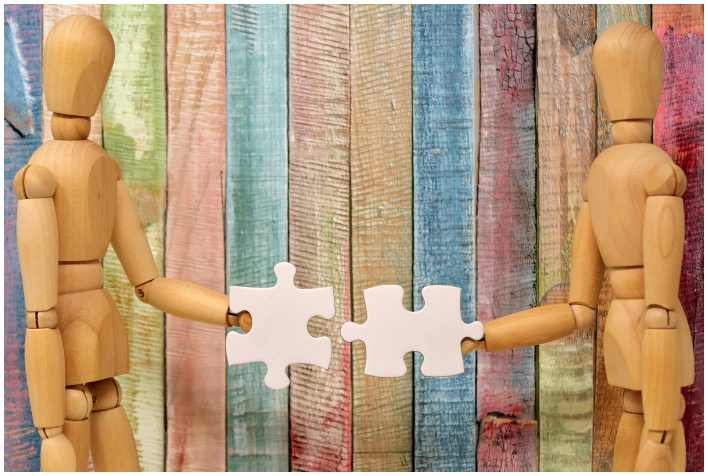
project, innovative ways to tackle a problem, etc.) it must still fall within the general parameters of the company's guidelines and regulations.

While individuals can influence the modern workplace in a variety of ways, it is important to keep in mind that all three levels of influence in organizational behavior are at play in every workplace. As we just discussed, individuality is important to a successful company. At the same time, group and organizational guidelines and regulations equally shape the workplace into what it is today.

Individualized Management

When asked what type of company college students want to work for when they graduate, a common answer includes working at a place where the student believes they can make a difference and feel valued. Finding meaningful employment seems to be a top priority for many individuals entering the workplace today. In previous decades, people tended to value company longevity over meaning; their primary goal was to work their way up through the ranks. Nowadays, with more visibility into company actions than before, there is a big focus on finding a company that is right for each individual.



So how can the business world piece together the intricate puzzle of the right employee for the right job? Today, not only should applicants market themselves to companies, but companies need to also market themselves towards the types of employees they want working for them. Applicants can show their personal brand through a resume, networking, and interviewing. So how does a company present itself as a desirable place to work?

First, it is important for a company to let employees be themselves. As we have discussed in many previous sections, fostering a diverse work environment is the first step to allowing individuality in the workplace. However, an individualized management approach takes it a step further. For example, allowing employees to choose their own hours or wear what they want to the workplace allows for a truly individualized work experience. While these are not globally accepted ideas, they can be extremely beneficial to fostering a happy and healthy work environment.

Encouraging an environment where opposites can work together and thrive allows all employees to feel valued and work together towards common goals. In this case, opposites does not simply include people from different cultures, but rather people with differing intellectual abilities and expertise. This means creating a workplace where the artistic and the analytical can work together without conflict, to create, market and sell products. Arup, an engineering and design firm responsible for the Sydney Opera House and the Beijing Water Cube, go to great lengths to incorporate people from all specialties into their planning process. They describe it as a holistic approach that incorporates not only engineers but also artists, scientists, politicians, etc. to view a project from every perspective and consider all possibilities and ideas when working on their projects. (Note: Goffee, Rob, and Gareth Jones. "Creating the Best Workplace on Earth." *Harvard Business Review*. May 2013. Accessed April 17, 2019. https://hbr.org/2013/05/creating-the-best-workplace-on-earth.)

PRACTICE QUESTION

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Another groundbreaking strategy Arup uses is their unique employee development model. While managers provide clear expectations to their employees, they do not provide clear guidelines on how to meet those expectations. Instead, each individual employee is able to decide on their own how they want to achieve the task at hand. Furthermore, there is not a set promotional standard or path in place for employees. Instead, each individual is responsible for their own development and success with support from the company.

WAITROSE

Waitrose, an extremely successful British food retailer, is also making waves with their individualized management approach. Waitrose is a full cooperative, meaning every employee owns a stake in the company and has a direct share in the company profits each year., which has worked out really well for Waitrose. They have extremely high customer and employee loyalty and it is easy to see why. In addition to being a cooperative, Waitrose takes fostering individuality to the next level. Waitrose will help cover the cost of employees exploring new hobbies. For example, if you want to learn to play a musical instrument, Waitrose will help pay for it. (Note: Ibid.)

The idea behind this wildly unusual program is that by fostering hobbies Waitrose is also supporting an inclusive culture where employees feel comfortable being themselves. In turn, employees will be happier, perform better, and provide an extremely positive experience for customers. While these may be extreme examples, it goes to show that utilizing an individualized management approach over a one-size-fits-all approach can be extremely beneficial for a company's morale and bottomline.

Technology and Organizational Behavior

How does technology impact your daily life? How long could you last without your cell phone, your computer, your television? Just as technology influences your daily life, it also influences the modern workplace. Watch the video below to better understand just how much technology affects every aspect of an organization.

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As you can see, technology has an impact on every aspect of the workplace. Let's further explore some major categories where technology plays a leading role.

Communication

Technology has made communication easier than ever before. Long gone are the days where you send a letter and wait for a written response or have to use an operator to connect a call. Emails, texts, interactive documents, and video conferences all make communication easier and faster than ever before. Electronic communication brings another level of complexity to an organization as inflection and tone is much harder to detect in text versus a face-to-face conversation. Utilizing concise and friendly electronic communication can be challenging but is extremely important to maintaining a professional work environment.

Workplace Environments

Technology has shifted the way the workplace looks today. While many people still go into the office for their workday, other employees have the option to work remotely. Some companies even operate strictly online and do not require a brick and mortar workplace. In addition, video conferences have replaced in-person meetings and changed the dynamic of many professional, working relationships.

Organization and Efficiency

Technology allows companies to be more organized than ever before. Filing a document can be done instantaneously and retrieved just as easily. The speed of the internet and the availability of technology allows for a much more efficient workday. Documents can now be signed electronically and sent wherever they need to go quickly. Training and development can now be offered online and allows individuals to complete training on their own time, eliminating the need to work around many schedules to conduct a training event.

Accessibility

Technology enables people to be constantly in touch with their work. Email and smartphones oftentimes prevent people from unplugging from their job. While this can be avoided by setting aside technology when you are off work, some companies now expect an immediate response to questions or concerns. While for some this may be a welcomed advantage, for other it can potentially lead to burnout and frustration. Accessibility of technology is a necessity for almost every organization. A power outage or lack of internet access can completely shut down a company.

PRACTICE QUESTION

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PUTTING IT TOGETHER: INDIVIDUAL PERSONALITIES AND BEHAVIORS

Organizations are comprised of individuals all working together to achieve a common goal. While the three levels of influence are all at play on a daily basis, understanding a company at the individual level can lead to greater success. Each person has their own unique set of personality traits. Understanding how a person's personality can influence an organization is extremely important when establishing teams and assigning tasks. Being able to utilize each individual's strengths will help to promote a more efficient work environment and a happier company culture.

Let's take a look back at Brad and his marketing team. In this case, this one individual, Brad, has a large impact on the overall culture and success of the team. Although he is one person, his inability to provide helpful, constructive feedback is a huge setback for their team. His extreme personality type should have been taken into consideration before promoting him to a position where he is responsible for such a large team. Understanding your employees' personalities will help leaders to determine where to best place individuals to thrive not only as an individual, but also on a team.

It is important to foster individuality and ensure each employee has an opportunity to showcase their strengths. At the same time, organizational unity is equally as important. By providing clear guidelines and expectations, companies are able to create boundaries to help align employees towards company goals. Conformity in an extreme sense may be detrimental; however, when paired with a focus of supporting individuality, it creates a formula for success!

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MODULE 5: ORGANIZATIONAL CULTURE

WHY IT MATTERS: ORGANIZATIONAL CULTURE

Why learn about the impact organizational culture has on individuals and the workplace?

Organizational culture is present in our daily lives. Whether or not you recognize it, organizational culture can be found in every family unit and in any group dynamic you are a part of. Understanding how culture is developed can give insight into each working part of an organization. There are both internal and external factors that contribute to an organization's cultural identity. Recognizing these factors and learning how to adjust them to change culture is a valuable skill to have, not only in your personal relationships, but also in your professional ones.

The ability to identify a positive or negative company culture can assist you when applying for jobs and when deciding on a career path. While organizational culture can change, there are a number of internal and external factors that need to be considered and adjusted in order to successfully invoke change. Organizational culture may seem like a fancy business term but you will soon learn that it plays a role in your everyday life.

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DEFINING ORGANIZATIONAL CULTURE

What you'll learn to do: Discuss the definition and levels of organizational culture

You're likely pretty familiar with the word culture. Perhaps you've studied a foreign language, and learned about the culture of its native speakers. Or perhaps you've heard individuals talk about other people as cultured (or uncultured!). Any group has a unique culture based on its individuals and surroundings.

An organization's culture can be influenced by various factors, but before we dive into the influences, let's take a moment to define and understand what organizational culture is. Organizational culture incorporates beliefs, values, and priorities that contribute to an organization's environment. Organizational culture is a complex concept to fully dissect and differs from one organization to the next.

LEARNING OUTCOMES

- Discuss organizational culture
- Describe the levels of organizational culture

What is Organizational Culture?

Before we can explore the factors that influence organizational culture, we must first understand and define organizational culture. Take a moment to consider your thoughts on organizational culture. Is organizational behavior and organizational culture the same thing? Do they have things in common or are there correlations between the two? Once you have written down a couple notes on the topic, review the video below.

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Is organizational culture what you thought it was? Let's explore further the different components of organizational culture.

Organizational culture sets the tone for an organization. It depicts acceptable behaviors and defines the appropriate way to act. Culture is formed by an organization's values and beliefs which are infused throughout the organization from upper management through entry-level employees. Culture sets the stage for everything an organization does and helps to outline their operational procedures. Since there is such a wide variety of industries and organizations, there is no exact right or wrong type of culture to have. Organizational cultures will

differ from business to business just as the organizational culture within family units can be dramatically different from one family to the next.

So if there is no perfect, one-size-fits-all culture for an organization, how does organizational culture impact a company's success? In order to dissect this, we first need to discuss the varying degrees of company culture. While every organization has a culture all their own, some cultures are stronger or weaker than others. A company with a stronger culture, centered around their values and mission, tend to be more successful than companies with a lackluster approach to their values and goals. It is not enough to simply establish a mission, values and goals; instead, these components must be integrated into every daily process and ingrained within every member of the organization.

PRACTICE QUESTION

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Imagine a sports team where each player is focus on their own preferred way of doing things. If everyone on the team is operating differently, will they be successful in a game? Most likely not. If each player is focused on their own objective as opposed to the mission of the team, it is evidence of a weak culture. To help strengthen the culture, the coach needs to bring the team together and realign everyone to the team's mission. While there will still be players responsible for different roles, by communicating a game plan and guiding the team along the way, the coach has the opportunity to strengthen the culture and overall success of the team. But it doesn't end there. Culture is not something that can quickly be changed. It requires constant follow-up and follow-through in order to both change and maintain culture. Organizational culture needs to be nurtured and valued throughout an organization in order to establish a strong and healthy culture.

Before we explore external factors that influence organizational culture, it is important to mention that a strong culture can be a bad thing for an organization if it is built on a corrupt foundation. Just as positive values and goals should be infused in an organization, bad habits and condoned bad behavior can permeate into the culture of an organization. If not handled in a quickly and timely manner, unethical or corrupt practices may become part of an organization's culture.

Organizational culture incorporates how a company operates on every level. In order to truly understand an organization's culture, you must be able to dissect each component. The first step to a deeper understanding of organizational culture is to define and understand external and internal factors that influence organizational behavior. Let's get started by exploring external factors and the role they play in establishing culture.

Levels of Organizational Culture

Edgar Schein presented three levels of organization in his 1991 article "What is Culture?" He grouped organizational culture into three levels including artifacts, values, and underlying assumptions. Watch the video below to learn more about Schein and his interpretation of organizational culture.

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To recap, Schein created three levels of organizational culture. First, at the top of the pyramid are artifacts. While they have been defined as the visible part of an iceberg, they are hard to decipher. Artifacts include organizational structures and processes that are apparent and visible. Right below the top of the iceberg, in the middle of his cultural pyramid is the values level. Values include the "why" behind why a company operates the way they do. It includes company goals, strategies and philosophies that drive a company's mission. Finally, the level that is the hardest to understand is the bottom of the pyramid which Schein labels "underlying assumptions." These underlying assumptions create the foundation for the values and artifacts levels. They take time and energy to fully decipher and understand and include thoughts, beliefs and perceptions that establish culture (Organizational Communication Channel, 2017).

In 2019, Granter used Schein's pyramid idea and added a level above the artifacts level. Here is a breakdown of his interpretation of the organizational culture pyramids:

Table 1. Levels of organizational culture (Source: Granter, 2019)	
Levels of Organizational Culture	**Manifested through**
1. Superstructural/ ideological	Acceptance of dominant national economic regimes. Reactions to social and economic change.
2. Symbolic (Artifacts)	Corporate logos, uniforms, rituals, stories, events, "heroes," posters, buildings, layout, purported organizational structure.
3. Discursive (Values)	Buzzwords and phrases, renaming roles/unites, "culture change," values and culture explicitly espoused by the organization, technical or professional norms and rules. Rules imposed by the organization.
4. Affective and cognitive (Underlying assumptions)	Workers' sense of identity, attitudes towards and feelings about the manifestations of levels 1–3, trust in organizations' espoused versions of 2–3, understanding of the "reality" of working in the organization. Tacit knowledge of how things work.

As you can see, Granter argues there is an even broader version of culture than that of artifacts. According to Granter, the super-structural level takes into account social and economic change and the influence they have on the entire organizational cultural pyramid. Both Schein and Granter present a new level of complexity to organizational culture and help to explain its intricacies and innerworkings.

PRACTICE QUESTION

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EXTERNAL FACTORS OF ORGANIZATIONAL CULTURE

What you'll learn to do: Describe the external factors associated with organizational culture

There are two types of factors that influence organizational culture: internal and external. External influences and factors play a large role in how organizations choose to operate. Understanding these external factors and how companies need to adapt to them will help explain the inner workings of an organization. While there are a number of internal factors also at play, external factors help to shape how organizations choose to manage and account for internal factors.

Let's get started by first defining and exploring organizational culture and then diving into the number of factors that can influence it!

LEARNING OUTCOMES

- Describe external factors and their influence on organizational culture
- Analyze how organizations can manage external factors

We experience external factors and regulations in our everyday lives. When we drive, we follow speed limit signs to avoid a ticket. When we shop, we have to pay a mandated sales tax. We can be refused service at a restaurant if we arrive without our shoes or our shirt. These are all small examples of how external factors influence our daily lives and the decisions we make. While external factors are outside of our control, they still influence us and creates boundaries in which we need to operate. The same goes for organizations.

Organizations would prefer to control every aspect of their operations, and rightfully so! However, there are a number of external factors at play which do not allow organizations to have complete control over every piece. Let's explore some of these external factors and the influence they have on organizational culture.

Political Factors

There are a variety of ways in which politics can influence organizational culture. On a large scale, Congress creates laws and regulations that may change the way an organization operates. Even if the organization may disagree with a law, they are still legally obligated to abide by it. On a smaller scale, relationship politics may also influence culture. Competing against other organizations for clients or market share can be political in nature and influence the way an organization chooses to operate. Politics on a small or a large scale can change company goals and objectives and the way they choose to work towards them.

Economic Factors

The economy plays a role in our everyday lives. How much money we make, how much money we spend, wants and needs, competitive pricing, etc. are all factors in financial decisions we make on a daily basis. Organizations are also heavily influenced by economic factors. A market crash or a recession will directly impact the sales of an organization. When people are no longer able to afford a product or choose to spend their money elsewhere, companies are directly impacted. On the other hand, companies are affected when the economy is good and people are able to spend or invest more money. Adapting to the changes in the economy and being able to adjust organizational strategies to accommodate for them, is essential to company survival.

Industry Factors

In every industry, there are a number of competitors. The actions your competitors take may influence the decisions you make within your own organization. Being able to adjust company culture to adapt to your competition is necessary to ensure company longevity. Other industry factors include updated industry standards and safety requirements that change over time. Ensuring compliance with industry standards requires adjusting company objectives to realign the business.

Social Factors

Public opinion and societal expectations are large external factors that force companies to reevaluate how they operate. If the public has a negative perception of your organization, it could have a detrimental impact on your company's bottom line. Society has high expectations for organizations to be socially responsible. Social responsibility incorporates a wide variety of topics including community outreach, diversity promotion, sustainability, and high ethical standards. Each of these topics need to be incorporated into a company's culture in order to be successful. With the scrutiny of the public and instant access to information through technology, companies are well monitored by society.

Technology Factors

Technology is a huge part of today's workforce. It is constantly updating and changing, making it challenging at times for companies and their employees to keep up. Technology is an important external factor of organizational behavior. It has dramatically changed how companies do business over the years and it continues to make waves with every new technology innovation. Incorporating technology into the organizational culture of every organization is important to develop and maintain a successful, state of the art company.

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As you can see, there are a number of external factors that influence how a company chooses to operate. It is important to note that external and internal factors directly affect each other. A company's internal factors characterize their relationship with the public. Understanding their internal goals and objectives can help a company better explain or present themselves to society. Both internal and external factors impact each other through the changes they facilitate within the organization. A successful company utilizes both internal and external factors to introduce change and communicate changes effectively to their team and society.

Managing External Factors

Companies are not able to eliminate external factors but they do have the ability to manage them. First and foremost, organizations need to stay well-informed on up-to-date information. With daily changes within industry, the economy, and society, there is a lot of information to keep up with. Establishing roles within a company to research and report on new information is a great way to delegate a very important task. For example, some organizations have a research and development team that is responsible for researching and creating new products. Human resource teams may be held responsible for keeping up-to-date with information around hiring laws or wage laws. These individuals would be required to share their findings and help to create a plan to accommodate for these changes. Without a system in place to ensure the latest information is shared and discussed, companies may face compliance issues or lose a competitive advantage.

Education is another way to manage external factors. For example, sustainability is a popular topic in today's society. If a company chooses to become a more sustainable organization, it is important for them to establish a training and development program. A training and development program can help instill sustainability within the culture of an organization. An initiative like sustainability needs to be instilled and enforced throughout every level of an organization in order to be successful. The same goes for any new initiative a company would like to implement. Training should accompany any new law or policy change that changes how an organization operates. By educating all organization members, companies can better implement change.

Managing relationships is another important part of managing external factors. Developing healthy relationships with customers and suppliers is extremely beneficial. Customers are at the heart of most organizations. Without customers, most companies would not exist. Creating a good customer relationship allows organizations to understand how they can better meet customer needs. Customers are external factors that greatly influence the operations of an organization. Having a strong relationship with suppliers is also an important way to manage external factors. Providing clear expectations and needs to your supplier can alleviate future problems. Regulators are another group of individuals companies should foster a working relationship with. Examples of regulators include the health department, the FDIC, and the local fire marshal. Having a working relationship with these organizations and individuals can help organizations stay informed and aware of new policy changes or current issues within the organization that need to be addressed.

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Whenever there is an external factor requiring change, organizations need to adapt their internal operations in order to accommodate. The next section will discuss and evaluate internal factors that influence an organization's culture. As you read the next section, keep in mind the external factors we discussed and how they can be addressed through the use of internal factors.

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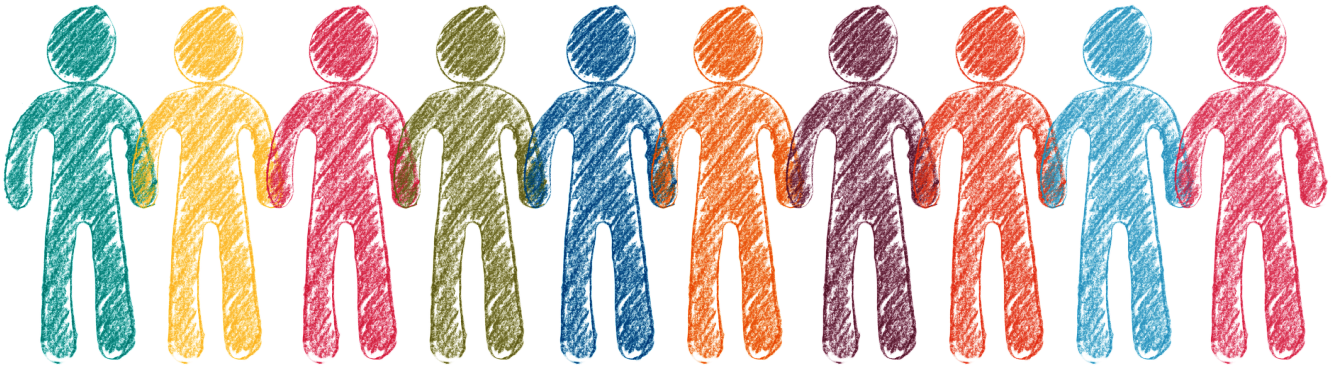
INTERNAL FACTORS OF ORGANIZATIONAL CULTURE

What you'll learn to do: Describe the internal factors associated with organizational culture

There are many obstacles and challenges organizations face on a daily basis. This section will explore a variety of internal factors and how they contribute to organizational culture. Identifying these internal factors and understanding how to influence them to change culture is a valuable life skill. Organizational culture can be found within every family unit, every friendship, school system, corporation, or wherever there is a group dynamic. Understanding factors associated with organizational culture can help you to better navigate relationships in your everyday life.



LEARNING OUTCOMES

- Describe internal factors and their influence on organizational culture
- Discuss organizations' methods for developing and maintaining culture
- Describe the progression of workplace design

Internal Factors

The best part about internal factors is that organizations control them. In this section, we will explore different types of internal factors and examine both how they influence organizational culture and how an organization can influence them.

Employees

People are a huge internal factor that impact organizational culture. As we discussed in previous sections, every individual has a unique set of personality traits, backgrounds and experiences. While organizations cannot fully control individuals and the way they act, they can use guidelines and mandated expectations to help guide the behavior of their employees. A mission statement, code of ethics, and policies and procedures guidelines are among a large number of documents and standards organizations use to help foster and direct their employees.

Organizations also have control over who they hire. Even one bad hire has the potential to negatively impact organizational culture. By developing a hiring process that focuses on making smart hiring decisions, organizations are better able to hire individuals that embody the vision and mission of the company. This is crucial to maintaining and promoting a strong culture.

Leadership

Organizational culture is outlined at the highest level of an organization and then communicated, supported, and enforced throughout every other level. Therefore, leadership is a big internal factor that drives culture. A poor leader can have a detrimental impact on company culture. A bad leader who disregards the rules and behaves as they please sets a terrible precedent and gives permission for other employees to behave the same way. Leaders should lead their teams by example and set the standard for expected behavior. In addition, they should be comfortable to course correct employees who stray from the path of desired behavior and performance.

Capability & Support

As we discussed in external factors, training and development is a big part of a successful organization. The best way for a company to support their employees is to provide them with the support and training necessary to complete their job functions. Employees who are supported and have the capabilities to complete their job are generally happier and more satisfied with their company. By hiring qualified candidates and continuing to support their education and training, organizations can have a positive impact on their culture.

Nature of the Business

Each industry has differing focuses that help to shape their organizational culture. An accounting firm will have different standards and expectations than an art gallery. While certain ethical concerns may be universal, the nuances within each industry will look different. These differences will help to shape the culture within organizations.

Resources & Technology

Providing employees with the necessary resources to complete their job is a non negotiable for a successful company. When organizations are unable or refuse to provide their employees with necessary resources, they are met with disgruntled and frustrated employees. A lack of resources has a negative impact on company culture and can create an unsatisfactory work environment. By providing resources, organizations can better support their employees to complete their jobs more efficiently.

Technology can be considered both an external and internal factor. Internally, technology can play many roles. Since technology is a large part of day-to-day interactions, it is important for organizations to create policies and procedures to clearly outline electronic communication expectations. In addition, technology is a modern resource that is necessary to complete a number of job functions. Providing employees with updated devices, software, technology support, etc. will improve employee morale and create a happier and more efficient culture.

PRACTICE QUESTION

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Developing and Maintaining Culture

The last section examined a number of internal factors that influence organizational culture. But how do organizations manage these factors? While some examples were discussed in the last section, there are other documents and procedures organizations can use to develop and nurture their culture. This section will explore a variety of methods organizations should use to create a foundation for a strong company culture.

Vision Statement

An organization's vision statement is a broad explanation of what the organization aspires to be. This is not the time to provide detailed goals or explanations but rather a way to inspire employees and customers alike to be a part of the journey. Vision statements are directional and should give insight into where the company is heading. Check out the examples below to gain a better understanding of the broad yet inspiring nature of visions statement: (Note: Skrabanek, Britt. "Difference Between Vision and Mission Statements: 25 Examples." ClearVoice. August 19, 2018. Accessed April 24, 2019. https://www.clearvoice.com/blog/difference-between-mission-vision-statement-examples/)

- Google: To provide access to the world's information in one click.
- AirBnB: Tapping into the universal human yearning to belong—the desire to feel welcomed, respected, and appreciated for who you are, no matter where you might be.
- Toyota: To be the most successful and respected car company in America.
- Southwest: To become the world's most loved, most flown, and most profitable airline

Mission Statement

There is a common misconception that vision and mission statements are the same thing. However, unlike vision statement, mission statements should clearly define the purpose of your organization. Mission statements focus on what the organization needs to do in order to achieve their vision. While the vision and mission statement work together, the vision statement is broader and focuses on the future whereas the mission statement is more specific and focuses on the now. Below are mission statements from the same four companies we discussed earlier. Compare the vision and mission statements to see how they are closely associated yet different all together: (Note: Ibid.)

- Google: To organize the world's information and make it universally accessible and useful.
- AirBnb: Belong anywhere.
- Toyota: To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America.
- Southwest: The mission of Southwest Airlines is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.

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Both vision and mission statements mold organizational culture and provide parameters and goals for employees and leaders to work towards.

Code of Ethics/Values Statement

Code of ethics and values statement are used interchangeably. The purpose of a code of ethics is to clearly outline acceptable and unacceptable behavior. Providing behavioral guidelines for employees helps companies align their teams and streamline their processes. A code of ethics also helps to ensure every member of an organization is acting ethically and maintaining the organization's brand.

In addition to setting guidelines, a strong code of ethics should clearly explain how the organization plans to enforce it. The code of conduct should be followed and exemplified in every level of an organization. There should be audits in place to check for ethical behavior and correct any unethical actions immediately. This audit system should be unbiased and consistent. If something is considered a violation of the code of ethics, it is a violation no matter who commits it. Consistency and follow-through are essential to creating a strong and ethical culture.

A vision statement, mission statement, and values statement all work together to align an organization. These three pieces play a crucial role in outlining acceptable behavior and outlining organizational goals. Without these three things, an organization would fracture and fall apart.

Policies & Procedures

Policies and procedures differ from one workplace to the next. Simply put, policies and procedures are created to streamline processes and outline expectations. These can be specific to certain departments or job titles and should be a framework for employees to abide by. While the code of ethics primarily focuses on ethical and unethical behavior, policies and procedures focuses on how to complete important job functions. Watch the video below to better understand why policies and procedures are so important!

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Workplace Design

Like technology, the workplace is constantly adapting and changing. Over the last century, the workplace has undergone a number of transformations. So why is it constantly changing? How complicated can an office space be? As we have discussed in other modules, productivity is essential to running a successful company. In order to increase and promote productivity, companies have changed their office spaces to better accommodate employees, ramp up motivation and increase efficiency. In this section we will discuss a number of different workplace designs and examine the rationale behind each of them. Some may be very familiar to you and others may seem very foreign. Let's get started!

Defined office spaces date back to the Romans, who created designated places for individuals to work. While labor intensive jobs were extremely common, the Romans felt it was important to provide a place for men who used their minds and not their hands to make a living. Over the centuries, office spaces have changed drastically but still have the same goal: to provide a designated workspace for people to perform their job tasks efficiently.

In the early 20th century, Taylor's Scientific Management Theory, which we discussed in Module 1, inspired "Taylorism" office spaces. Taylorism office spaces were large rooms with wall to wall tables where people worked directly next to each other. Managers monitored the room from their offices which surrounded the large working spaces. The entire motivation around the Taylorism office spaces was to increase productivity. Later in the 20th century, with the rise of large buildings and skyscrapers, more space became available. Workspaces changed to include a mix of open working spaces and private offices and also included common areas like kitchens and eating spaces where employees could gather and recharge. This new, modern office design is best exemplified in Frank Lloyd Wright's design from the Johnson Wax Building in 1939. This state-of-the-art design incorporated bright lighting, sound absorbing materials and warm, inviting spaces. Not only were Wright's work places beautiful, they were also practical. Watch the video below to learn more about the rationale behind Wright's design.

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By the 1960s, an office trend from Germany called Burolandschaft (translates to “office landscape”) became popular in the United States. It reverted back to a more open workplace, allowing employees and managers alike to socialize more easily. Burolandschaft was intended to replace a rigid office design with a more organic and natural vibe. Partitions were replaced with plants and the walkways through the office were reimagined to promote socialization. Many components of Burolandschaft are still apparent in today’s modern workplace. In the 1960s, more women were entering the workforce which brought additional changes to the workplace. For example, many women began requesting “modesty boards” which was a board that covered the front of their desks, concealing their legs. While these were subtle changes, they made an impression on workplace design.

The next popular workplace design trend is now known as the Cubicle Farm. This was a drastic change from the open workspace design and the ideologies of Burolandschaft. Cubicles were inexpensive and allowed organizations to compact employees together in smaller spaces with the hopes of minimizing overhead costs and maximizing productivity. Cubicles created tiny work spaces for employees and minimized visibility and ease of interaction between coworkers. With the rise in computer technology, cubicles remained popular for decades. Some organizations still rely heavily on cubicles today.

This leads us to office spaces as they are today. Technology advancements allow ease of mobility with the vast variety of electronic devices. Employees no longer need to be chained to their desks but can ultimately work from anywhere with a laptop, cell phone and internet access. These advancements inspired the changes in workplace designs as they are today. Open work spaces with multiple seating options but no individually dedicated workspace is a popular trend today. Fun activities have also been incorporated into the work space including video games, bikes, fuse ball, pool, rock climbing walls, etc. While some may view these as distractions, other view them as helpful brain breaks that allow employees a change to decompress.

People could argue that one type of office space is better than all the others, but there are benefits and shortcomings of each one. Watch the video below to see a critique of the modern workplace.

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So, what are your thoughts? Would you prefer to work in one work environment over another? Or are there components of each one that could be combined to create the perfect workspace? Only time will tell how the workplace continues to evolve and change.

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PRACTICE: ORGANIZATIONAL CULTURE

LEARNING OUTCOMES

- Discuss the definition and levels of organizational culture
- Describe the external factors associated with organizational culture
- Describe the internal factors associated with organizational culture

Now that you've learned about the importance of organizational and the factors that impact it, let's take a look at a company working to change their organizational culture.

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PUTTING IT TOGETHER: ORGANIZATIONAL CULTURE

Organizational culture is not a simple concept to grasp. There is no one-size-fits-all template and even the slightest internal or external factor can change the culture of an organization. Understanding the levels of organizational culture and the factors that influence them can help you be more successful within an organization.

Every piece of a working environment helps to define and establish culture. Being aware of the role you play in influencing culture can help you to create a better one. On the other hand, being able to recognize signs of a poor culture and having the ability to determine ways to correct it is an invaluable leadership quality. Understanding organizational culture will make you a better employee and a better leader.

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MODULE 6: MOTIVATION IN THE WORKPLACE

WHY IT MATTERS: MOTIVATION IN THE WORKPLACE

Why learn about motivation in the workplace?

The 2017 "State of the American Workplace Survey," conducted by Gallup, showed us some enlightening information. That is: (Note: Gallup, Inc. "State of the American Workplace." Gallup.com, www.gallup.com/workplace/238085/state-american-workplace-report-2017.aspx.)

- 33% of employees in the workforce were engaged
- 51% of employees were disengaged
- 16% of employees were actively disengaged

You read that right! A full 67% of our American workforce is disengaged in their work. They aren't feeling it! And because of that, productivity and profitability are probably lower than they could be for organizations.

Motivation for employees is key for organizations that want to maximize productivity and profit. Luckily, research provides us with a number of insights into how to improve employee motivation.

The manager who has a clear understanding of motivation, including its components and basic theories, can begin to pull the right levers within an organization to create rewards for employees that stimulate engagement.

Think about your workplace, and how much more successful your company—and you—would be if that other 67% were engaged and motivated . . .

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MOTIVATION IN ORGANIZATIONAL BEHAVIOR

What you'll learn to do: Describe how "motivation" operates in organizational behavior

Motivation is one of three key performance elements. In fact, research suggests that performance is a function of ability, motivation and opportunity:

Performance = Function {Ability × Motivation × Opportunity}

Ability refers to a person's or a team's ability to perform a task. Opportunity refers to the timing and situation around the task. For instance, if a hospital sets out to be known for successful heart transplants, it must have a team of surgeons that are skilled in performing transplants (ability), and there must be adequate space and equipment to perform transplants, as well as patients who need them (opportunity). Managers have little influence over ability, and they can only somewhat influence opportunity.

Can managers influence employees to be more productive by understanding their sources of motivation, or even creating sources of motivation for their employees? Most researchers agree that the answer to that is yes. Motivation isn't a stable state of mind, and what motivates an employee right now might not be the same a year later. But researchers don't necessarily agree on the best way to accomplish that—and perhaps there is not one best approach.

Motivation is one of the most researched topics in organizational behavior, because a manager's ability to influence employee motivation can directly affect an organization's bottom line.

LEARNING OUTCOMES

- Describe motivation
- Discuss the individual components of motivation
- Discuss the work components of motivation
- Discuss the organizational components of motivation

What is Motivation?

People often equate unmotivated people with being lazy. Do you think this is really true? For instance, consider Danny, a student that gets poor grades in history. He's not interested in his textbooks, doesn't want to read. He's intelligent, sure, but he doesn't do the reading needed to get As or even Bs. You might say Danny is unmotivated about reading or say that he's lazy. But when the latest comic book in his favorite series comes out, he's the first in line to purchase it, and he reads it from cover to cover the first chance he gets and then a couple of times more before he finally puts it down. He's memorized lines, carefully considered the storyline, and messaged friends speculating where he thinks the storyline might be going. Nothing lazy or unmotivated about that!

Motivation results when an individual interacts with a situation. It's a state of mind where the individual determines the level of desire, interest and energy that will translate into action. (Note: T.R. Mitchell, "Matching Motivational Strategies with Organizational Contexts," *Research in Organizational Behavior*, vol 19 (1997))

Motivation = Intensity + direction + persistence of effort

Let's take that definition a little further. **Intensity** refers to how hard a person tries to achieve his or her goal. Danny clearly enjoys reading and does a lot of it—his intensity for reading is high, but his intensity around history is low.

Direction refers to the area to which an individual focuses his efforts, and the quality of those focused efforts. The direction of Danny's reading—that is, reading comic books instead of textbooks—is poor. When he reads his textbooks, the quality of the effort Danny puts into the activity is also poor. He doesn't commit lines to memory or absorb themes like he does when he reads comic books.

Finally, there is **persistence**, or the amount of time an individual can maintain the effort to achieve a goal. Danny is an avid reader and will continue to read as long as his favorite authors and artists produce new issues and series. He's persistent about that, but it remains to be seen if he'll return to his textbooks and try to read those. Right now, Danny opens up his textbooks and tries to read, but he doesn't try for very long. His level of persistence is not where it needs to be to consider him "motivated."

A person's motivation changes from situation to situation and over time. Perhaps Danny's motivation to read his text books will change if he finds he's about to be expelled. Or maybe as the semester continues, he'll find he's more interested in history than he originally thought, and those textbooks will become easier to read. He'll then alter his intensity (reading more history), his direction (focusing on school and setting comic books aside), and he will persist in efforts to learn the material. Motivation will have changed.

In addition to individual attitudes, motivation also considers a person's needs. Needs are based on personality, values and relate to things that a person desires. In Danny's case, he values and desires the entertainment of reading a comic book more than he values and desires good grades. Over time, he may risk losing a scholarship because of bad grades. Basic needs, like paying for his dorm room and a meal plan, might be threatened if that scholarship money were to go away. He needs to stay in school and graduate, so his values and desires may shift and cause him to read his textbooks.

So, there seems to be two factors at play in motivation in an individual. One is a behavioral aspect, the intensity + direction + persistence part that a person brings to the table, that's existing inside him or her. There is also a factor that people are motivated to fill their needs—food, shelter, and more complex needs, too. It's easy to see how motivation is a very individual thing.

Motivating People at Work

Now, let's take motivation into the workplace. Motivation is important to managers because it leads to action and is one of the three key elements of performance. More importantly, it's a variable that can be influenced, because motivation is not a stable state of mind. Managers who can influence motivation can increase performance.

We already understand that motivation is very individual, and what motivates one worker will not necessarily motivate another. When a manager adds workplace components, like job design and work environment, and organizational components, such as company culture and workplace politics, it becomes even more challenging to understand how to motivate an employee to produce.

The Expectancy Framework

Yale University Professor Victor Vroom is an authority on the psychological analysis of behavior in organizations and he proposed a basic expectancy framework. We can use this basic framework to understand the components of motivation better.

The expectancy framework assumes that motivation is a cognitive process and considers how workers feel about their efforts and how they're related to performance and outcome. Yes, you read that right. It's about how workers **feel** about these things, not necessarily how they really are, because it's an employee's perception of events that's important here. Managers should understand how their employees feel about a situation if they're going to motivate them.

The framework is basic in that employees feel their efforts lead to good performance, and good performance leads to outcomes (see Figure 1). This seems pretty simple. Employees who understand that their effort yields good performance and outcomes will be motivated!

Figure 1

But what about Danny and his motivation to read? Does he not understand that effort reading his history text yields good performance on a test, and thus the outcome of a passing grade? You're right, this model doesn't quite speak to motivation yet. Let's add in a couple more components.

First, there is **expectancy**. Expectancy asks, "Will more hard work achieve this goal?" This is the individual's perception as to how difficult the target goal is to accomplish, or how much effort will need to go into accomplishing it. Next, **instrumentality** comes into play. Instrumentality asks, "Will the outcome/reward actually be delivered as promised?" Finally, there's **valence**. Valence asks, "Is this reward worth the work?"

Figure 2

MARIJA'S SALES TEAM

Marija, a new sales manager wants to incentivize her sales team to hit its Q4 sales target. She offers a $1,000 reward to whoever is the top sales person at the end of the quarter.

Expectancy: "Will more hard work achieve this goal?"

Talented individuals on the sales staff are excited about that $1,000 bonus, thinking that they only need to add one or two more deals to the ones that are already going to close, and they could be the one to grab the prize.

However, Karen, who is closer to the bottom of the pack may decides that the work she would need to do in order to win simply isn't feasible, and decides it isn't worth it to put additional work in.

Instrumentality: "Will the outcome/reward actually be delivered as promised?"

Two years ago another sales manager proposed the same bonus plan, and the whole idea was dismissed as Q4 came to a close. One of the highest performing members of the team, David, had achieved the goal for the quarter, but he was not awarded the money, and told that it was due to the fact that he'd been on a performance improvement plan. Marija will need to work with her team to ensure that they trust that the promised outcome can be achieved.

Valance: "Is this reward worth the work?"

Is the $1,000 bonus to the top performer enough? One salesperson might think, "Wow, I can pay off my credit card with an extra thousand dollars" and be very motivated to try for the top spot. However, another salesperson might think, "That's not a lot of money, really. Only about $650 after taxes." The reward is not as motivating for that second salesperson.

Adding the elements of expectancy, instrumentality and valance help us understand how individual perception figures into the expectancy framework. Now, let's use that expectancy framework to help us understand the three components of motivation—individual, workplace and organization.

PRACTICE QUESTION

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Individual Components of Motivation

When managers reviews their team members, the biggest difference they may see in each individual is what motivates them.

Intrinsic and Extrinsic Motivators

For an individual there are intrinsic (internal) and extrinsic (external) motivating factors.

- **Intrinsic** motivation comes from within, and it's usually driven by individuals' needs to do something for themselves. Each person has unique desires: they may want to learn a language or skill, or reach a goal of finishing a 5K in a certain amount of time. Intrinsic motivation is the reason why people climb mountains. (It's not because they're there!)
- **Extrinsic** motivation comes from an external source. People may work a second (or third) job because they need additional money to pay the bills. Children may apologize to another child for not sharing their toys to avoid punishment from their parents.

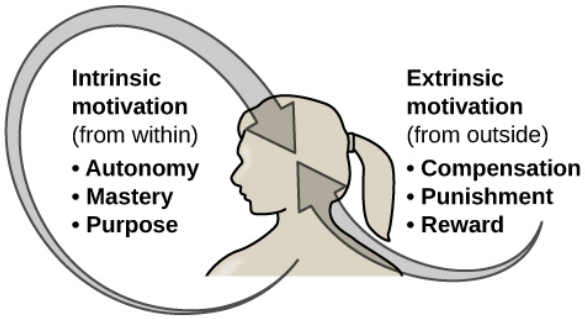

Figure 1. Intrinsic motivation comes from within the individual, while extrinsic motivation comes from outside the individual.

An individual's view of these intrinsic and extrinsic motivational factors is impacted by previous experience, current needs, gender, and personal and cultural values. For instance, women tend to site "personal satisfaction" and "job security" as motivational factors in their work, while men tend to site "status" and "wealth" as the reasons they get up in the morning. Older workers indicate "company loyalty" as a motivational factor, but Gen Xers and Millennials, who are more likely to job hop, are motivated by "job flexibility" and "challenging work." Cultural differences can fall into play as well—European countries value vacation time and use quite a bit, while in the United States, workers sometimes don't even use the days they've been given.

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Locus of Control and Self-Esteem

An individual's personality can affect his or her perception of how effort leads to performance. Two personality aspects are particularly important in this scenario—locus of control and self-esteem. Locus of control is people's perception of who has control over their lives, their environment, and external events. People who have an internal locus of control feel that their successes and failures are largely due to their own efforts, knowledge and choices. People with an external locus of control feel that external factors have an undue influence on the current situation they're in.

There's a spectrum of internal vs. external locus of control, and people can be very high on one end or the other (highly internal or highly external), or fall somewhere in between (Figure 2). People with a high internal locus tend to be more task oriented because they feel they're in control of their own success. People with a high external locus credit luck, people in higher leadership positions, or divine powers for their successes or failures, and they tend to be more reactive to issues.

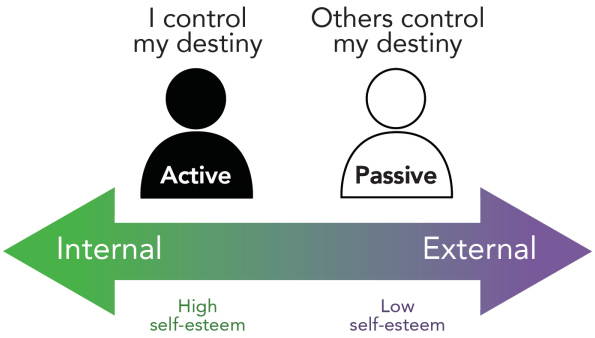


Figure 2. Your locus of control informs how you view your control over your own life.

Locus of control is a fairly stable personality trait, though significant external factors can influence it (consider this study of Polish students whose locus of control shifted when democracy was introduced in their country).

Self-esteem interacts with motivation in a very similar way to locus of control. People with a high self-esteem tend to feel that their performance is linked to their own efforts. The opposite is often true for people who have lower self-esteem.

Managers need to understand these personality differences in their employees if they're going to help them build the necessary links between "effort" and "performance" in the expectancy framework, and they can do this via encouragement and regular feedback for those that bring an external locus of control or low self-esteem to the team.

Employee Needs

After considering an employee's personality traits, a manager must also consider his employee's needs. Older approaches to understanding employee motivation focused almost solely on needs, and the more we learn the more we find that those early approaches aren't necessarily accurate. This doesn't mean that an employee's needs don't factor into motivation, because they do. On the expectancy framework, needs tend to influence an employee's perception of the value of a proposed reward. For instance, a person who has wealth and status may look at a reward differently than a person who has less.

Beyond actual money, there are other needs that a manager can fulfill for his employees. Employees with a high need for achievement might enjoy public recognition, and getting recognized for their achievements can keep their motivational drive high. Some workers appreciate the opportunity to work independently, with less supervision. Others might appreciate the ability to work remotely so they can save money on their commutes and be closer to family that needs attention. Needs are very individual, and they're not necessarily all filled by a paycheck and health benefits.

Cultural Differences

Finally, managers need to embrace cultural differences in order to understand what motivates their employees. Earlier, we illustrated some of the elements of the expectancy framework by using a scenario where the top salesperson would be offered a $1,000 bonus. We discussed how this may or may not motivate all the employees on the sales team, based on their perception of expectancy, instrumentality and valance. In China, this proposal might not work at all, because their salespeople typically are compensated based on seniority, not on achievement. Cultural differences can often trip us up where motivational theories are concerned—where many of them work in our culture, that doesn't hold true for others.

If a manager understands the individual component of motivation—the personality traits, needs, and cultural differences that factor into an employee's willingness to put forth effort toward performance—he or she can tailor motivation for each employee.

Work Components of Motivation

The work an individual does holds tremendous motivational power. But, as we discussed, no two individuals are alike, and no two individuals are motivated by the same things. A manager's challenge, when it comes to manipulating the work components of motivation, is to assemble work that is challenging and rewarding. He or she can do that by designing jobs that fit employees' skills and interests, providing training and good working conditions, and setting challenging but attainable goals.

Let's take a look at each of these areas.

Job Design

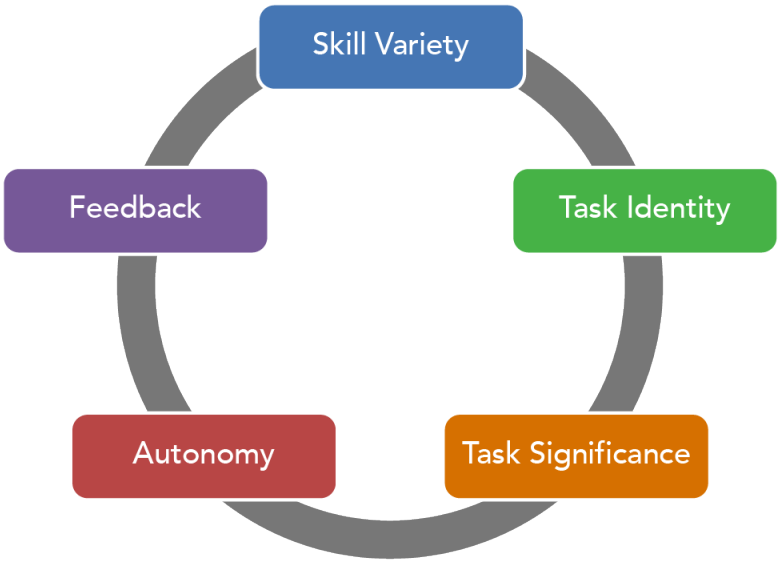
"What kind of skills do I need to do this job?" "How important is this job to the success of the organization?"

These are the answers an employee seeks before he or she agrees to accept a job with an organization. Individuals are looking for interesting work—work that will foster positive internal feelings. Those feelings might come in the form of achieving high production, overcoming obstacles, or being innovative and coming up with new ideas that help the organization succeed. The right job design can help a manager get to those intrinsic motivations an individual brings to work each day, rather than just the extrinsic factors, like pay and benefits.

When reviewing Vroom's expectancy framework, we can see that job design affects both the effort to performance piece and the performance to outcome piece. The question managers look to answer is, "What's the right balance for the job design?"

Early management theorists suggested that the easier the job, the more motivated the employee would be. Later studies suggested that organizations should make jobs more challenging and interesting. Both of these points of view fail to take into consideration individuals and the factors each person brings that might influence whether a job design is motivating to him or her personally.

Richard Hackman and Gary Oldham published the Hackman-Oldham Job Design Model as part of a 1980 study, and it suggested that managers should tailor the job to meet the employee's individual needs. Where job design is concerned, Hackman and Oldham suggested that a job's motivating potential can be influenced by skill variety, task identity, task significance, autonomy and feedback.



- **Skill variety** refers to the number of skills used to do a job. A traditional assembly line job would have a low skill variety, whereas a nurse would have higher skill variety.
- **Task identity** refers to the level at which employees feel like they "owns" the outcome when completing the task. Going back to our first example, workers on an assembly line would have low task identity. Which parts from their lines ended up in which machines? They're not likely to know, so they would have a low task identity. A nurse, however, can identify with how well a patient recovers, or see immediately that a choice he or she made saved the life of a patient. Thus, a nurse would have high task identity.
- **Task significance** indicates the importance of that task to the organization. The job of receptionist, for example, has lower task significance. A temporary employee can be brought in to answer phones and sort mail. But doctors would have high task significance—not anyone can do their job, and they have knowledge of their patients and their situations that others would not have.

- **Autonomy** is the degree to which an employee can make independent decisions and not have to check in with a supervisor. Again, clerical work would have low autonomy because the job is repetitious and workers make few decisions on their own. Doctors would have high autonomy, making decisions to medicate a patient a certain way or handle an emergency procedure on the operating table.
- **Feedback** is information about an employee's performance. Most employees who perform a task want to know if they are doing it right, doing it well, and so on.

Hackman and Oldham noted that while the first three components of the job design (skill variety, task identify, and task significance) are very important, the last two, autonomy and feedback, are considered even more so. Thus managers should think a little harder about how to incorporate a little autonomy and feedback into the roles their team members fill.

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A good match between employees and their jobs ensures a stronger link between the effort and performance aspects of the expectancy framework. What other work components of motivation can a manager manipulate to drive outcomes?

Training and Working Conditions

Managers can increase motivation by providing adequate and ongoing training for their employees, letting employees learn new things about their current job and learn new skills that will help them move on to the next level of their careers. Knowledgeable employees feel good about themselves, and their co-workers feel good about working with them. Tasks get done quickly and the team is more productive.

Consider the work environment where there is no training:

- Amanda has newly been hired, and she can't ramp up because her managers didn't spend time bringing her up to speed on tasks. She feels inadequate and doesn't understand her work. Her co-workers are frustrated because they continue to take on part of Amanda's workload.
- Joaquim puts in long hours and a lot of effort but doesn't get as much done as his co-workers because no one has brought him up to speed on new systems and processes. He's reinventing the wheel, wasting a lot of his time and everyone else's time. Co-workers, again, are frustrated because their team member isn't pulling his weight.
- Taylor, a long-time team member, enjoyed their job when they started and mastered all the skills they needed to complete their tasks years ago. Now they're bored and just going through the motions, and they are becoming less engaged because their employer doesn't provide them with new opportunities to learn and move ahead via ongoing training.

The same idea holds true for working conditions. Working conditions should support—not hinder—the productivity of the organization's employees. The employees should be safe in doing their work, but beyond that they should have the appropriate equipment, tools and working environment to do their jobs well.

TEACHER SUCCESS

For instance, let's compare two grade school teachers:

- Aislinn is given a class of 35 students. Each of the students has a desk, pens, papers, and text books.
- Zane has a class of only 15 students. He is given a teacher's assistant. Each student has a desk, pens, papers, and text books, and each of them has also been provided with a desktop computer.

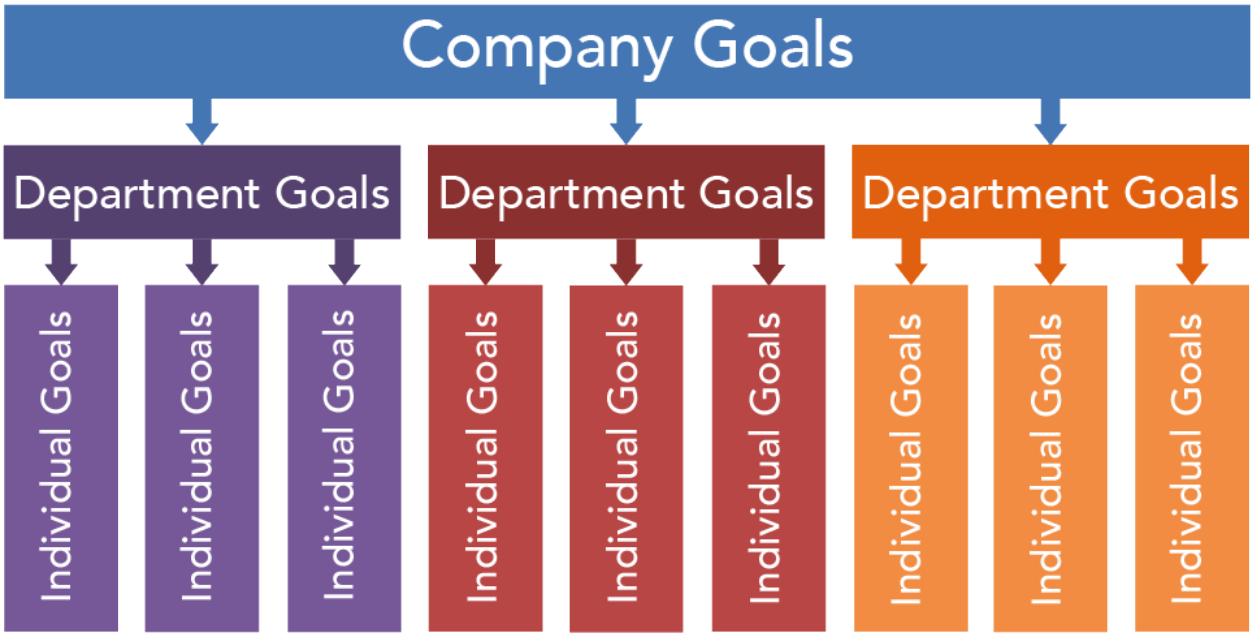
Which teacher will be more successful?

Aislinn has many more students to teach, and there is no assistant to help her. She has books, but no computers to help the children learn. By work environment alone, Aislinn is more likely to fail. And that's not very motivating.

Goal Setting

Employees are motivated when they're set on the path toward a particular goal. Goal setting is essential in the effort-performance link on the expectancy framework. **Management by objective** (MBO) focuses on setting goals, monitoring progress, and giving feedback and correction. MBO assumes that employees must have clear, challenging, measurable and specific goals to be motivated to perform well.

The idea behind goal setting is that the company goals are cascaded down to the departments, which are then cascaded down to the employees.



The goals should be achievable and reasonable, specific and measurable. Employees want to understand exactly what's expected of them, and they want to be able to achieve the goal set. After all, if it's near to impossible to achieve the goal that's been set, an employee might not even try. That can be a demotivator.

The goals should also have a reasonable time frame. If it takes a week to build a toy, an employee who's charged with building 50 toys needs to be given more than six months to do the work. Conversely, that same employee shouldn't be given two years to make that goal, because the work can be done more quickly than that.

Job design, training and working conditions and goal setting are all equally important parts of the work component of motivation, and a good manager understands how to manipulate these things in order to inspire his employees to work hard and feel good about what they've accomplished.

Organizational Components of Motivation

Fortune Magazine counts them down every year: the top 100 best companies to work for. How do they arrive at that list? This is right from their site:

> Great Place to Work measures companies on the following characteristics: Great Place to Work for All, executive team effectiveness, innovation, and people-focused programs. In a Great Place to Work for All, employees report high levels of trust, credible and respectful leadership, pride in the work, and camaraderie. We also look to see that employees consistently experience this great workplace, regardless of who they are or what they do. (Note: "Fortune 100 Best Companies to Work For® 2018." Great Place To Work United States, www.greatplacetowork.com/best-workplaces/100-best/2018.)

So just what makes a great company? If you look at employee quotes, a few things quickly rise as common elements of good organizations.

- organizational culture and politics
- leadership and coworkers
- sense of equity

Let's take a look at how each of these elements can impact employee motivation.

Organizational Culture and Politics

> The culture encourages its associates to try new things, push the limits, and go beyond what we know as acceptable in today's marketplace. It fosters healthy work-life balance and consistently encourages associates to live a better life. (Note: Ibid.)

As we learned earlier, culture encompasses values and behaviors that contribute to the unique social and psychological environment of a business. It's an organization's "personality." A good organizational culture might, in itself, not be a primary motivator, but an organization that fosters teamwork and encourages team members to mind their own well-being is certainly planting the seeds for individual motivation.

Conversely, an organization filled with gossip and negative company politics can be a demotivator for its employees. Employees working for an organization that has this kind of culture might foster distrust for others, and even create an atmosphere that contributes to lack of productivity. This can have an adverse effect on the performance-outcome link of the expectancy framework.

Leadership and Coworkers

> "The [owners] and all executives and leaders are engaged, invested and committed to our mission of helping people live healthier, better lives through food, and in doing the right thing." (Note: Ibid.)
>
> "What makes [this] a great place to work for me is the teamwork, cooperation, the overall attitude, but most importantly the people. The people in our organization truly do care for one another as well as the guests coming onto our property." (Note: Ibid.)

These are quotes from employees at two different companies, but they both speak to the same thing: people. Leaders and coworkers can be an important element in the organization component of motivation.

Leaders who support their employees and adopt (or even live) the company's mission are setting the stage for a strong effort to performance and performance-to-outcome link in the expectancy framework, and at the same time they're building a supportive organizational culture. Strong leaders also build trust, as an employee needs to trust in his leader to provide feedback and direction in his job.

A great team also supports motivation, as indicated in the second quote. Coworkers who support and encourage one another can be very motivating, and team members are often even motivated to do the work for one another. A great set of coworkers means looking forward to going to work each day.

On the other side of that coin, poor leaders and coworkers can be demotivating. A team member might look to a leader or coworker for advice, and he has to trust that the advice will be good and honest. Coworkers who are not trustworthy may be out to sabotage you for their own gain. A poor leader might not give feedback or provide direction, and then tear down an employee who thought he was doing a good job. None of these situations motivates an employee to do good work.

Sense of Equity

> Besides the amazing benefits we receive here every day, any time a [team member] or their family member is in need or passes away, the company pulls together to show an outpouring of love and support like I have never seen elsewhere. (Note: Ibid.)

The idea of equity in a company, or an employee's perception of equity, is perhaps the most important element of the organizational component.

For instance, this employee is quoted as saying that all employees have amazing benefits, but if something were to go wrong for a member of the organization, the whole company comes together to show support. That's not only an illustration of supportive coworkers, but it's an illustration of equity: everyone gets treated the same.

Equity is an individual's sense that everyone within the company is being treated fairly. Most of the time, equity appeals to the extrinsic elements of a person's motivation in that they feel their efforts and skills are being compensated with salary and benefits and other things that the company offers.

When employees feel as though they are putting in more than they're getting, there is a sense of inequity, and that adversely affects the performance to outcome link in the expectancy framework. When a perception of inequity exists, a manager has to respond with hard facts and data that support equity. For instance, if people

believe they are not being paid fairly for their work, a report showing average salaries for similar jobs in their geographical areas may change their minds and restore their perceptions of equity.

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Culture and politics; leaders and coworkers; and equity—while they may not stand alone in motivating employees to do a great job, they certainly build a foundation for great work to happen. Everyone wants to work for one of those Fortune 100 Great Companies to Work For, and that's because they have the organization component of motivation figured out.

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THEORIES OF MOTIVATION

What you'll learn to do: Describe various theories of motivation

We talked a little bit about what motivation is and what it looks like within an organization. To do that, we used Victor Vroom's expectancy framework, a model that attempts to dissect and explain employee performance by distilling it down to its most basic level.

The expectancy framework is just one of many models that have been developed over the years. Since the industrial age, scientists have been examining what motivates people to perform in employment situations. None of them have it all wrong, but none of them have it all right. They'll continue to try, we're sure, because a lot is at stake for organizations, and situations change every day.

In this unit, we're going to take a look back at how we got to where we are now, and how we can apply that today, domestically and abroad.

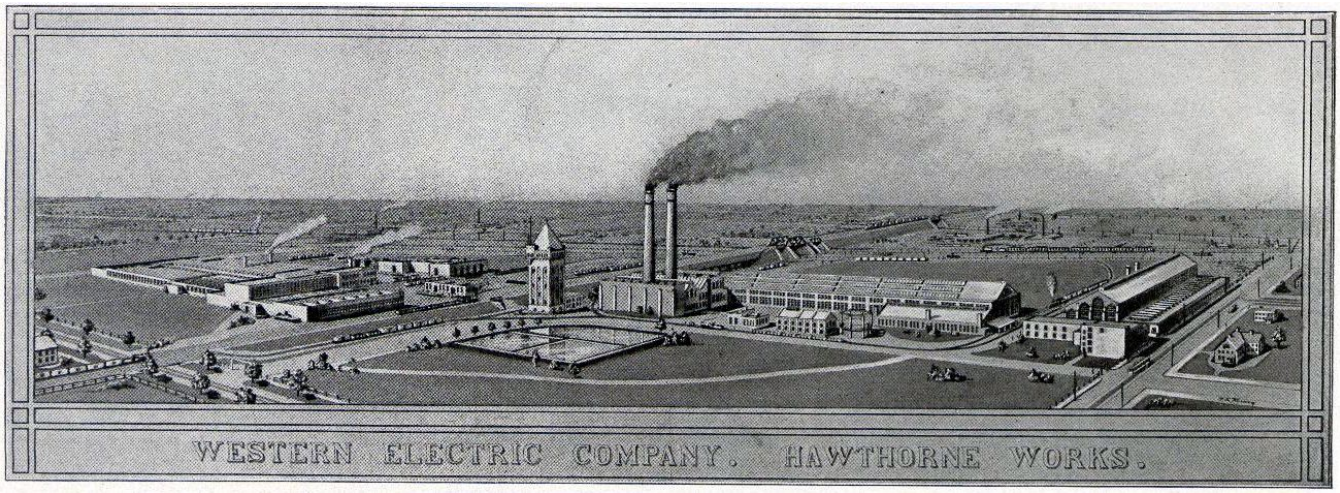
LEARNING OUTCOMES

- Explain the role of the Hawthorne effect in management
- List the various levels of needs in Maslow's hierarchy
- Summarize the changes to Maslow's hierarchy of needs in Alderfer's ERG theory
- Describe how employees might be motivated using McClelland's acquired needs theory
- Differentiate between Theory X and Theory Y

- Explain the difference between intrinsic and extrinsic motivators in Herzberg's two-factor theory

The Hawthorne Effect

During the 1920s, a series of studies that marked a change in the direction of motivational and managerial theory was conducted by Elton Mayo on workers at the Hawthorne plant of the Western Electric Company in Illinois. Previous studies, in particular Frederick Taylor's work, took a "man as machine" view and focused on ways of improving individual performance. Hawthorne, however, set the individual in a social context, arguing that employees' performance is influenced by work surroundings and coworkers as much as by employee ability and skill. The Hawthorne studies are credited with focusing managerial strategy on the socio-psychological aspects of human behavior in organizations.



The following video from the AT&T archives contains interviews with individuals who participated in these studies. It provides insight into the way the studies were conducted and how they changed employers' views on worker motivation.

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The studies originally looked into the effects of physical conditions on productivity and whether workers were more responsive and worked more efficiently under certain environmental conditions, such as improved lighting. The results were surprising: Mayo found that workers were more responsive to social factors—such as their manager and coworkers—than the factors (lighting, etc.) the researchers set out to investigate. In fact, worker productivity improved when the lights were dimmed again and when everything had been returned to the way it was before the experiment began, productivity at the factory was at its highest level and absenteeism had plummeted.

What happened was Mayo discovered that workers were highly responsive to additional attention from their managers and the feeling that their managers actually cared about and were interested in their work. The studies also found that although financial incentives are important drivers of worker productivity, social factors are equally important.

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There were a number of other experiments conducted in the Hawthorne studies, including one in which two women were chosen as test subjects and were then asked to choose four other workers to join the test group. Together, the women worked assembling telephone relays in a separate room over the course of five years (1927–1932). Their output was measured during this time—at first, in secret. It started two weeks before moving the women to an experiment room and continued throughout the study. In the experiment room, they were assigned to a supervisor who discussed changes with them and, at times, used the women's suggestions. The researchers then spent five years measuring how different variables affected both the group's and the individuals' productivity. Some of the variables included giving two five-minute breaks (after a discussion with the group on the best length of time), and then changing to two ten-minute breaks (not the preference of the group).

Changing a variable usually increased productivity, even if the variable was just a change back to the original condition. Researchers concluded that the employees worked harder because they thought they were being monitored individually. Researchers hypothesized that choosing one's own coworkers, working as a group, being treated as special (as evidenced by working in a separate room), and having a sympathetic supervisor were the real reasons for the productivity increase.

The Hawthorne studies showed that people's work performance is dependent on social issues and job satisfaction. The studies concluded that tangible motivators such as monetary incentives and good working conditions are generally less important in improving employee productivity than intangible motivators such as meeting individuals' desire to belong to a group and be included in decision making and work.

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Need-Based Theories

Maslow's Hierarchy of Needs

Human motivation can be defined as the fulfillment of various needs. These needs can encompass a range of human desires, from basic, tangible needs of survival to complex, emotional needs surrounding an individual's psychological well-being.

Abraham Maslow was a social psychologist who was interested in a broad spectrum of human psychological needs rather than on individual psychological problems. He is best known for his hierarchy-of-needs theory. Depicted in a pyramid (shown in Figure 1), the theory organizes the different levels of human psychological and physical needs in order of importance.

The needs in Maslow's hierarchy include physiological needs (food and clothing), safety needs (job security), social needs (friendship), self-esteem, and self-actualization. This hierarchy can be used by managers to better understand employees' needs and motivation and address them in ways that lead to high productivity and job satisfaction.

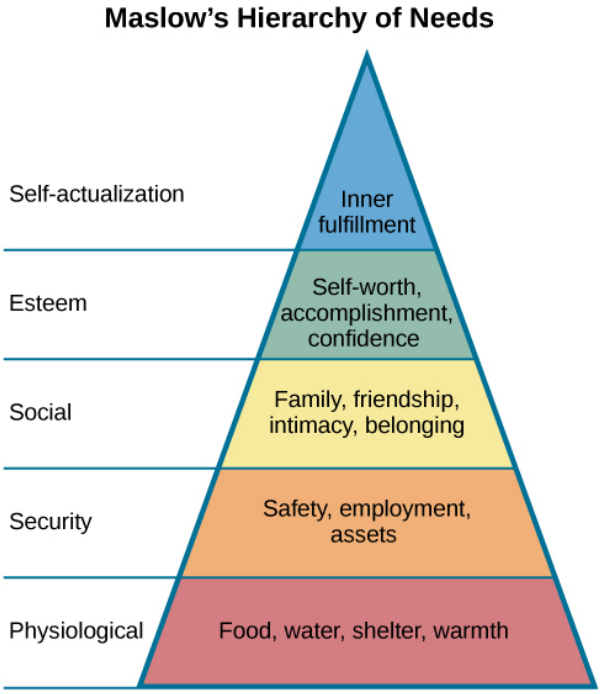

Figure 1. Maslow's hierarchy of needs is illustrated here. In some versions of the pyramid, cognitive and aesthetic needs are also included between esteem and self-actualization. Others include another tier at the top of the pyramid for self-transcendence.

At the bottom of the pyramid are the **physiological** (or basic) human needs that are required for survival: food, shelter, water, sleep, etc. If these requirements are not met, the body cannot continue to function. Faced with a lack of food, love, and safety, most people would probably consider food to be their most urgent need.

Once physical needs are satisfied, **security** (sometimes referred to as individual safety) takes precedence. Security and safety needs include personal security, financial security, and health and well-being. These first two levels are important to the physical survival of the person. Once individuals have basic nutrition, shelter, and safety, they seek to fulfill higher-level needs.

The third level of need is **social**, which includes love and belonging; when individuals have taken care of themselves physically, they can address their need to share and connect with others. Deficiencies at this level, on account of neglect, shunning, ostracism, etc., can impact an individual's ability to form and maintain emotionally significant relationships. Humans need to feel a sense of belonging and acceptance, whether it comes from a large social group or a small network of family and friends. Other sources of social connection may be professional organizations, clubs, religious groups, social media sites, and so forth. Humans need to love and be loved (sexually and non-sexually) by others. Without these attachments, people can be vulnerable to psychological difficulties such as loneliness, social anxiety, and depression. These conditions, when severe, can impair a person's ability to address basic physiological needs such as eating and sleeping.

The fourth level is **esteem**, which represents the normal human desire to be valued and validated by others, through, for example, the recognition of success or status. This level also includes self-esteem, which refers to the regard and acceptance one has for oneself. Imbalances at this level can result in low self-esteem or an inferiority complex. People suffering from low self-esteem may find that external validation by others—through fame, glory, accolades, etc.—only partially or temporarily fulfills their needs at this level.

At the top of the pyramid is **self-actualization**. At this stage, people feel that they have reached their full potential and are doing everything they're capable of. Self-actualization is rarely a permanent feeling or state. Rather, it refers to the ongoing need for personal growth and discovery that people have throughout their lives. Self-actualization may occur after reaching an important goal or overcoming a particular challenge, and it may be marked by a new sense of self-confidence or contentment.

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Alderfer's ERG Theory

Clayton Paul Alderfer is an American psychologist who developed Maslow's hierarchy of needs into a theory of his own. **Alderfer's ERG theory** suggests that there are three groups of core needs: **existence** (E), **relatedness** (R), and **growth** (G)—hence the acronym *ERG*. These groups align with Maslow's levels of physiological needs, social needs, and self-actualization needs, respectively.

Existence needs concern our basic material requirements for living. These include what Maslow categorized as physiological needs (such as air, food, water, and shelter) and safety-related needs (such as health, secure employment, and property).

Relatedness needs have to do with the importance of maintaining interpersonal relationships. These needs are based in social interactions with others and align with Maslow's levels of love/belonging-related needs (such as friendship, family, and sexual intimacy) and esteem-related needs (gaining the respect of others).

Finally, **growth** needs describe our intrinsic desire for personal development. These needs align with the other portion of Maslow's esteem-related needs (self-esteem, self-confidence, and achievement) and self-actualization needs (such as morality, creativity, problem-solving, and discovery).

Alderfer proposed that when a certain category of needs isn't being met, people will redouble their efforts to fulfill needs in a lower category. For example, if someone's self-esteem is suffering, he or she will invest more effort in the relatedness category of needs.

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McClelland's Acquired Needs Theory

Psychologist **David McClelland's acquired-needs theory** splits the needs of employees into three categories rather than the two we discussed in Herzberg's theory. These three categories are **achievement**, **affiliation**, and **power**.

Employees who are strongly *achievement-motivated* are driven by the desire for mastery. They prefer working on tasks of moderate difficulty in which outcomes are the result of their effort rather than luck. They value receiving feedback on their work.

Employees who are strongly *affiliation-motivated* are driven by the desire to create and maintain social relationships. They enjoy belonging to a group and want to feel loved and accepted. They may not make effective managers because they may worry too much about how others will feel about them.

Employees who are strongly *power-motivated* are driven by the desire to influence, teach, or encourage others. They enjoy work and place a high value on discipline. However, they may take a zero-sum approach to group work—for one person to win, or succeed, another must lose, or fail. If channeled appropriately, though, this approach can positively support group goals and help others in the group feel competent.

The acquired-needs theory doesn't claim that people can be neatly categorized into one of three types. Rather, it asserts that all people are motivated by all of these needs in varying degrees and proportions. An individual's balance of these needs forms a kind of profile that can be useful in creating a tailored motivational paradigm for her. It is important to note that needs do not necessarily correlate with competencies; it is possible for an employee to be strongly affiliation-motivated, for example, but still be successful in a situation in which her affiliation needs are not met.

McClelland proposes that those in top management positions generally have a high need for power and a low need for affiliation. He also believes that although individuals with a need for achievement can make good managers, they are not generally suited to being in top management positions.

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McGregor's Theory X and Theory Y

The idea that a manager's attitude has an impact on employee motivation was originally proposed by **Douglas McGregor**, a management professor at the Massachusetts Institute of Technology during the 1950s and 1960s. In his 1960 book, *The Human Side of Enterprise*, McGregor proposed two theories by which managers perceive and address employee motivation. He referred to these opposing motivational methods as Theory X and Theory Y management. Each assumes that the manager's role is to organize resources, including people, to best benefit the company. However, beyond this commonality, the attitudes and assumptions they embody are quite different.

Theory X

According to McGregor, Theory X management assumes the following:

- Work is inherently distasteful to most people, and they will attempt to avoid work whenever possible.
- Most people are not ambitious, have little desire for responsibility, and prefer to be directed.
- Most people have little aptitude for creativity in solving organizational problems.
- Motivation occurs only at the physiological and security levels of Maslow's hierarchy of needs.
- Most people are self-centered. As a result, they must be closely controlled and often coerced to achieve organizational objectives.
- Most people resist change.
- Most people are gullible and unintelligent.

Essentially, Theory X assumes that the primary source of employee motivation is monetary, with security as a strong second. Under Theory X, one can take a hard or soft approach to getting results.

The hard approach to motivation relies on coercion, implicit threats, micromanagement, and tight controls— essentially an environment of command and control. The soft approach, however, is to be permissive and seek harmony in the hopes that, in return, employees will cooperate when asked. However, neither of these extremes is optimal. The hard approach results in hostility, purposely low output, and extreme union demands. The soft approach results in a growing desire for greater reward in exchange for diminished work output.

It might seem that the optimal approach to human resource management would lie somewhere between these extremes. However, McGregor asserts that neither approach is appropriate, since the basic assumptions of Theory X are incorrect.

Drawing on Maslow's hierarchy of needs, McGregor argues that a need, once satisfied, no longer motivates. The company uses monetary rewards and benefits to satisfy employees' lower-level needs. Once those needs have been satisfied, the motivation disappears. Theory X management hinders the satisfaction of higher-level needs because it doesn't acknowledge that those needs are relevant in the workplace. As a result, the only way that employees can attempt to meet higher-level needs at work is to seek more compensation, so, predictably, they focus on monetary rewards. While money may not be the most effective way to self-fulfillment, it may be the only way available. People will use work to satisfy their lower needs and seek to satisfy their higher needs during their leisure time. However, employees can be most productive when their work goals align with their higher-level needs.

McGregor makes the point that a command-and-control environment is not effective because it relies on lower needs for motivation, but in modern society those needs are mostly satisfied and thus are no longer motivating. In this situation, one would expect employees to dislike their work, avoid responsibility, have no interest in organizational goals, resist change, etc.—creating, in effect, a self-fulfilling prophecy. To McGregor, a steady supply of motivation seemed more likely to occur under Theory Y management.

Theory Y

The higher-level needs of esteem and self-actualization are ongoing needs that, for most people, are never completely satisfied. As such, it is these higher-level needs through which employees can best be motivated.

In strong contrast to Theory X, Theory Y management makes the following assumptions:

- Work can be as natural as play if the conditions are favorable.
- People will be self-directed and creative to meet their work and organizational objectives if they are committed to them.
- People will be committed to their quality and productivity objectives if rewards are in place that address higher needs such as self-fulfillment.
- The capacity for creativity spreads throughout organizations.
- Most people can handle responsibility because creativity and ingenuity are common in the population.
- Under these conditions, people will seek responsibility.

Under these assumptions, there is an opportunity to align personal goals with organizational goals by using the employee's own need for fulfillment as the motivator. McGregor stressed that Theory Y management does not imply a soft approach.

McGregor recognized that some people may not have reached the level of maturity assumed by Theory Y and may initially need tighter controls that can be relaxed as the employee develops.

If Theory Y holds true, an organization can apply the following principles of scientific management to improve employee motivation:

- **Decentralization and delegation**: If firms decentralize control and reduce the number of levels of management, managers will have more subordinates and consequently need to delegate some responsibility and decision making to them.
- **Job enlargement**: Broadening the scope of an employee's job adds variety and opportunities to satisfy ego needs.
- **Participative management**: Consulting employees in the decision-making process taps their creative capacity and provides them with some control over their work environment.
- **Performance appraisals**: Having the employee set objectives and participate in the process of self-evaluation increases engagement and dedication.

If properly implemented, such an environment can increase and continually fuel motivation as employees work to satisfy their higher-level personal needs through their jobs.

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Herzberg's Two-Factor Theory

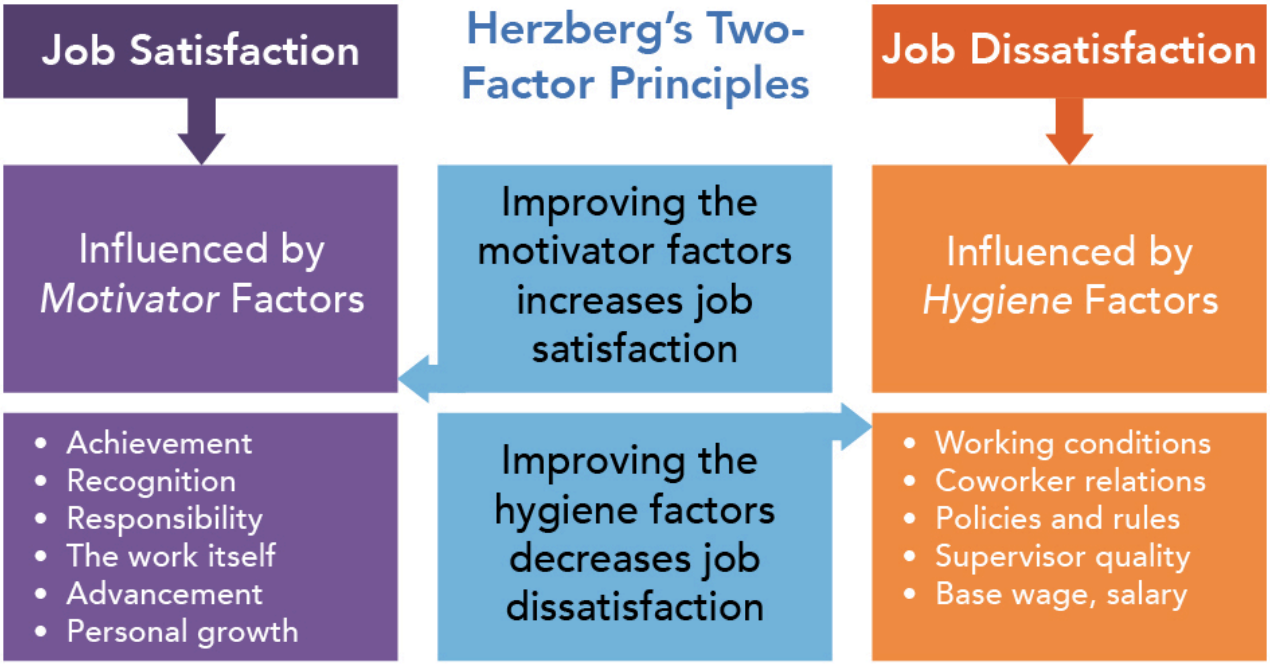
American psychologist **Frederick Herzberg** is regarded as one of the great original thinkers in management and motivational theory. Herzberg set out to determine the effect of attitude on motivation, by simply asking people to describe the times when they felt really good, and really bad, about their jobs. What he found was that people who felt good about their jobs gave very different responses from the people who felt bad.

The results from this inquiry form the basis of Herzberg's Motivation-Hygiene Theory (sometimes known as Herzberg's "**Two Factor Theory**"). Published in his famous article, "One More Time: How do You Motivate Employees," the conclusions he drew were extraordinarily influential, and still form the bedrock of good motivational practice nearly half a century later. He's especially recognized for his two-factor theory, which hypothesized that are two different sets of factors governing job satisfaction and job dissatisfaction: "hygiene factors," or extrinsic motivators and "motivation factors," or intrinsic motivators.

Hygiene factors, or extrinsic motivators, tend to represent more tangible, basic needs—i.e., the kinds of needs included in the existence category of needs in the ERG theory or in the lower levels of Maslow's hierarchy of needs. Extrinsic motivators include status, job security, salary, and fringe benefits. It's important for managers to realize that not providing the appropriate and expected extrinsic motivators will sow dissatisfaction and decrease motivation among employees.

Motivation factors, or intrinsic motivators, tend to represent less tangible, more emotional needs—i.e., the kinds of needs identified in the "relatedness" and "growth" categories of needs in the ERG theory and in the higher levels of Maslow's hierarchy of needs. Intrinsic motivators include challenging work, recognition, relationships, and growth potential. Managers need to recognize that while these needs may fall outside the more traditional scope of what a workplace ought to provide, they can be critical to strong individual and team performance.

The factor that differentiates two-factor theory from the others we've discussed is the role of employee *expectations*. According to Herzberg, intrinsic motivators and extrinsic motivators have an inverse relationship. That is, intrinsic motivators tend to increase motivation when they are present, while extrinsic motivators tend to reduce motivation when they are absent. This is due to employees' expectations. Extrinsic motivators (e.g., salary, benefits) are expected, so they won't increase motivation when they are in place, but they will cause dissatisfaction when they are missing. Intrinsic motivators (e.g., challenging work, growth potential), on the other hand, can be a source of additional motivation when they are available.



If management wants to increase employees' job satisfaction, they should be concerned with the nature of the work itself—the opportunities it presents employees for gaining status, assuming responsibility, and achieving self-realization. If, on the other hand, management wishes to reduce dissatisfaction, then it must focus on the job environment—policies, procedures, supervision, and working conditions. To ensure a satisfied and productive workforce, managers must pay attention to both sets of job factors.

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MOTIVATION IN THE WORKPLACE

What you'll learn to do: Discuss impact of motivation in the workplace

So far in this module, we've discussed the components of motivation and some of the most well-known and useful motivational theories. There are more theories out there, and we could go on for quite a while describing them. However, it's important for managers to understand that all of them seek to predict human behavior and understand the mystery that is motivation, and that all of them bring some amount of clarity to the issue.

Now it's time to dig in to how exactly motivation impacts the workplace.

LEARNING OUTCOMES

- Analyze managerial responses to motivation theories
- Discuss the impact of cultural differences on motivation

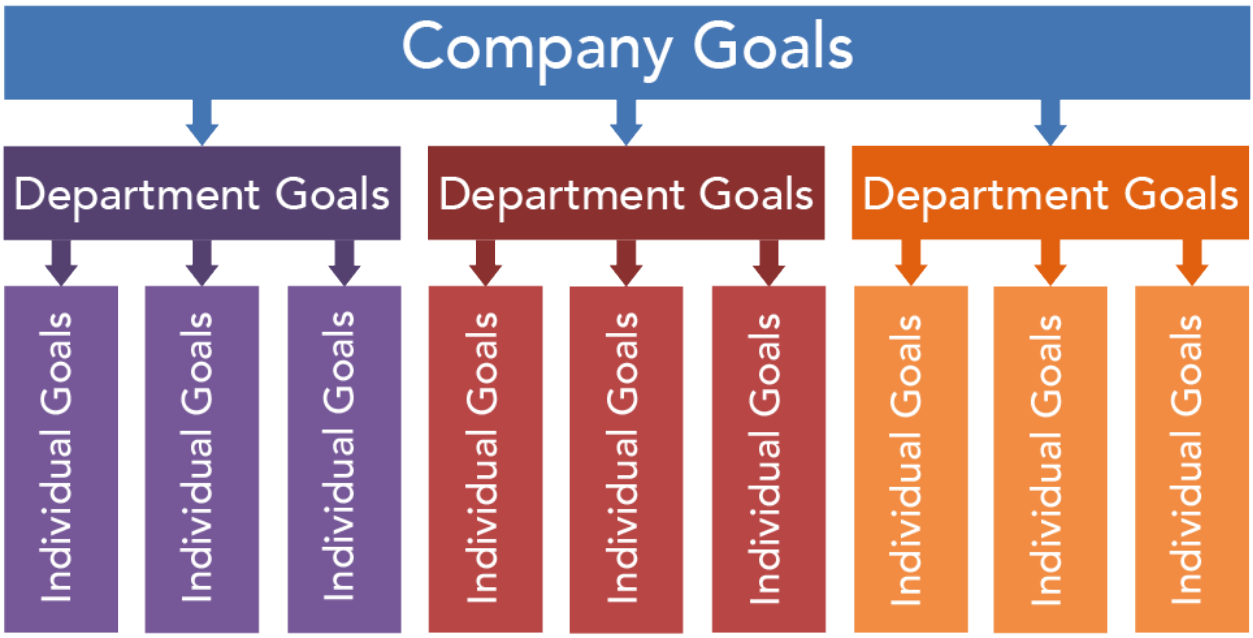
Managerial Responses to Motivation

Now that we understand a bit more about what motivation is and the theories behind its origins and development, we can put them to work in a managerial setting. Let's take a look at some managerial responses to motivation.

Management by Objectives

We talked a bit about management by objectives (MBO) when we discussed goal setting as a part of the work component of motivation. Management by Objective is a response to the goal-setting theory as a motivator.

The goal setting theory has an impressive base of research support, and MBO makes it operational. As a reminder, MBO sets individual goals for employees based on department goals, which are based on company goals. It looks like this:



MBO advocates specific, measurable goals and feedback. There is only implication, though, that goals are perceived as attainable. The approach is most effective when the individual has to stretch to meet the goals set.

MBO can be a participative process. When individuals are consulted in the creation of their own goals, it often results in workers setting a goal that stretch them further. MBO does not require that the individual worker participate, though. The process seems to be about as effective when goals are assigned by a manager to the individual.

MBO is a widely used and successful practice for many industries. Failures occur when unrealistic expectations come into play, or cultural incompatibilities thwart the process.

Employee Recognition Programs

Employee recognition programs cover a wide variety of activities, ranging from private "thank yous" to publicized recognition ceremonies. It strengthens the link between performance and outcome on the expectancy framework. Recognition continues to be cited on surveys as one of the most powerful motivators for an employee.

Types of recognition might include:

- A personal thank you to an employee from a manager, verbally or in a note
- A public recognition of an employee, in a company communication or ceremony

- A team thank you via a lunch bought by the manager
- A program where customers recognize great service by front line workers

In an environment where there are layoffs and increased workloads all across the country, recognition programs go a long way toward motivating employees and provide a relatively low-cost way to boost performance.

Employee Involvement Programs

Employee participation and participative management, employee ownership, workplace democracy . . . these are all a part of the catch-all term called “employee involvement programs.” Specifically, employee involvement is a process that uses the entire capacity of employees and is designed to increase employee’s commitment to the organization’s success.

Here are a few types of employee involvement:

- Employee stock ownership plans (ESOPs). A fairly popular employee involvement program, where an ESOP trust is created, and the organization will contribute stock or cash to buy stock for the trust. The stock is then allocated to employees. Research suggests that ESOPs increase satisfaction but their impact on performance remains unclear, as companies offering this option often perform similarly to companies that don’t.
- Participative management. This is a program where subordinates share a significant responsibility for decision making with their managers. As jobs become more complex, managers aren’t always aware of everything that employees do, and studies have found that this process increases the commitment to decisions. Research shows that this approach has a modest influence productivity, motivation, and job satisfaction.
- Representative participation. This is an approach where workers are represented by a small group of employees who participate in organizational decisions. Representative participation is mean to put labor on more equal terms with management and stockholders where company decisions are concerned. The overall influence on working employees seems to be minimal, and the value of it appears to be more symbolic than motivating.

If you look at these employment involvement programs through the Theory X & Theory Y lens, the approach certainly leans more toward the Theory Y approach of people management. These programs can also satisfy an employee’s needs for responsibility, achievement, etc., and thus fit well with the ERG theory as well. They can be part of a good balance of motivational offerings.

Job Redesign Programs

Clever redesign of jobs to accommodate employees’ needs for additional flexibility can serve to motivate them. Managers looking to reshape jobs in order to make them more motivating might look toward a few redesign and scheduling options.

- Job rotation. Employees who have very repetitive jobs can find new motivation in a job rotation program. An assembly line might employ this technique, where a worker might be focused on constructing a portion of an exhaust system for a period of time, and the move over to an area that is devoted to putting together transmissions. This approach navigates the pitfalls of boredom, but it can increase training costs and temporarily reduce productivity as people ramp up with their new responsibilities.
- Job enrichment. This refers to the vertical expansion of one’s job to include additional responsibilities that allow employees to control planning, execution, and evaluation aspects of their work. Employees can see a task through from start to finish in many cases, allowing for a holistic view of the task and ownership of the outcome. For instance, a group that formerly only handled the development of art for marketing materials might be retrained to meet with clients, get a better understanding of their needs,

and then work with a printer to produce the final product. This process generally yields a reduction in turnover and an increase in job satisfaction for employees, but evidence of increased productivity is often inconclusive.

- **Flexible Hours.** Flexible hours allow employees a degree of autonomy when it comes to the hours of their workday. Morning people can be up-and-at-'em at 6AM, and night owls can show up later and work later. Flexible hours often reduce absenteeism, increase productivity, and reduce overtime expenses. However, this approach is not applicable to every job.
- **Job Sharing.** This program allows for two or more individuals to share a 40-hour work week. Job sharing allows an organization to draw on the talents of more than one person to complete a job and allows them to avoid layoffs due to overstaffing. Conversely, a manager has to find compatible pairs of employees, which is not always such an easy task.
- **Telecommuting.** When an individual can work from home, he or she can have more flexible hours, less downtime in a car, the ability to wear whatever he or she wants, and fewer interruptions. Organizations that employ telecommuting can realize higher productivity, enjoy a larger labor pool from which to select employees, and experience less office space costs. But telecommuters can't experience the benefits of an office situation, and managers can tend to undervalue the contributions of workers they don't see regularly.

Job redesign and scheduling can be linked to several motivational theories. Herzberg's two-factor theory supports the idea of job enrichment in its proposal that increasing intrinsic factors of a job will increase an employee's satisfaction with a job. Flexibility is an important link in linking rewards to personal goals in the expectancy theory.

Variable Pay Programs

While we've already discussed that pay isn't always a motivator for employees, revamping an organization's compensation system to incentivize employees can play well into increasing motivation and productivity. Examples of variable pay programs include piece-rate programs, where employees are compensated by the number of units they produce, or profit-sharing plans, where organizations share compensation with employees based on the company's profitability.

Variable-pay programs increase motivation and productivity, as organizations with these plans are shown to have higher levels of profitability than those who don't. Variable-pay is most compatible with the expectancy theory predictions that employees should perceive a strong relationship between their performance and the rewards they receive.

These programs help managers address differences in individual needs and allow employees to participate in decisions that affect them. Combining some of these tactics with MBO so that employees understand what's expected of them, linking performance and rewards through recognition and making sure the system is equitable can help make a manager's organization productive.

PRACTICE QUESTION

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Motivation in Different Cultures

A warning for managers everywhere—motivation theories are culture-bound.

The theories you've read about have been developed by American psychologists and scientists for the American workplace, and the behaviors suggested are dictated by the American culture. Managers working for international companies who have remote international teams may find it difficult to apply the suggestions of these theories to everyone on their team.

For instance, Maslow's theory, which suggests that humans follow a needs path from physiological needs to needs of safety, love and belonging, esteem and self-actualization, is a typically American point of view. Greece and Mexico, countries with cultures that look for a significant set of rules and guidelines in their lives, might have safety at the top of their pyramids, while Scandinavian countries, well known for their nurturing characteristics, might have social needs at the top of theirs. If these differences are well understood, managers can adapt accordingly, and understand that group work is more important for their Scandinavian workers, and so on.

What other theories fall short when you stand them up against other cultures? Well, the need to achieve and a concern for performance is found in the US, UK and Canada, but in countries like Chile and Portugal, it's almost non-existent. The equity theory, which we talked about in the first section of this module, is embraced in the US, but in the former socialist countries of Central and Eastern Europe, workers expect their rewards to reflect their personal needs as well as their performance. It stands to reason that US pay practices might be perceived as unfair in these countries.

Geert Hofstede, a Dutch social psychologist, professor at Maastricht University in the Netherlands and a former IBM employee, conducted some pioneering research on cross-cultural groups in organizations, which led to his cultural dimensions theory.

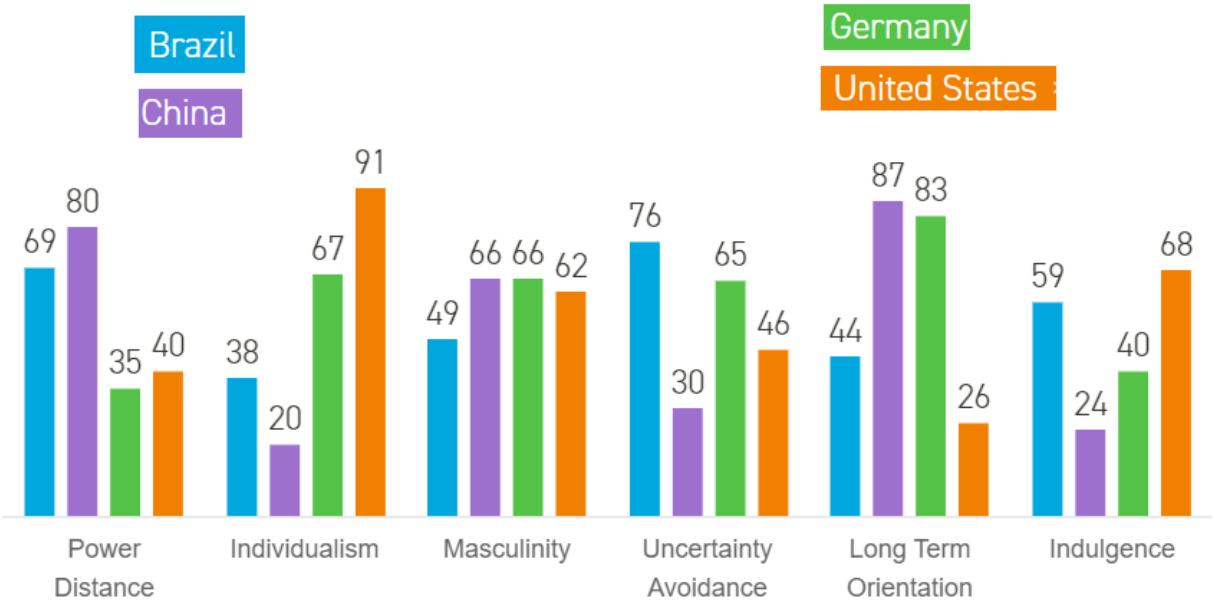
In this theory, Hofstede defines culture as the unique way in which people are collectively taught in their environments. He looks to compare and understand the collective mindset of these groups of people and how they differ. His conclusions were that cultural differences showed themselves in six significant buckets. Hofstede created an "index" for each category to show where individual cultures fell along the spectrum:

- Power Distance: this is an index that describes the extent to which the less powerful members of organizations accept and expect that power is distributed unequally. A higher index number suggests that hierarchy is clearly established and executed in society, while a lower index would indicate that people question authority in that culture. (Latin, Asian, and Arab countries score on the high side, while Anglo and Germanic countries score low. The US is in the middle.)
- Individualism: this measures the degree to which people in a society are integrated into groups. The United States scores very high in this category.
- Uncertainty avoidance: this is defined as a "society's tolerance for ambiguity." Cultures scoring high in this area opt for very defined codes of behavior and laws, while cultures scoring lower are more accepting of different thoughts and ideas. Belgium and Germany score high while countries like Sweden and Denmark score lower.
- Masculinity vs femininity: in more masculine societies, women and men are more competitive, while in feminine societies, they share caring views equally with men. Anglo countries like the UK and the US tend to lean toward masculinity in their cultures, while Scandinavian countries tend toward femininity.
- Long-term Orientation vs. Short-term Orientation: this measures the degree to which a society honors tradition. A lower score indicates traditions are kept, while a higher score indicates the society views

adaptation and problem-solving as a necessary component of their culture. Asian cultures have strong long-term orientation, while Anglo countries, Africa and Latin America have shorter-term orientation.

- **Indulgence vs. restraint:** this is a measurement of happiness if simple joys are fulfilled. Indulgent societies believe themselves to be in control of their lives, while restrained societies believe that external forces dictate their lives. There is less data about this particular dimension, but we do know that Latin America, the Anglo countries and Nordic Europe score high on indulgence, while Muslim countries and East Asia tend to score high on restraint.

The Hofstede Insight website takes the guesswork out of comparing countries' cultures and can help you understand the collective viewpoint of their people as they relate to these six indices.



When you compare Hofstede's cultural dimensions theory to Maslow's hierarchy of needs, as we briefly did above, you can see where cultural differences shift the order of needs on the pyramid. We mentioned above that Belgium and Germany score high on the uncertainty avoidance dimension—they don't like social ambiguity, they want to be able to control their futures and feel threatened by the unknown. So it would make sense that, while "safety" is the second rung of the pyramid here in the United States, it's a more significant need to satisfy in German culture.

Hofstede's cultural dimension highlight the importance cultures place on different needs. These dimensions can be used to determine differences in individual needs based on their cultural teachings and beliefs.

Now that we've discussed this in some detail, it's important to understand that not all motivational drivers are culture-bound. For example, the desire for interesting work appears to be important to all workers everywhere. Growth, achievement and responsibility were also highly rated across various cultures. The manager of an international team doesn't have to approach everything differently. But keeping in mind that cultural differences drive individuals' needs will help a manager create motivating circumstances for all his workers.

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PRACTICE: MOTIVATION IN THE WORKPLACE

LEARNING OUTCOMES

- Discuss impact of motivation in the workplace

We've learned about what motivation is, about different theories behind it, and how motivation matters in the workplace. Now let's take a look at a scenario that could happen anywhere: a manager wants to better understand and motivate an employee.

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PUTTING IT TOGETHER: MOTIVATION IN THE WORKPLACE

Motivation is a highly individual process, and motivating all the employees within a company can be a significant (if not nearly impossible) task. Yet, we've proven time and time again that employees who are engaged with their work and with the organization drive productivity and profits. It's necessary to motivate. Managers need to solve that puzzle.

Motivation is individual, but in the framework of organizational behavior it can be built from not only individual, but also work and organizational components. We can examine motivation as a product of needs and wants and translate those theories into approaches and programs that incent employees to work harder. Variable-pay programs, or employee recognition programs, or even management by objective, are managers' answers to employee needs and motivations as identified through the lenses of motivational theories. A continued command of what motivates employees, and continued studies, will help us build more innovative programs that keep motivation high and productivity strong.

Finally, as the world gets smaller, more managers will be called upon to understand the cultural dimensions of multi-national teams, and adjust their approaches to motivate team members who have learned differently than we have.

Motivation is key to success. Without the motivation to set an action into motion, we have no effort, no performance, no outcomes, no organization, and no reward.

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MODULE 7: MANAGING STRESS AND EMOTIONS

WHY IT MATTERS: MANAGING STRESS AND EMOTIONS

Why learn how to manage stress and emotions?

Susan's quality control team doubled in size when her peer was laid off in a company downsizing event. Now Susan's team is responsible for the quality of all items produced in her home manufacturing plant, and she's been tapped to lead a quality team for the manufacturing facility 250 miles away, too.

Susan is a single mother of two who can't afford to lose her job, but finding an overnight sitter for her school-aged children when she travels to the other facility is almost impossible. Susan's manager has resisted her suggestion that they promote a local quality manager at the other facility to help her keep an eye on production without the necessary travel. Her cell phone is constantly abuzz with calls and text messages, and she's finding it hard to schedule family time into her day.

Susan is experiencing chronic and persistent stress, and she's not alone. Chances are that she, like other workers on whom increasing demands have been placed, will cave under the pressure and suffer a breakdown. Or she'll become too sick to work, or burn out, or leave the company while she still has her mental and physical health. No matter what the result, organizations will pay handsomely in terms of lost productivity, health care costs and more.

Workplace stress costs organizations money, and companies that can manage that stress through organizational changes, savvy management and employee support will be more successful than those who don't. Understanding stress, where it comes from, and the levers managers can pull to alleviate it can make a huge difference to an organization's productivity and profitability.

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STRESS IN AN ORGANIZATION

What you'll learn to do: Discuss stress and the consequences of stress in an organization

Stress has become an ever-increasing focal point in the world of business. As an employee, you hear about it all the time. Downsizing at a company creates stress among the remaining workers when workloads, and time at work, increase. Surveys show us that employees often struggle to find a balance between job responsibilities and family responsibilities. Companies go out of business in this competitive environment, and because of that job security is not what it once was.

Understanding what stress is, where it comes from, and what it means to an organization are a manager's first steps to alleviating some of the havoc it wreaks.

LEARNING OUTCOMES

- Discuss various elements and types of stress
- Discuss potential sources of stress
- Describe the consequences of stress and its cost to an organization

What is Stress?

Like motivation, stress is a very individual experience. One person can feel extreme pressure and anxiety over a task that is looming, and another might look at the same task and see it as an exciting challenge. In spite of that, we've seen an overall jump in the number of people that report stress on the job, and we can see how it's taking its toll.

Stress is a dynamic condition, and it exists when an individual is confronted with an opportunity, constraint or demand related to what he or she desires, and for which the outcome is perceived to be both uncertain and important.

Stress isn't necessarily bad, even though it's usually discussed in a negative context. There's opportunity in stress, and that's a good thing because it offers potential gain. For instance, consider Luke Skywalker, piloting his X-Wing fighter, trying to blast his torpedo into that small, little space that was the Death Star's only weakness. There was plenty of stress, provided by stormtroopers and Darth Vader himself via bullets and explosions, but Luke concentrated, used stress to his advantage, and shot that torpedo right into the exhaust port.

Okay, maybe it was the Force, too. Athletes and performers use stress positively in "clutch" situations, using it to push themselves to their performance maximums. Even ordinary workers in an organization will use an increased workload and responsibilities as a challenge that increases the quality and quantity of their outputs.

Stress is negative when it's associated with constraints and demands. Constraints are forces that prevent a person from doing what he or she wants. Demands represent the loss of something desired. They're the two conditions that are necessary for potential stress to become actual stress. Again, there must be uncertainty over the outcome and the outcome must be important.

Kevin, a student, may feel stress when he is taking a test because he's facing an opportunity (a passing grade) that includes constraints and demands (in the form of a timed test that features tricky questions). Salomé, a full-time employee, may feel stress when she is confronted with a project because she's facing an opportunity (a chance to achieve something, make extra money and receive recognition) that includes constraints and demands (long hours, time away from family, a chance that his knowledge and skills aren't enough to complete the project correctly).

Stress is highest for those who don't know if they will win or lose and lowest for those that feel that winning (or losing) is an inevitability. Even so, the individual can perceive the winning (or losing) as an inevitability, but if it's important, the individual is still likely to experience a level of stress.

PRACTICE QUESTION

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What does stress feel like? The symptoms of stress for a person are as individual as the conditions that cause it. Typically, when presented with stress, the body responds with a surge of hormones and chemicals that results in a fight-or-flight response. As the name would indicate, this response allows you to either fight the stressor or run away from it.

The general adaptation syndrome (GAS) describes the three stages that individuals experience when they encounter stressors, respond and try to adapt:

- Alarm. The physical reaction one experiences when a stressor first presents itself. This could include an elevation of blood pressure, dilated pupils, tensing muscles.
- Resistance. If the stressor continues to be present, the person fights the threat by preparing to resist, physiologically and psychologically. At first, the stressor will be met with plenty of energy, but if the stressor persists, the individual will start to experience fatigue in fighting it and resistance will wear down.
- Exhaustion. Continuous, unsuccessful resistance eventually leads to the collapse of physical and mental defenses.

When stress is chronically present, it begins to do damage to a person's body and his mental state. High blood pressure, higher risk of heart attack and stroke are just some of the physical ramifications. Anxiety and depression are the hallmarks of psychological symptoms of stress, but can also include cognitive symptoms like forgetfulness and indecisiveness. Behaviorally, a person suffering stress might be prone to sudden verbal outbursts, hostility, drug and alcohol abuse and even violence.

Another result of chronic stress and overwork is burnout. The term "burnout" is tossed out by people quite a bit to describe the symptoms of their stress response, but burnout is an authentic condition marked by feelings of exhaustion and powerlessness, leading to apathy, cynicism and complete withdrawal. Burnout is a common

condition among those who have chosen careers that serve others or interact heavily with other people—healthcare and teaching among them.

This *Wall Street Journal* report from 2017 features an interview with a doctor who talks about the symptoms and repercussions of burnout:

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Stress is a significant issue for businesses. Now that we know what it is and what it looks like, let's take a look at the most common causes.

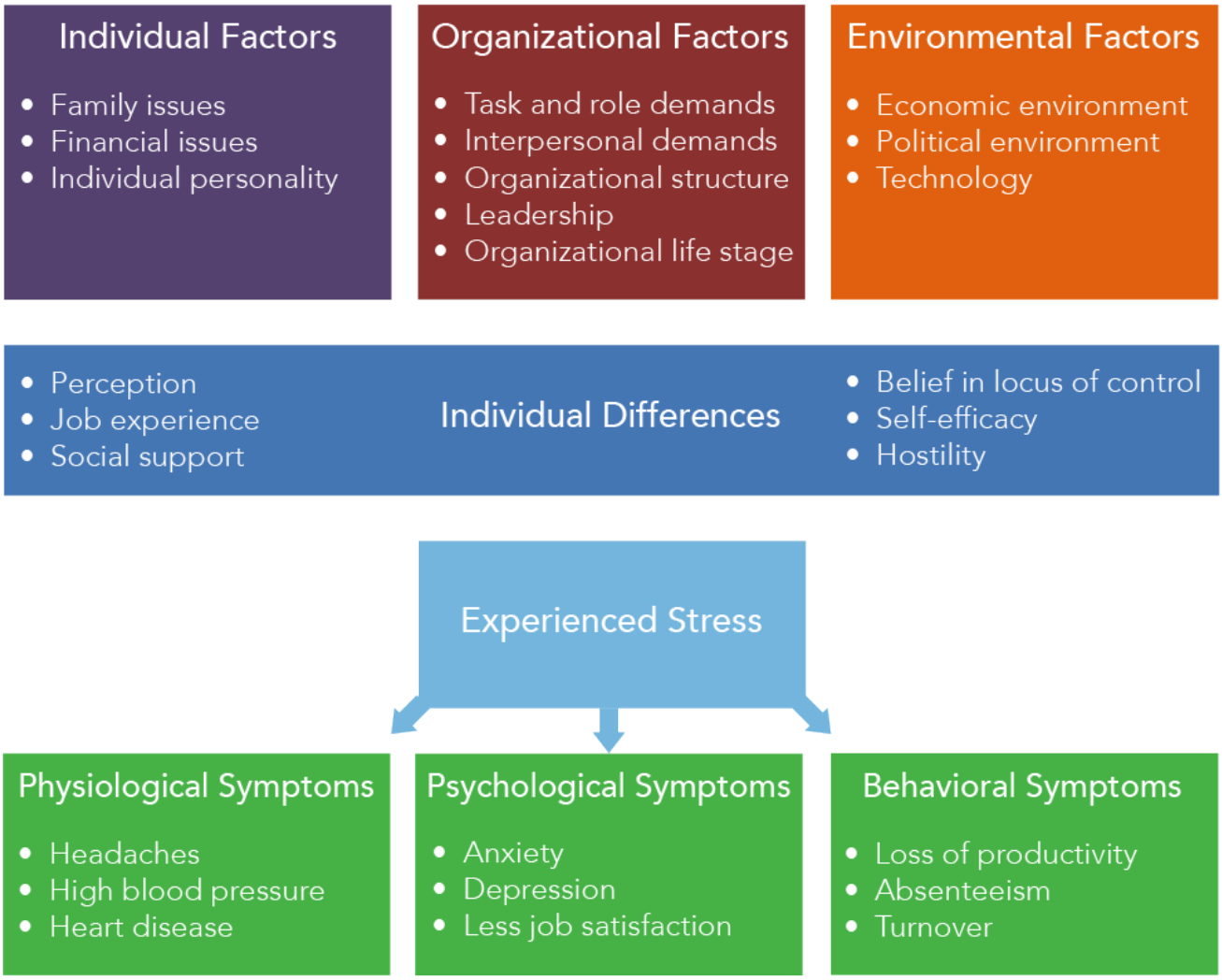
Sources of Stress

If you poll a group of individuals about what their biggest stressors are, they're likely to give you these four answers:

- Money
- Work
- Family responsibilities
- Health concerns

In most surveys on stress and its causes, these four responses have been at the top of the list for quite a long time, and I'm sure you weren't surprised to read them. But managers should take pause when they realize that all four of these are either directly or indirectly impacted by the workplace.

Still, there are so many differences among individuals and their stressors. Why is one person's mind-crippling stress another person's biggest motivation and challenge? We're going to attempt to answer this by looking at the three sources of stress—individual, organizational, and environmental—and then add in the concept of human perception in an attempt to understand this conundrum.



Individual Factors

Let's start at the top. The first of three sources of stress is individual. Individuals might experience stressful commutes to work, or a stressful couple of weeks helping at a work event, but those kinds of temporary, individual stresses are not what we're looking at here. We're looking for a deeper, longer-term stress. Family stress—marriages that are ending, issues with children, an ailing parent—these are stressful situations that an employee really can't leave at home when he or she comes to work. Financial stress, like the inability to pay bills or an unexpected new demand on a person's cash flow might also be an issue that disturbs an employee's time at work. Finally, an individual's own personality might actually contribute to his or her stress. People's dispositions—how they perceive things as negative or positive—can be a factor in each person's stress as well.

Organizational Factors

There's a plethora of organizational sources of stress.

- Task or role demands: these are factors related to a person's role at work, including the design of a person's job or working conditions. A stressful task demand might be a detailed, weekly presentation to the company's senior team. A stressful role demand might be where a person is expected to achieve more in a set amount of time than is possible.

- **Interpersonal demands:** these are stressors created by co-workers. Perhaps an employee is experiencing ongoing conflict with a co-worker he or she is expected to collaborate closely with. Or maybe employees are experiencing a lack of social support in their roles.
- **Organizational structure:** this refers to the level of differentiation within an organization, the degree of rules and regulations, and where decisions are made. If employees are unable to participate in decisions that affect them, they may experience stress.
- **Organizational leadership:** this refers to the organization's style of leadership, particularly the managerial style of its senior executives. Leaders can create an environment of tension, fear and anxiety and can exert unrealistic pressure and control. If employees are afraid they'll be fired for not living up to leadership's standards, this can definitely be a source of stress.
- **Organizational life stage:** an organization goes through a cycle of stages (birth, growth, maturity, decline). For employees, the birth and decline of an organization can be particularly stressful, as those stages tend to be filled with heavy workloads and a level of uncertainty about the future.

Environmental Factors

Finally, there are environmental sources of stress. The economy may be in a downturn, creating uncertainty for job futures and bank accounts. There may be political unrest or change creating stress. Finally, technology can cause stress, as new developments are constantly making employee skills obsolete, and workers fear they'll be replaced by a machine that can do the same. Employee are also often expected to stay connected to the workplace 24/7 because technology allows it.

PRACTICE QUESTION

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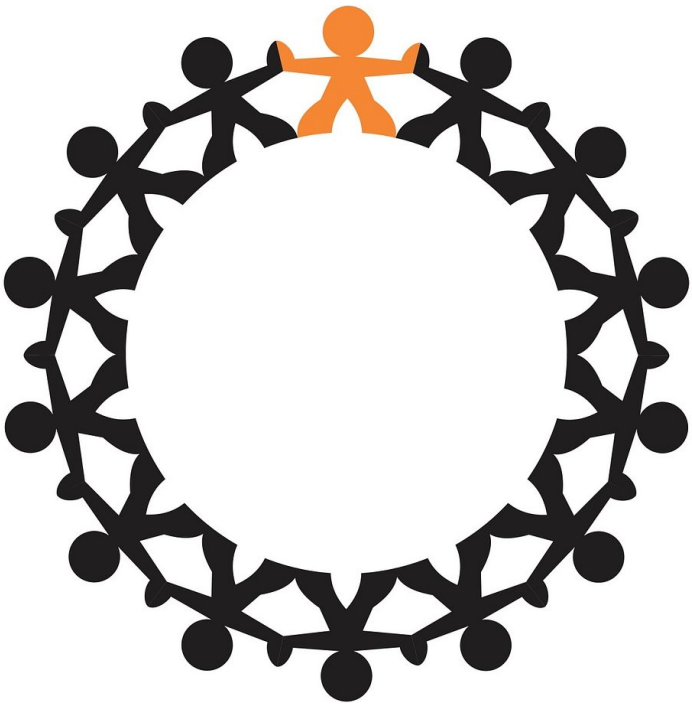
As a side note, it's important to understand that these stressors are additive. In other words, stress builds up, and new elements add to a person's stress level. So a single element of stress might not seem important in itself, but when added to other stresses the worker is experiencing, it can, as the old adage says, be the straw that broke the camel's back.

Individual Differences

Those are the sources of stress, but differences within an individual determine whether that stress will be positive or negative. Those individual differences include



- **Perception.** This is what moderates the individual's relationship to the stressor. For instance, one person might see a potential layoff as a stressful situation, while another person might see that same layoff as an opportunity for a nice severance package and the opportunity to start a new business.
- **Job Experience.** Because stress is associated with turnover, it would stand to reason that those employees with a long tenure are the most stress-resistant of the bunch.
- **Social Support.** Co-workers, especially those who are caring or considered to be friends, can help protect a fellow employee against the affects of stress.
- **Belief in locus of control.** Those who have a high internal locus of control (those that believe they are in control of their own fate) are, unsurprisingly, not as affected by stress as those who feel they are not in control.
- **Self-efficacy.** Self-efficacy is an individual's belief that he or she can complete a task. Research shows that employees who have strong levels of self-efficacy are more resistant to the effects of stress.
- **Hostility.** Some employees carry around a high level of hostility as a part of their personalities, and they're often suspicious and distrustful of their co-workers. These personality traits make a person more susceptible to stress.

If those potential sources of stress sneak through the individual difference filters and manifest themselves as stress, they will appear in a variety of physiological, psychological and behavioral symptoms. We reviewed the physiological symptoms when we talked about the definition of stress. Add to that psychological symptoms, like tension and anxiety, but also job dissatisfaction and boredom, and behavioral symptoms, like turnover and absenteeism, and you can see how stress can become an organizational problem.

How much of an organizational problem is stress? Well, stress can cost an organization a lot more than money. We'll take a look at that next.

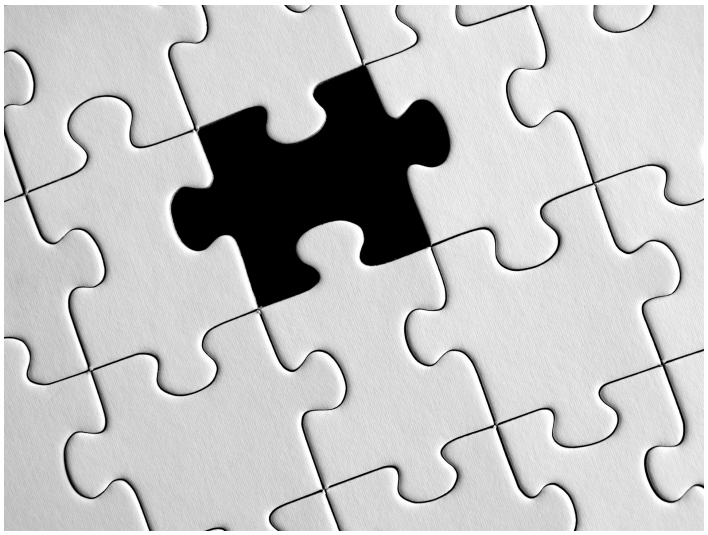
Consequences and Costs of Stress

Today's typical workplace expects quite a bit from its employees. In a climate of layoffs and downsizing, employees are typically expected to do "more with less"—that is, additional work for the same pay, often without updated resources and in a short amount of time. Demands for increased efficiency, quality and innovation can come at quite the cost, and employees are caving under the pressure.

A study conducted by Mental Health America (formerly the National Mental Health Association) suggests that stress costs US employers an estimated $500 billion dollars in lost productivity annually.

What does lost productivity mean? Let's take a look at how employees responded to that 2017 survey, and talk about how it can directly (and indirectly) impact a company's bottom line.

Absenteeism



What employees are saying: (Note: Hellebuyck, Michele, et al. “Mind the Workplace.” Mental Health America, 2017, www.mentalhealthamerica.net/sites/default/files/Mind the Workplace - MHA Workplace Health Survey 2017 FINAL.pdf.)

- A third of employees surveyed reported staying away from work at least two or more days a month because their work environments were so stressful
- Of those that responded that they missed two or more days of work
    - 35% said they missed between three and five days a month
    - 38% said they missed six days or more

According to the US Centers for Disease Control and Prevention (CDC), absenteeism alone costs US employers $225.8 billion annually, or about $1,685 per employee. This cost, they say, comes from (Note: “Worker Illness and Injury Costs U.S. Employers $225.8 Billion Annually.” CDC Foundation, 28 Jan. 2015, www.cdcfoundation.org/pr/2015/worker-illness-and-injury-costs-us-employers-225-billion-annually.)

- Wages associated with unreported paid time off
- High cost of replacement workers
- Overtime pay for employees picking up their additional work
- Overall administrative costs of managing absenteeism

It isn’t just the loss of productivity of the absentees, but their co-workers who are affected by this. In an article for BenefitsPro.com, Mental Health American CEO Paul Gionfriddo said, “Overstressed and unhealthy employees contribute to unhappy workplaces. This means that the indirect effects on everyone else—the people who dread coming to work—may not show up in the calculated productivity losses, but contribute to them nevertheless.” (Note: Hellebuyck, Michele, et al. “Mind the Workplace.” Mental Health America, 2017, www.mentalhealthamerica.net/sites/default/files/Mind the Workplace - MHA Workplace Health Survey 2017 FINAL.pdf.) Indeed, this low morale, combined with possible safety and quality issues that can result, are uncalculated effects.

Turnover

Here’s what employees are saying about the effects of stress on their workplaces: (Note: Ibid.)

- Two-thirds felt they worked in an unsupportive or even hostile environment
- Two-thirds said they didn’t often trust their coworkers to support them at work
- Two-thirds said their supervisor was unsupportive
- More than eight in 10 said the stress at work directly caused stress with family and friend relationships
- More than seven in 10 admitted they bad-mouth their employer outside of work

It’s easy to see why, considering these sentiments, that nearly three quarters of the employees surveyed are either actively seeking new employment or thinking of doing so.

The Work Institute’s 2017 Retention Report suggested that replacing an employee costs about 33% of that employee’s salary, meaning that the average worker making $45,000 a year will cost about $15,000 to replace, when you consider advertising, screening and testing applicants, training, and onboarding costs (among others). For some harder-to-fill positions, this cost could increase to 50% of the worker’s salary. (Note: Sears, Lindsay, et al. *2017 Retention Report*. Work Institute, 2017, cdn2.hubspot.net/hubfs/478187/2017 Retention Report Campaign/Work Institute 2017 -Retention Report.pdf.)

Turnover also lowers productivity in that there is a shift of work while the position is empty and even after when the new employee is learning her position, and the employee leaving takes with him knowledge of the company that may not be recaptured.

Sadly, the Work Institute's 2017 Retention Report also captured data that led them to determine that roughly 75% of all turnover could be avoided. When surveying their 34,000 respondents, the top reasons for turnover were cited as career development, compensation and benefits…and then three that are directly related to stress: work-life balance, manager's behavior and well-being. (Note: Ibid.)

Workplace Violence

Workplace violence is on the rise, and it is the third leading cause of death for workers on the job. Of course, some workplace violence, like an active shooter or even an angry retail customer who takes a swing, is not due to workplace stress. Still, this kind of activity takes a toll on businesses, adding yet another layer of stress and a price tag of about $55 million in lost wages for the 1.8 million work days lost each year due to workplace violence (according to a study by Lower & Associates, a risk management firm). (Note: Lowers & Associates. "[Infographic] The Impact of Workplace Violence." The Risk Management Blog. May 19, 2016. Accessed April 26, 2019. https://blog.lowersrisk.com/infographic-impact-workplace-violence/.)

But workplace violence rears its ugly head on a smaller level as well. "Desk rage" is a term used to describe extreme or violent anger shown by someone in an office, especially when this is caused by worry or a difficult situation. This can manifest itself in screaming and shouting, throwing or angrily destroying office equipment, or it can be more subtle, like damaging water cooler gossip, theft or abuse of sick time. The people who work with someone experiencing desk rage are as much victims of workplace stress here as the "desk rager."

These are some of the results of stress that drive down productivity, but stress also affects the cost of health benefits and medical needs that an employer will pick up by providing health insurance. Stress factors into five of the six leading causes of death in the US, and a staggering number of medical office visits will, in part, address symptoms related to stress.

It's no surprise to hear that a company like General Motors spends more money on healthcare than it does on steel. And (surprise!) workplace stress is responsible for up to $190 billion in annual US healthcare costs. Joel Goh, Harvard Business School associate professor, tackled the subject of healthcare costs and stress in his paper, "The Relationships Between Workplace Stressors and Mortality and Health Cost in the US," co-authored with Stanford University professors Jeffrey Pfeffer and Stefanos Zenios.

The three researchers cited ten major factors of workplace stress and then mathematically examined their occurrences (and co-occurrences), concluding that workplace stress contributes to approximately 120,000 deaths each year. That, and additional healthcare expenses related to addressing stress related problems, accounted for $125 to $190 billion in healthcare costs, or about 5% to 8% of the nation's total expenditure. (Note: Goh, Joel, et al. "The Relationship Between Workplace Stressors and Mortality and Health Costs in the United States." *Management Science*, vol. 62, no. 2, 2016, pp. 608–628., doi:10.1287/mnsc.2014.2115.)

PRACTICE QUESTION

The bottom line is that stress in the workplace has a huge effect on an employer's bottom line.

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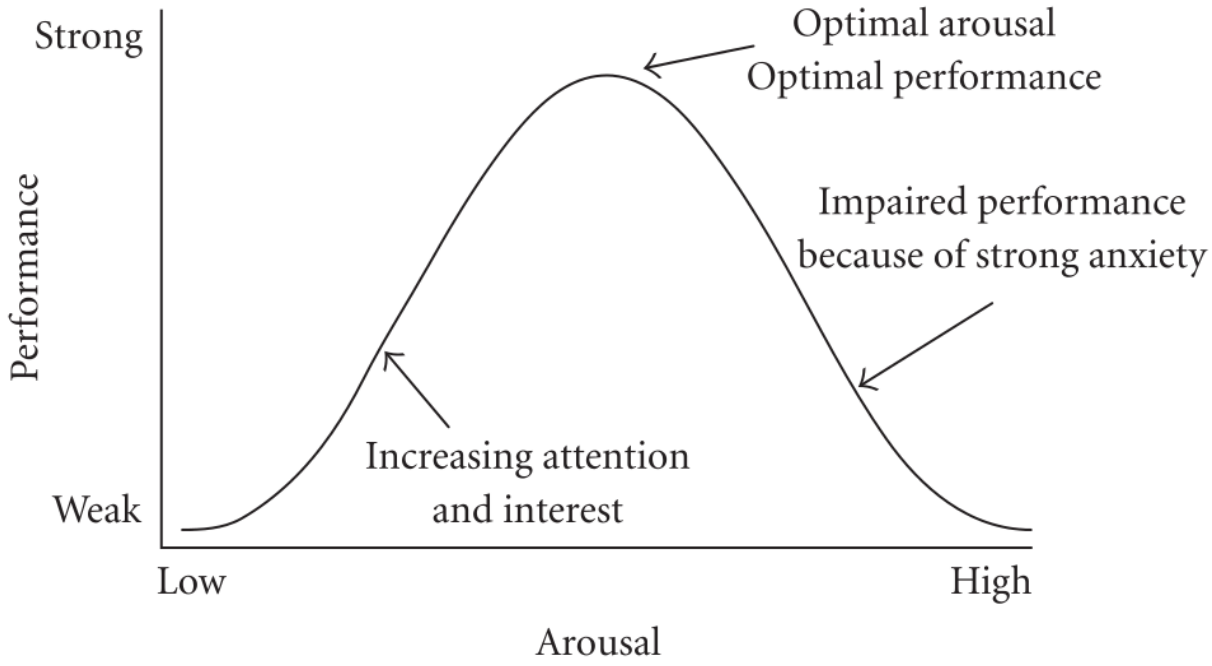
WORKPLACE STRESS MANAGEMENT

What you'll learn to do: Describe how theories and concepts around work–life balance affect notions of workplace stress management

How much stress is good stress? As we discussed earlier, a certain amount of stress is expected and motivating for an individual. Set goals should be challenging and incent the employee to work a little harder. That's good stress. But when they become intimidating, that's too much stress. That's when things start to fall apart.

Back in 1908, psychologists Robert Yerkes and John Dodson developed a theory about stress and performance. They proposed an "inverted-U" relationship between arousal and performance, crediting heightened states of arousal with optimum performance. At a certain point, that performance takes a turn for the worse, with anxiety, illness and breakdown setting in.

The theory is popular and somewhat intuitive, even if there isn't a lot of empirical support for it. But for the purposes of this, it illustrates the manager's quandary: what's the right amount of challenging, "good" stress for her employees?



Setting the right level of goals, making sure the job design is balanced and that work environments are supportive and encouraging—these are some of the challenges managers face daily in order to control stress in the workplace. They can also provide the employee with healthy choices to manage her own stress levels via programs and benefits that encourage self-care.

It's all about work–life balance: the balance an individual needs between time allocated to work and time allocated to family and personal life.

LEARNING OUTCOMES

- Discuss individual approaches to stress management
- Discuss job design and other managerial approaches to stress management
- Discuss wellness programs as an organizational approach to stress management

Individual Approaches to Stress Management

It would seem as though successful people have somehow learned how to beat stress and win at the game of life. While some crumble and fall under the demands and conditions of the workplace, others seem to thrive and make those pressures work for them. How do they do it?

The internet is primed and ready with hundreds of articles that advise today's worker on how to find success with work-life balance. "Write a personal mission statement to clarify priorities," one article preached. Another said, "Look for progress instead of perfection." All of them are easier said than done.

Managerial studies have found that individuals who manage their time wisely, engage in physical activities and protect down/family time are the most successful at managing stress and creating an optimal work-life balance. Let's take a look at each of these suggestions.

Time Management

“If I had four hours to chop down a tree, I’d spend the first two hours sharpening the axe.” This quote is often attributed to Abraham Lincoln and, whether he said it or not, it speaks to the essence of time management. Time management is the ability to use your time effectively and productively at work, the ability to create a schedule and plan your time to accomplish goals. Sharpen your metaphorical axe by setting aside uninterrupted time and make sure the tools to do the job are at your fingertips, and you’ll be working smarter, not harder.

There’s no shortage of time management training out there, and the basic principles of most of them include

- Creating daily list of tasks to be accomplished
- Prioritizing those tasks
- Schedule time to complete those tasks based on the priority assigned, and
- Tackle the most difficult tasks during the time of day when you’re most alert

Creating lists, prioritizing and scheduling are like sharpening that axe, and tackling them is akin to chopping down the tree.

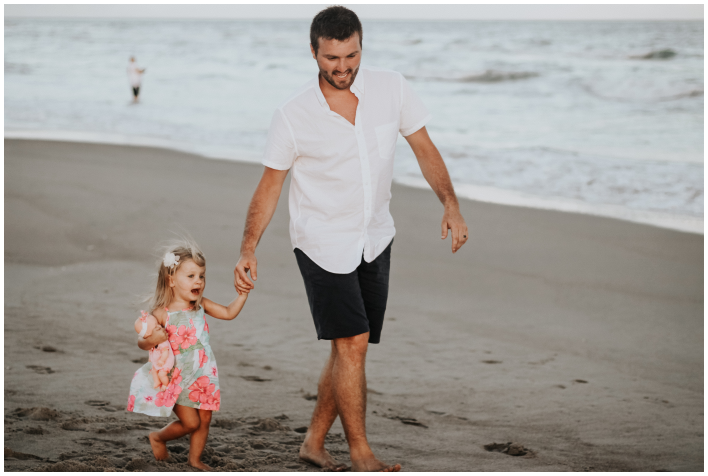
Time management experts suggest learning to say no to tasks, and finding ways to eliminate low-priority trivial tasks from your to-dos. Flexibility is also a fairly common suggestion in modern time management training, given that so much of an employee’s work day is unpredictable. Time management experts suggest planning fifty percent of your day carefully, and leaving the other half open for unplanned “emergencies” as they come up.

Finally, time management experts suggest that workers reward themselves for completing the tasks on their list. Rewards are a great motivator (as we learned in Module 6: Motivation in the Workplace!).

Physical Activity

Virtually any form of exercise can act as a stress reliever, even if you’re not an athlete, even if you’re not really in good athletic shape. Yoga, aerobics, a game of tennis, or even a simple walk with friends or family can provide stress release and should be a part of an individual’s stress management plan.

Exercise of any kind releases endorphins, which are the feel-good transmitters in your brain that make you happy. If you’ve heard of a “runner’s high,” that’s exactly the endorphin release to which we’re referring. Individuals responding to stressors aren’t experiencing too many endorphins, and exercise can help put them back into action.



Exercise can also provide an opportunity to refocus. An individual engaging in a game of racquetball, or running to beat a personal best time, becomes focused on the goal of the athletic effort, on the movements of his body and his athletic performance. This redirection of focus from stressors is a benefit.

Sleep is often disrupted by anxiety and stress, and regular exercise will improve an individual’s ability to get a good night’s sleep. It also improves an individual’s mood. Any individual looking to add exercise to his or her daily regimen should consult with a physician first, and, once given the green light, should make it a part of a weekly routine.

Relaxation Techniques

Individuals can often get a little closer to work-life balance by practicing any of a variety of relaxation techniques. Some relaxation techniques are practiced forms of meditation, and others are simply diversions that take the mind off stress. Consider the following practices:

- **Autogenic relaxation.** In this technique, one uses visual imagery and body awareness to relax, often by imagining yourself in a peaceful setting and then consciously relaxing your breathing, your limbs, and your body, a little at a time.
- **Visualization.** Individuals exercising this technique use as many of their senses as they can in order to put themselves in a relaxing scene. For instance, if one is imagining the beach, the smell of salt water and the sound of crashing waves help create the visualization.
- **Progressive muscle relaxation.** An individual will slowly tense and then relax each muscle group in this relaxation technique, starting with the toes and working upward throughout the body.
- **Tai chi.** Tai chi is a self-defense technique that's developed into a gentle exercise that promotes good mental health and stress release using the concept of yin and yang. It's often described as "meditation in motion."
- **Meditation.** Individuals use this practice to achieve a mental calmness and clarity by focusing their mind on a particular thought, object or activity.

The list goes on, and you get the general idea: relaxation techniques support a level of calmness by changing focus to something other than the stressor. But one doesn't need to zone out in a dark room in order to achieve that change of focus those relaxation techniques. A good laugh courtesy of your favorite sit-com, playing a musical instrument, dancing to loud music, or knitting might be closer to your idea of stress release.

Protecting Down Time/Time with Family

Here are some statistics you might find all too familiar: According to a 2016 study by the Academy of Management, employees bring home an average of eight hours of work a week. The American Psychological Association discovered that 30% of men and 23% of women regularly bring work home, and similar numbers of people admitted to working on vacation and bringing work on social outings.

Technology seems to demand that individuals be "on" 24 hours a day, seven days a week, but an employee can't protect work-life balance when that's a looming expectation. The good news is that employees can leverage technology in their favor as well. Google Calendar now features a function that automatically rejects requests for meeting and calls outside of the user's established work hours. Apple has created a VIP inbox that alerts you when messages from prioritized sources—your spouse, your kids, the CEO—have arrived, and lets Bob in the mailroom wait until you're available.

Similarly, mobile carriers now have programs where you can designate blackout times, allowing you to completely shut off at dinner time, on weekends, or whenever you choose. And individuals should remember that they can just choose to turn off their mobile devices. The email messages will be waiting when they return.

PRACTICE QUESTION

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Managers should be aware of individual stress relief practices, not only for their own well being, but for the well being of their staff. Allowing or encouraging individuals (or groups) to practice a small amount of stress relief during working hours, maybe in the form of lunchtime yoga or a financial management class, can save countless dollars and improve engagement and activity.

Managerial Approaches to Stress Management

When we talked about individuals exercising time management techniques as a way of achieving a better work-life balance, we mentioned flexibility and the ability to allocate 50% of their day to the unpredictable, unplanned part of their days. Could managers be stepping in and proactively addressing those 20 hours of a worker's week that are made up of unplanned emergencies?

In her 2015 article "Time Management Training Doesn't Work," for *Harvard Business Review*, productivity expert Maura Thomas suggests that an employee's problem is not just getting distracted from work but getting distracted from work by other work. Workers are sitting down to thoughtful tasks and being lured away by client emails, experiencing a new interruption every few minutes and working at a frantic pace. "Managing your time" used to be synonymous with "managing your attention," but the workplace doesn't function like that anymore. Time management training needs to change with the times.

Thomas suggests that, rather than training individuals on time management techniques, managers should spend more time on clarity around role priorities rather than specific task priorities.

When managers can make clear to an employee what the expectations of his role are and how they match up with the priorities of the company, the employee can gain a new clarity on how to prioritize incoming work. Job design, its initial conception and its constant evaluation, are important in managing workplace stress.

As we discussed in Module 6: Motivation in the Workplace, job design is key in motivating employees. Skill variety, task identity, task significance, autonomy and feedback are all components that should be considered when designing a job, no matter how complicated or repetitive the job might be. Job design should reinforce the effort-to-performance link on the expectancy framework.

If job design provides the challenge that motivates an employee, it can also tip the scales toward stress. Managers can reevaluate job design to ensure that expectations for the role don't exceed the employee's abilities. They can, as Thomas pointed out above, also reduce role ambiguity by aligning employees around company objectives and helping them prioritize need-to-do tasks over day-to-day minutiae.

While certain jobs are more stressful than others—consider an air traffic controller's daily stress versus that of a clerical worker—individual responses to stress are also very specific to an employee's personality. Managers should take into consideration how an individual might adapt to a high-stress role during the selection and placement process. Does this person have a strong internal locus of control? Previous experience is often a good indicator of a potential employee's suitability.

Another motivating factor for employees is goal-setting. Individuals should have specific, measurable goals that they can achieve if they stretch themselves. Managers should take care that they're achieving good, and not bad, levels of stress when working with employees to set goals. Goals that tie into company objectives work to clarify role responsibilities, and managers who review their employees' progress can protect them from demotivation and stress.

Finally, there's the managerial option of job redesign to help with stress management. Redesigning jobs to make them richer for the employees can alleviate stress and add new motivation. A job redesign that gives the team member more responsibility, more say in decisions that involve them, and more meaningful work can give an employee more control over work activities and lessen his reliance on others.

But what about the effects of an organization's culture on stress levels? Some organizations expect an employee to put in far more than the standard 40 hours of work in a week. Employees feel an increasing need to stay connected to email and voice mail when not in the office, and often their managers expect to be able to contact them by phone or text well after working hours. International companies expect employees to navigate time differences, and employees in the US find themselves staying at work late or coming in early to have necessary conversations with Europe and Asia.

LEARN MORE: ERIC GARTON

The Harvard Business Review featured an article written by Eric Garton, author of *Time, Talent, Energy: Overcome Organizational Drag and Unleash Your Team's Productive Power*. In "Employee Burnout is a Problem with the Company, not the Person," Garton cited a couple of burnout-inducing practices that are driven by an organization's culture:

Excessive collaboration

Garton cites this as a “common ailment in organizations with too many decision makers and too many decision-making nodes.” This flaw in organizational structure and culture leads to too many meetings and phone calls trying to align every possible stakeholder around a particular decision. This issue leads to “task switching” which, unlike multi-tasking, requires an employee to switch to a new task while in the middle of another, costing time and energy and resulting in additional stress.

The solution to excessive collaboration, Garton suggests, is an adjustment of organizational structure and “nodes,” which are the intersections of an organizational structure where a decision maker sits. Too many nodes is a sign of unnecessary organizational complexity, which slow down the decision making processes.

Weak time-management skills

While we discussed Maura Thomas’ theory that the modern workday has outgrown time management training above, both she and Garton agree that individuals are too often left on their own to figure out how to manage their time. Tools now exist that can help managers understand where their teams are spending too much time on meetings and collaboration, too little time on productive activities and entirely too much time on answering emails.

Overloading the most capable workers

This isn’t a new phenomenon, but as workloads seem to multiply, managers will continue to look to their best and brightest team members to help them keep up. Garton pointed out that, while average managers lose a day of their workweek to electronic communications and two days to meetings, highly talented managers suffer much more because their knowledge and success earns them a larger workload. Those same tools that help managers understand where their teams are wasting time can also help them see who is taking on a bigger piece of the team’s burden.

A manager can have a positive effect on his employees’ stress levels and work/life balance by manipulating job design and understanding the effects of an organization’s culture on job demands.

PRACTICE QUESTION

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Organizational Approaches to Stress Management

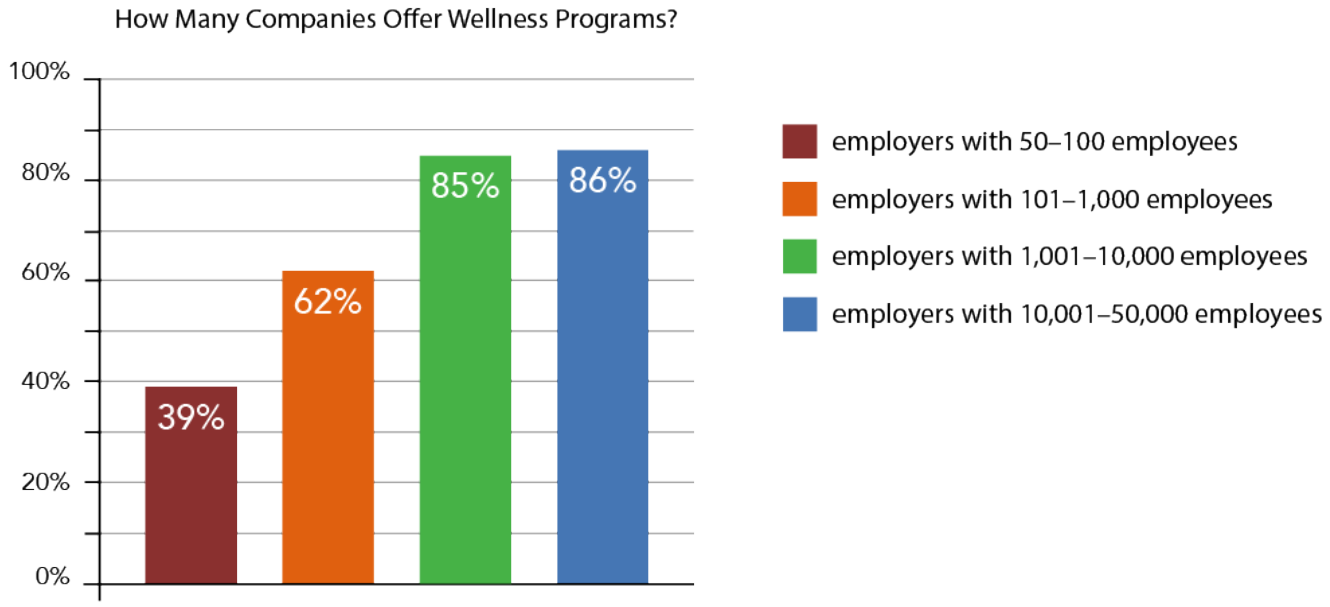
In addition to careful job design and managing stifling company cultures, organizations are taking steps to help employees battle stress by offering programs, benefits and office “perks” that allow workers to make choices about managing stress as it best suits their needs.

We learned earlier that healthcare is an expensive endeavor for employers these days, and smaller, privately held companies are looking for clever benefit package designs that reduce an organization’s costs without costing the employee too much more. Stress and stress-related illness has a significant impact on healthcare costs, given annual costs for those stress-related health issues could be anywhere from $125 to $190 billion.

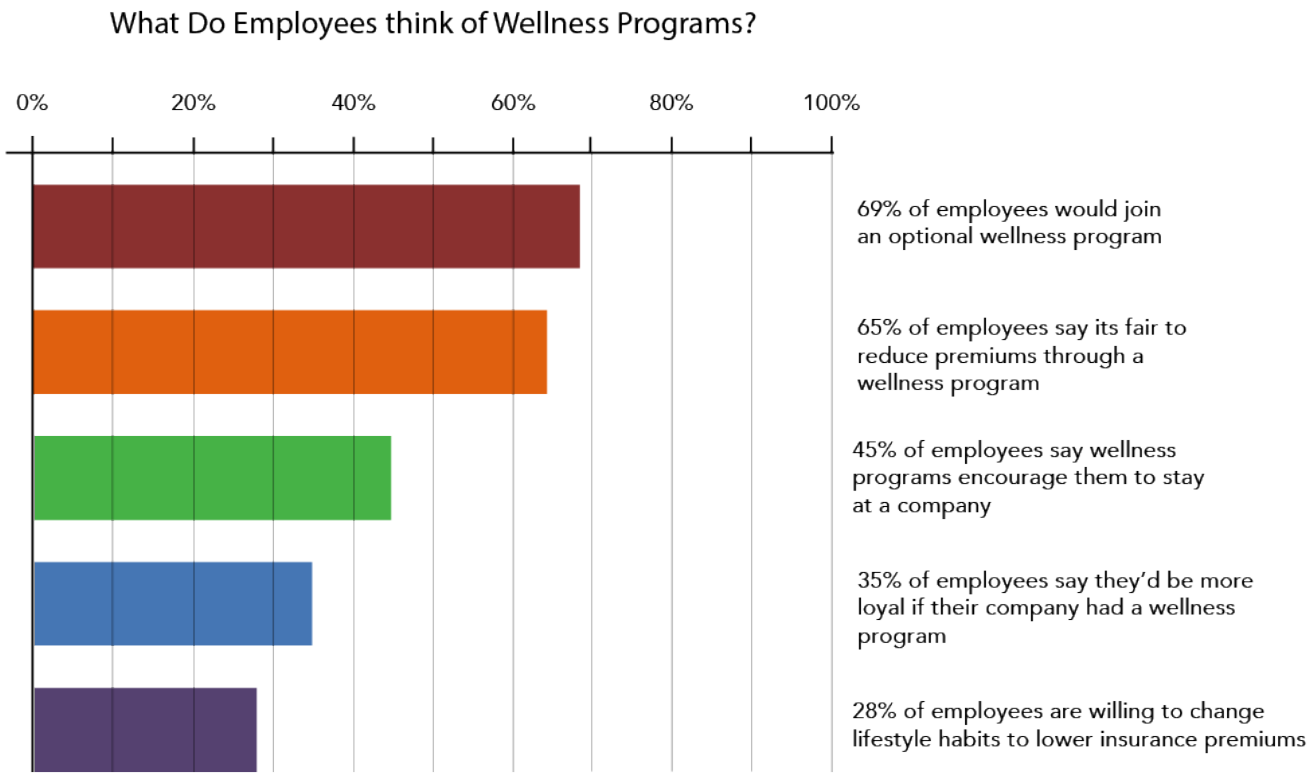
It's not unusual for a company to offer their employees smoking cessation programs or asthma management programs to help keep healthcare costs in check. Now employers are looking to implement other wellness programs, knowing that stress-related health issues are a driving the cost of medical benefits. In fact, health care providers are starting to support these client endeavors, too, recognizing the need to cut spending however they can.

Wellness programs are organizational efforts to help employees improve their health and mental well-being by offering company-sponsored exercise, weight-loss competitions, health screenings and more. Some companies are looking at a more holistic view of stress release by concentrating not just on employee physical health, but also offering financial management classes and opportunities to give back to the community.

Nationwide, companies are seeing the benefits of offering their employees wellness programs. As you can see from the graph below, 91% of all large companies (with more than 10,000 employees) offer some type of wellness program. They're a cost effective solution to a very expensive problem. Furthermore, as shown in the second graph below, a majority of employees are open to participating in them. Wellness programs are a win-win for companies and their employees.



Source: https://www.webfx.com/data/why-your-company-needs-a-wellness-program/



Source: https://www.webfx.com/data/why-your-company-needs-a-wellness-program/

Now, some employers offer these types of programs and then get in the way of their effectiveness. In Joel Goh's study, he pointed out that, while US employers recognize that stress leads to costly health issues and put programs in place to combat them, those same employers sometimes undermine those programs with stress-inducing employment practices. These programs don't work if the employee is too stressed and overloaded with work to participate!

Some younger companies are going the extra mile to incorporate wellness into their culture and work environment. Google and Apple are headliners among organizations that offer their employees multiple choices in stress-burning activities throughout the day—like ping-pong tables, foosball, bowling alleys—and other perks that allow their employees to eliminate stress from their lives, such as free meals and free rides to work. Masseuses, available for booking during work hours, and family-room like areas where employees can relax and put up their feet go a long way toward employee stress relief and comfort. These are great examples of companies taking a cue from the ways individuals pursue stress release and making some of those methods available in the workplace.

Companies can incorporate stress release into their benefits packages in other ways as well. Companies offering a nice paid-time-off package that features use-it-or-lose-it vacation time encourages their employees to step away from the office and enjoy time with their families. Discounted gym memberships can encourage employees to stay physically fit, and companies are starting to offer easy, direct-deposit college savings plans so that employees can more easily provide for the education of their offspring. Some companies have gone as far as providing on-site day care for employees, making child care convenient and cost-effective. Other companies have a dogs-allowed policy at the office, where people can bring in their pets and combat stressful situations with a furry hug.

Finally, mental health is an ever-present issue in today's society, and employers offer employee assistant programs (EAPs) for those employees who are struggling with issues at work or in their personal lives. Employee assistance programs offer short-term, confidential counseling to employees, complete with referrals, free assessments and follow up services. Where wellness programs and company benefits can't address mental health and wellbeing, employee assistance programs step in and make it easier for struggling workers to find help.

These wellness programs and benefits offerings are companies' responses to the individual needs of their employees and their ongoing quest for work/life balance. Not only do they foster excellent perception that they care about their employees, but they also address the very costly issue of stress in the workplace.

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Managing Stress

Now that we've learned about different approaches to stress management, let's take a moment to see how these approaches might play out in the workplace.

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PUTTING IT TOGETHER: MANAGING STRESS AND EMOTIONS

Stress. It happens when an individual is confronted with an opportunity, constraint or demand related to what he or she desires, and for which the outcome is perceived to be both uncertain and important. Stress at a certain level is good and motivates productivity, but when it increases to the point of pain, it no longer works in favor of an individual or organization. Stress is a very individual experience—some people handle it better than others—but no matter how much stress is "too much," when it reaches that level the effects on a person's body and mind can be deadly.

Let's go back to Susan, whose quality control team doubled when her peer at a plant 250 miles away. She struggled not just with extra work and added direct reports, but with personal issues like finding childcare for overnight trips and down time to attend to her family's needs. We understand now that Susan could practice some individual stress management techniques, like protecting a certain part of her day for family time regardless of workplace needs, or better time management around tasks that needed to be (or didn't need to be done).

Susan's manager could also begin to plan for how he helps her manage stress. He might review job design and the goals Susan and her team has set for themselves. He could take a look at the organization as a whole, identifying bad practices like extensive collaboration or overloading the most talented team members. He might campaign for his organization to add wellness programs or review their benefits packages, perhaps encouraging benefits that directly address childcare and family needs.

Ultimately, though, Susan resigned from her position. The company eliminated her peer's position in an effort to respond to an economic and industry downturn, and it didn't appear that her situation would improve any time soon. Her departure contributed to turnover, which is a result of stress that costs organization's quite a bit of money.

Organizations that are in a position to help employees navigate stress should definitely take those steps. They aren't being altruistic in doing so. Stress costs organizations productivity and impact profits, and managing it is the right thing to do.

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MODULE 8: COMMUNICATION IN THE WORKPLACE

WHY IT MATTERS: COMMUNICATION IN THE WORKPLACE

Why learn how to appropriately and effectively communicate in the workplace?

In their 2012 article “The Silent Killer of Big Companies,” Harvard professor Boris Groysberg and writer Michael Slind open with these scenarios: (Note: Groysberg, Boris, and Michael Slind. "The Silent Killer of Big Companies." *Harvard Business Review*. August 07, 2014. Accessed April 08, 2019. https://hbr.org/2012/10/the-silent-killer-of-big-companies.)

> A leading mobile-phone maker falls out of step with its market — and struggles to catch up.
>
> An energy-trading company rises high — and then suddenly implodes.
>
> A luxury cruise ship takes a wrong turn — and the parent cruise-line company finds itself on troubled waters.
>
> A mighty oil company presides over an environmental disaster — one that spills over to become a PR disaster as well.
>
> The board of an airline hires a CEO — and then cancels his contract after just three years.

All of these examples, namely Nokia, Enron, Star Princess Cruise Lines, BP, and Thai Airlines, all suffered what the authors called a “grievous lapse of communication” that yielded the above results. Grievous lapses of communication that led to lost productivity, loss of contact with customer needs, lost touch with basic ethics, and ultimately, lost profits.

Good communication is at the foundation of a successful business, and leaders who understand and stimulate the way information flows within their organization will reap the rewards. Sadly, there is no shortage of tragic examples where communication went awry and businesses struggled or folded as a result. Understanding the components of good communication and how organizations put them to work is key in avoiding that fate and finding success.

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KEY COMPONENTS OF COMMUNICATION

What you'll learn to do: Describe the key components of effective communication in contemporary organizational life

All organizations communicate. They communicate internally with their employees and externally with their stakeholders, their customers and their communities. Organizations that communicate well—and ethically—are a step ahead of their competitors, because communication is how employees understand an organization's mission and goals, and how their roles support them.

Communication is more than just a quick conversation or a written memo. Knowing the components of communication, the types of communication, and the barriers of the communication process are key in understanding what good organizational communication should look like.

LEARNING OUTCOMES

- Define the functions of organizational communication
- Describe the communication process
- Analyze direction of communication within an organization
- Discuss types of communication within an organization
- Analyze barriers to effective communication

Functions of Organizational Communication

Research tells us that poor communication is the most frequently cited source of interpersonal conflict. (Note: Thomas, Kenneth W. and Warren H. Schmidt. "A Survey of Managerial Interests with Respect to Conflict," *Academy of Management Journal*, vol 19, no. 2) It's not surprising, really. We spend about 70 percent of our waking hours engaged in some sort of communication. Whether it's writing, reading, speaking, or listening, we're participating in the transference and understanding of meaning between individuals. Those individuals who are good at communicating are setting themselves up for success. Those organizations that facilitate good communication—both inside their walls and with their customers and community—set themselves up for success as well.

Even when we're not speaking, we're often using technology to communicate with other individuals.

In an organization, communication serves four purposes:

- Control
- Motivation

- Information
- Emotional Expression

Control

Organizations have rules and processes that employees must follow, communicated to workers to keep order and equity operating within the system. For instance, if an individual has a grievance about her job task, the organization might dictate that the grievance first has to be addressed with a supervisor. If it goes unresolved, the next step in the process might be to file a complaint that is reviewed by a committee. This is an example of an organization leveraging their communication processes to keep order and ensure grievances are heard fairly.

There's an informal version of control within an organization, too. A department member might be too eager to please the boss, staying late and producing more than the others on his team. The other team members might pick on that eager individual, make fun of him, and very informally control that person's behavior.

Motivation

Goals, feedback and reinforcement are among those items communicated to employees to improve performance and stimulate motivation. Organizations are likely to exhibit a bit of the "control" aspect in communicating goals to individual contributors, transferring information via a chain like the management by objective process we discussed in an earlier module. Feedback and reinforcement can also be a formal controlled process (via a mid- or end-of-year performance review, for example) but it can also occur in informal ways. When a manager passes an individual, she might stop and say, "Hey, I heard from Fred today about how well you did presenting to his group. Great job! We'll try to find other opportunities for you to get in front of a crowd." That would be an informal version of feedback and reinforcement that acts as a motivator.

Information

Organizations need to keep their employees informed of their goals, industry information, preferred processes, new developments and technology, etc., in order that they can do their jobs correctly and efficiently. This information might come to employees in formal ways, via meetings with managers, news and messaging via a centralized system (like an intranet site), or it could be informal, as when a team member on the assembly line suggests a quicker way to approach a task and gets his coworkers to adopt the method.

Emotional Expression

Communication is the means by which employees express themselves, air their grievances, and interact socially. For a lot of employees, their employment is a primary source of social interaction. The communication that goes on between them is an important part of an organization and often sets the culture of the organization.

There is not one function of organizational communication that's more important than another—an organization needs to have all four of the functions operating well.

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An organization can't actually communicate, though, can it? Technically and scientifically, no. It's the organization's employees that do the communicating and follow the processes on behalf of the organization. So, individual expertise is equally important if an organization is going to have a successful communication function.

Communication is happening between individuals when all parties are engaged in uncovering and understanding the meaning behind the words. It's not something that one person does alone. When business professionals makes their contribution to the uncovering and understanding process, they should strive to be:

- **Clear.** Their messages should be easily understood
- **Concise.** Their messages should feature only necessary information
- **Objective.** Their messages should be impartial
- **Consistent.** Their messages, when communicated more than once, should always be the same
- **Complete.** Their messages should feature all the necessary information
- **Relevant.** Their messages should have meaning to its receiver
- **Understanding of Audience Knowledge.** Their messages should consider what the receiver already knows about the situation, and not assume too much or too little

These are the seven pillars, or principals, of business communication. If an individual opens his mouth, puts pen to paper, or picks up a camera to make a video, he should be striving to create a message that meets this criteria.

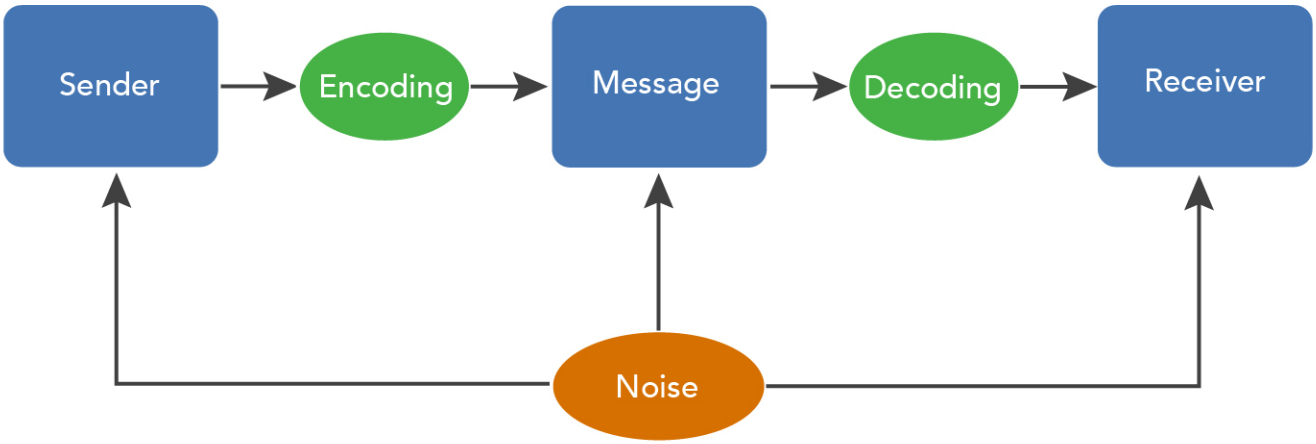
Why? Well, the point of communication is not to talk. It's to be understood. When your team understands you, they deliver results. When your customers understand you, they buy. When your manager understands you, she advocates for you and supports you in your career. When organizations communicate well and employees understand their roles and how they fit into the organization's mission, they succeed.

The Process of Communication

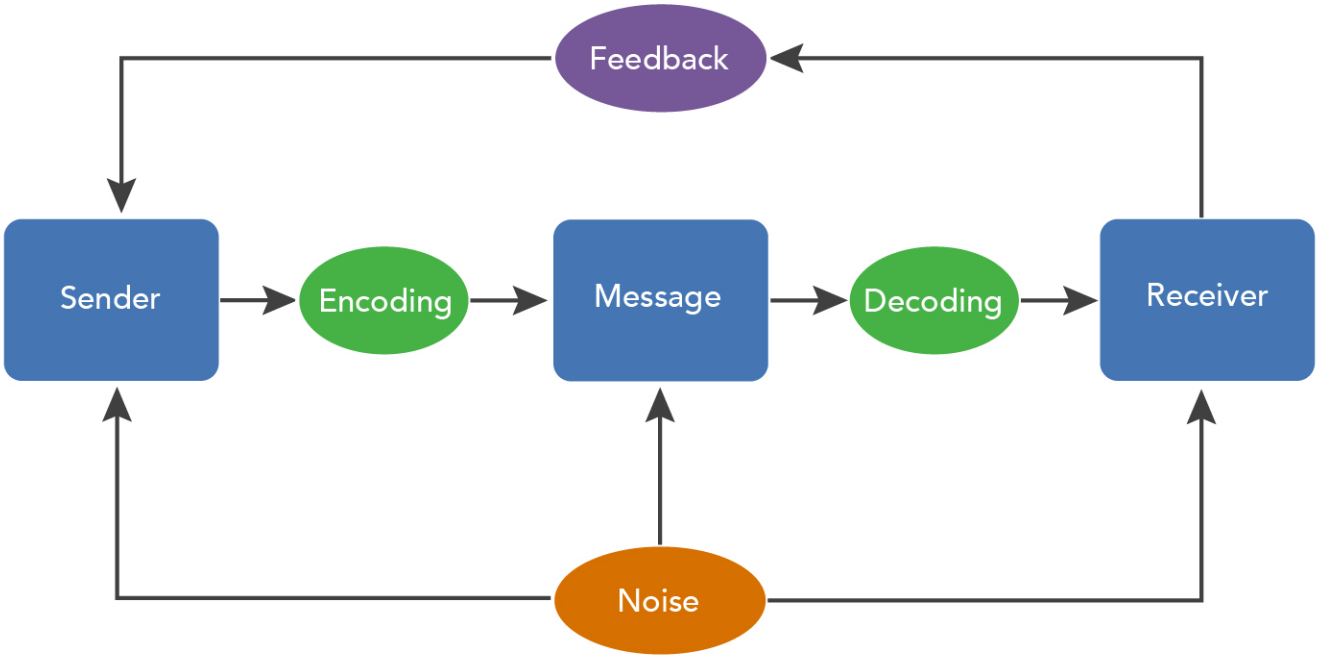
What does communication look like? When you think about communication in its simplest form, the process is really quite linear. There's a sender of a message—let's say you—talking. You, the sender, have a thought. You put that thought into words, which is encoding the message.

And then there's a recipient of a message—in this case your coworker Nikola. The message comes out of your mouth, and then it is decoded, or processed, by the recipient, Nikola, who then decides on the meaning of your words as a result of that decoding process. She hears your words and considers their meaning—put simply, she's listening. It looks something like this:

But what the sender says isn't always what the reciever hears. Encoding and decoding don't always happen seamlessly. In this instance, Nikola might "tune out" and miss some of what you said, or she may hear your words correctly, but misunderstand their meaning. It may even be a concept that is doomed to be misunderstood before your words are even formed, due to existing difference between you and your coworker. When this happens, it's called noise.



If Nikola is not clear on your message, she may stop you and say, “Wait. You’re saying this. Do I understand you correctly?” This is called feedback.



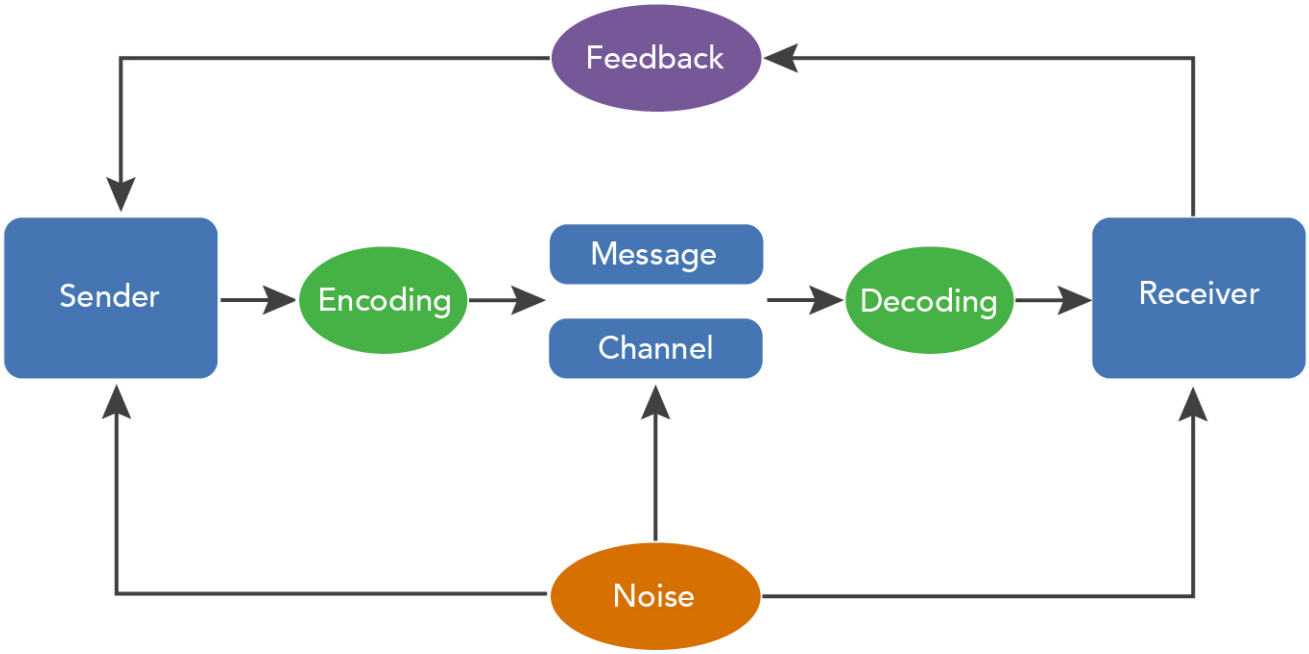
Your recipient has let you know that you’ve been misunderstood by giving you feedback. At this point you can

- Repeat the message a second time
- Ask some clarifying questions to determine why your recipient didn’t understand what you said, and then address those issues on your next attempt to communicate your idea.

Feedback can come in a variety of forms, too. In this case, Nikola is repeating your statement and asking for confirmation that she heard it correctly. In another case, you may have told Nikola that to find the restroom she needs to head down a hall and turn right. When she heads down the hall and turns left, that, too, is feedback letting you know you’ve been misunderstood.

Often that’s the kind of feedback an organization has to navigate. Organizations issue a communication, perhaps in the form of a memo, and send it out to all their employees. Employees read it. If the message is understood and appropriate actions are taken, all is well. There may have been noise, but it did not get in the way of the message. If employees start firing emails back to the originator of the message, asking questions or clarifying points, they are engaging in feedback. If they take action that is not appropriate, that’s also feedback. The message needs to be reiterated, framed differently, to clarify portions that were not communicated the first time.

This whole process, the steps between a source and receiver that result in the transference and understanding of meaning, is called the communication feedback loop. In an organizational communication feedback loop, we can also consider the channel of communication in the message. The channel is the medium by which the message travels. Newsletters, one-on-one meetings, town halls, video conferencing—all of these are channels of communication.



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There are formal channels of communication in an organization. These are channels of communication established by an organization to transmit messages that impact the work-related activities of its employees. They can follow the authority chain in an organization, and would include things like messages from leadership, information from the human resources department about benefits, or even articles recognizing an employee for great work.

The informal channels of communication in an organization are personal and social. Your mind may automatically go to “water cooler gossip” and, while that is definitely an informal channel of communication, there are plenty of ways informal communication channels do an organization good. For instance, a new process may be in the testing phase with a group of employees. Those employees can iron out the wrinkles of the process and become enthused about it, acting as ambassadors for the new method with other employees before it’s even rolled out. The informal channel, in this example, is communication that will assist with change management.

By understanding the goals of communication and how communication operates, an organization can ensure their employees have the right information to do their jobs, and ultimately open the door to increased engagement and productivity.

Directions of Communication

Now we understand what communication is, and a message is encoded by a sender, decoded by a receiver, all while navigating noise and providing feedback. Organizations communicate to ensure employees have the necessary information to do their jobs, feel engaged, and be productive.

Communication travels within an organization in three different directions, and often the channels of communication are prescribed by the direction in which the communication is flowing. Let's take a look at the three different directions and types of communication channels used.

Vertical Communication

Vertical communication can be broken down into two categories: downward communication and upward communication.

Downward Communication

Downward communication is from the higher-ups of the organization to employees lower in the organizational hierarchy, in a downward direction. It might be a message from the CEO and CFO to all of their subordinates, their subordinates, and so on. It might be a sticky note on your desk from your manager. Anything that travels from a higher-ranking member or group of the organization to a lower-ranking individual is considered downward organizational communication.

Downward communication might be used to communicate new organizational strategy, highlight tasks that need to be completed, or they could even be a team meeting run by the manager of that team. Appropriate channels for these kinds of communication are verbal exchanges, minutes and agendas of meetings, memos, emails, and even Intranet news stories.

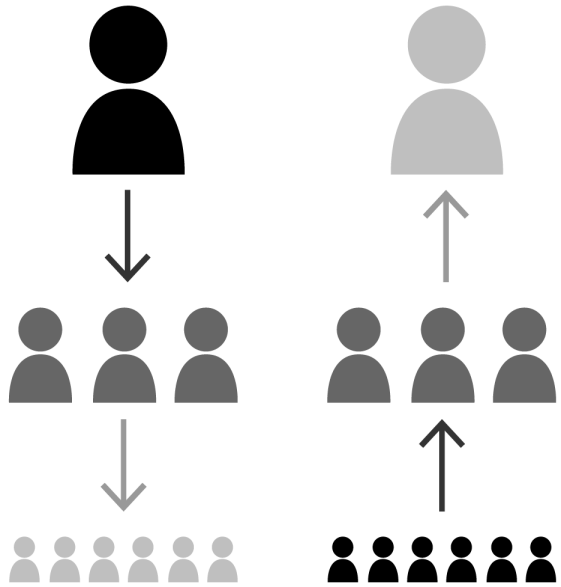

Figure 1. Downward and upward communication

Upward Communication

Upward communication flows upward from one group to another that is on a higher level on the organizational hierarchy. Often, this type of communication provides feedback to organizational leaders about current problems, or even progress on goals.

It's probably not surprising that "verbal exchanges" are less likely to be found as a common channel for this kind of communication. It's certainly fairly common between managers and their direct subordinates, but less common between a line worker and the CEO. However, communication is facilitated between the front lines and senior leadership all the time. Channels for upward communication include not only a town hall forum where employees could air grievances, but also reports of financial information, project reports, and more. This kind of communication keeps managers informed about company progress and how employees feel, and it often provides managers with ideas for improvement.

Horizontal Communication

When communication takes place between people at the same level of the organization, like between two departments or between two peers, it's called horizontal (or lateral) communication. Communication taking place between an organization and its vendors, suppliers, and clients can also be considered horizontal communication.

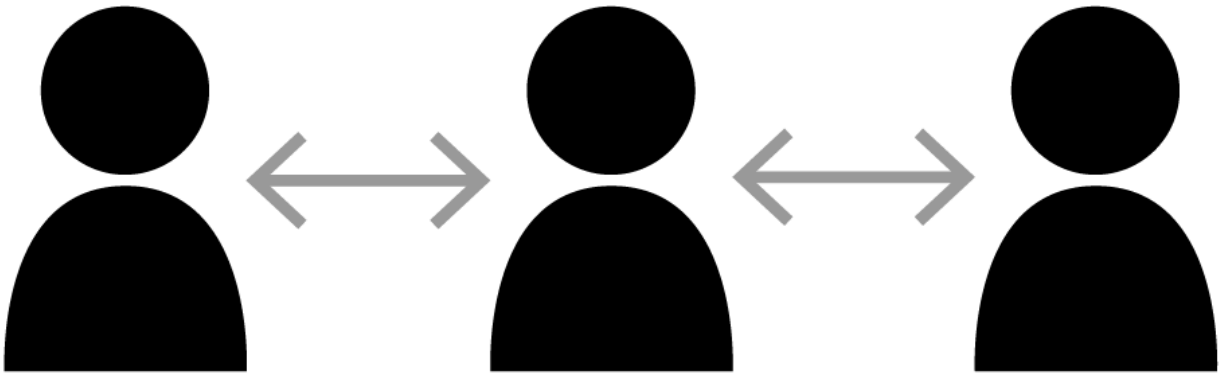

Figure 2. Horizontal communication

Even though vertical communication is very effective, horizontal communication is still needed and encouraged, because it saves time and can be more effective—imagine if you had to talk to your supervisor every time you wanted to check-in with a coworker! Additionally, horizontal communication takes place even as vertical information is imparted: a directive from the senior team permeates through the organization, both by managers explaining the information to their subordinates and by all of those people discussing and sharing the information horizontally with their peers.

Not all organizations are set up to facilitate good horizontal communication, though. An organization with a rigid, bureaucratic structure—like a government organization—communicates everything based on chain of command, and often horizontal communication is discouraged. Peer sharing is limited. Conversely, an organic organization—which features a loose structure and decentralized decision making—would leverage and encourage horizontal communication.

Horizontal communication sounds like a very desirable feature in an organization and, used correctly, it is. Departments and people need to talk between themselves, cutting out the “middle men” of upper management in order to get things done effectively. Unfortunately, horizontal communication can also undermine the effectiveness of downward communication, particularly when employees go around or above their superiors to get things done, or if managers find out after the fact that actions have been taken or decisions have been made without their knowledge.

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Now that we understand the three directions in which communication can travel, let’s take a look at types of communication and how they’re employed within an organization.

Types of Communication

Interpersonal Communication

So, now that we know what directions communications travel, how do they get from sender to receiver? **Interpersonal communication** is how an individual chooses to engage with another individual or group. There are three types of interpersonal communication:

Oral Communication

The chief means of communication is oral, and in most cases, it's the most effective. Examples of oral communication can be a speech, a one-on-one meeting, or a group discussion.

The primary advantage of oral communication is speed, as the sender of the messages encodes it into words, and a receiver immediately decodes it and offers feedback. Any errors can be corrected early, before mistakes are made and productivity hindered.

The primary disadvantage of oral communication comes into play whenever the message has to be passed through many people. Did you ever play the game "telephone" with your friends as a child? If you did, you'll remember that on player starts a message as a whisper at one end, and by the time it reached the other it was often changed, sometimes in a funny way. All laughs aside, that's a real phenomenon and a real issue in organizations. When messages are verbally passed from person to person, there's potential for that message to become distorted.

Written Communication

Written communication includes newsletters, memos, email, instant messaging and anything that you type or write. They're verifiable forms of communication, existing beyond the moment of transmission and something receivers can refer back to for clarification.

The primary advantages of written communications is exactly that—they are written. They exist beyond the moment of transmission and can be used as reference later. Due to their ability to easily be referenced, written communications are particularly good for lengthy, complex communications. Additionally, the process of creating a written communication often requires that the sender be more thorough in his or her communication, because there is often enough time to revise and review what's been written, and to be more careful about the information being transmitted.

A disadvantage of written communication is lack of feedback. Oral communication allows a receiver to respond instantly to the sender with feedback. Written communication doesn't have a built-in feedback mechanism, and because of that feedback can arrive too late for appropriate action. Another disadvantage of written communication is that it's time consuming. Due to the lack of immediate feedback, it's often a good idea to be more thorough in your written communications, which inevitably takes more time to consider how your words might be unclear and preemptively write in additional context. If a message needs to be communicated quickly, a written communication isn't always the best solution.

Non-Verbal Communication

It's not just what you say, it's how you say it! There's a myth that says communication is 35% verbal and 65% non-verbal. If that were true, people speaking a foreign language would be much easier to understand. However, it's very true that non-verbal communication adds additional meaning to in-person conversations. Non-verbal communication includes all of those things that aren't spoken but definitely transmit part of the message, including the following:

- facial expressions
- gestures
- proximity to receiver
- touch
- eye contact
- appearance

For instance, your friend may be telling you that she's really excited about a party she's planning to attend. But if she appears apathetic and listless, the communication doesn't come across quite the same. Senders who stand too close to a receiver send a different message than those who keep a socially acceptable distance. Senders who make eye contact appear to be more confident than those who avoid it. And finally, a sender's general appearance—choice of dress, hygiene, choice of delivery method etc.—can also send a message that either supports or detracts from the verbal message.

Intonation is also a form of non-verbal communication. How you say something, using your tone and inflection, is also reflected in the sender's message to the receiver. Consider the phrase "How would you like to go to lunch?"

Emphasized word	Translation
How	By what method would you like to go? Car? Bus?
you	Someone else is already going to lunch. Would you like to go too?
go	Would you like to go out rather than eating in?
lunch	Is lunch okay, rather than breakfast or dinner?

Intonation also includes the level of energy and emotion with which the sender delivers his message. If you've seen Gene Wilder's Willie Wonka in Willie Wonka and the Chocolate Factory, when one of the children visiting the factory engages in a behavior he or she is not supposed to, Willie Wonka delivers a quiet, apathetic, "Stop. Please. Don't." The words would indicate Wonka is invested in getting the child to stop, but the tone says something very different.

All these forms of interpersonal communication can take on an upward, downward or lateral direction when one is engaging in communication at work.

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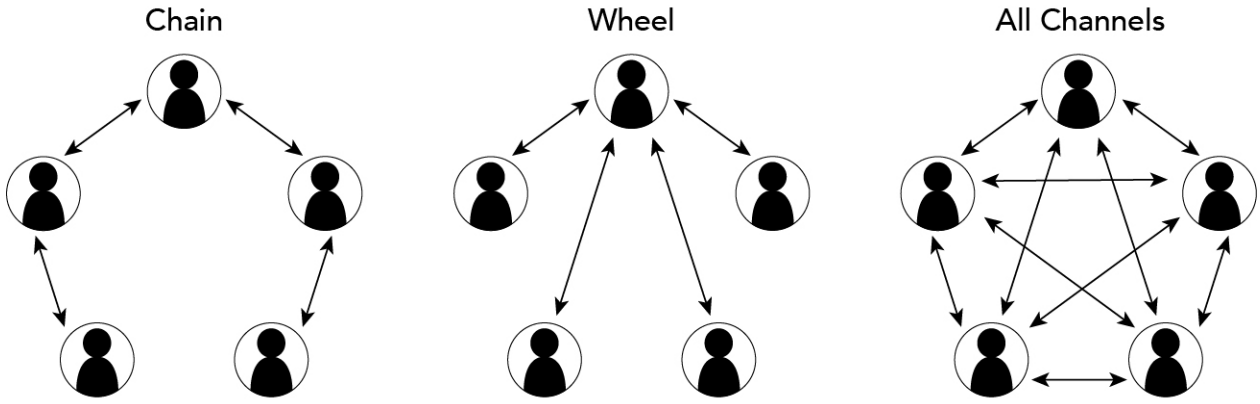
Organizational Communication

Communication isn't just a one-on-one event, where an individual decides to communicate and starts the process. Organizational communication can feature other elements, elements that involve more than one person.

Formal Small-Group Networks

Formal organizations can be very complicated, including groups that feature hundreds of people and multiple hierarchal levels. For the sake of simplicity, we're going to talk about three of the most common kinds of small groups, and pretend there are five people in each of them. These three common networks are the chain, wheel and all channel.



These diagrams represent communication in a three-level organization, with the dot at the top being the leader, the second tier being mid-level supervisors, and the third tier being subordinates to the mid-level supervisors.

The **chain group** rigidly follows a chain of command. As you can see, message and communication originates with one person on the chain, and has to travel up and down the line. Communication in a chain network is usually moderate in speed, high in accuracy. The emergence of a leader in this network situation is moderate, and member satisfaction is also moderate. This network feature is common in teams with rigid chains of command.

The **wheel group** is less rigid. In this type of network, leaders communicate to both levels of their organizations and allow communication from both levels back to them. Communication in a wheel network is fast, because everyone hears the same message, and it's high in accuracy. The emergence of a leader in this framework is high (because all are looking to the same person) but member satisfaction is often low. This network feature is common in teams with strong leaders.

The **all-channel group** permits all levels of the group to actively communicate with each other. Communication in an all-channel network is fast, and accuracy is moderate. All-channel groups usually experience no emergence of a leader and member satisfaction is high. This is the common communication framework used in self-managed teams, where all group members participate and no one takes a leadership role.

The effectiveness of any of these networks depends on the variable you're most concerned about. A wheel structure helps a leader emerge, but if member satisfaction is more important, the all-channel network may be a better choice. No single network is best for all occasions.

Informal Organizational Communication

Of course not all communication in a workplace will be communicated through formal channels. People will gravitate toward individuals they get along better with—whether or not those personal relationships are formed along the organizational structure.

While most companies will have gossip and rumors, these informal conversations can be useful if viewed in the right light. Conversations about gossip and rumors are less about the content of the conversations and more about stress, actually. Rumors fly through the company because they're important to employees and clear up ambiguity, relieving anxiety. Secrecy about appointing new managers, changing org structures, and so on, help fuel these communications.

Managers can leverage informal communication to get a better handle on the morale of their teams and identify issues that employees find important or are stressed about. It's a filter and a feedback mechanism that will likely continue to exist no matter what steps are taken to avoid it.

These are ways that people communicate, alone or in groups, within organizations. Whether they're speaking and interacting face-to-face, or sending along a memo, they're exercising very traditional forms of message transmission. But today we have technology to help us communicate, and that changes some of these dynamics quite a bit. We'll take a look at how technology as affected organizational communication in the next module.

Effective Communication

Understanding the functions, process, direction, and types of communication is the first step toward communicating effectively. But of course, there's more! Communicating well involves a number of factors, including

- Sending an accurate message
- Removing communication barriers
- Controlling distractions (or noise)
- Monitoring non-verbal cues and actively listening to and offering feedback

Putting together a message, verbally or written, is only the beginning. Let's take a look at the receiver and the barriers he or she might be experiencing that prevent her from receiving the message clearly.

Perceptual Biases

Perceptual biases can affect how a receiver processes information about others. These biases can allow us to make faster decisions, but they can also lead us to stop gathering information and making decisions prematurely. Those who have already made up their mind stop paying attention.

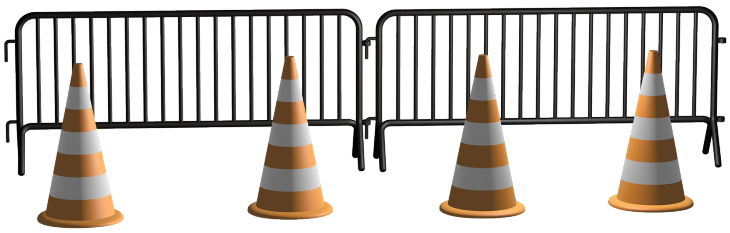
For example, Theo, a manager, needs to make a decision about a new hire. A talented employee, Susie, refers a friend she thinks would be a good addition to the company and their team. That manager might say, "Well, if this person is okay in Susie's book, she's okay with me." Theo stops gathering information at the point at which he hears Susie's advice, because Susie is a talented and trusted team member.

However, the person Susie's recommended turns out to have limited skills and is not a good fit. Theo was a victim of perceptual bias. He took the word of a trusted team member instead of investigating further.

When a sender is transmitting a message, the receiver's perceptual bias is the "noise" that changes the sender's meaning. The perceptual bias can be managed by awareness, use of objective data and confirmation whenever possible.

Organizational Barriers

Effective communication can be impacted by an organization's hierarchical structure and the rules around how information flows upward, downward, and laterally. For instance, a rigid organizational structure might dictate that communication follow a path up and down, from VP to director to manager and back up from manager to director to VP. This hard-and-fast rule may not be ideal for organizations that need to make quick decisions with information generated by lower-level employees.



Let's say there were a series of injuries at a manufacturing plant and a company vice president is looking to make changes to ensure worker safety. In a rigid organizational structure, he might ask his direct report, a director, to confirm all the reasons why these injuries are occurring. The director then asks a manager, who asks a team lead, and so on. The process is inefficient.

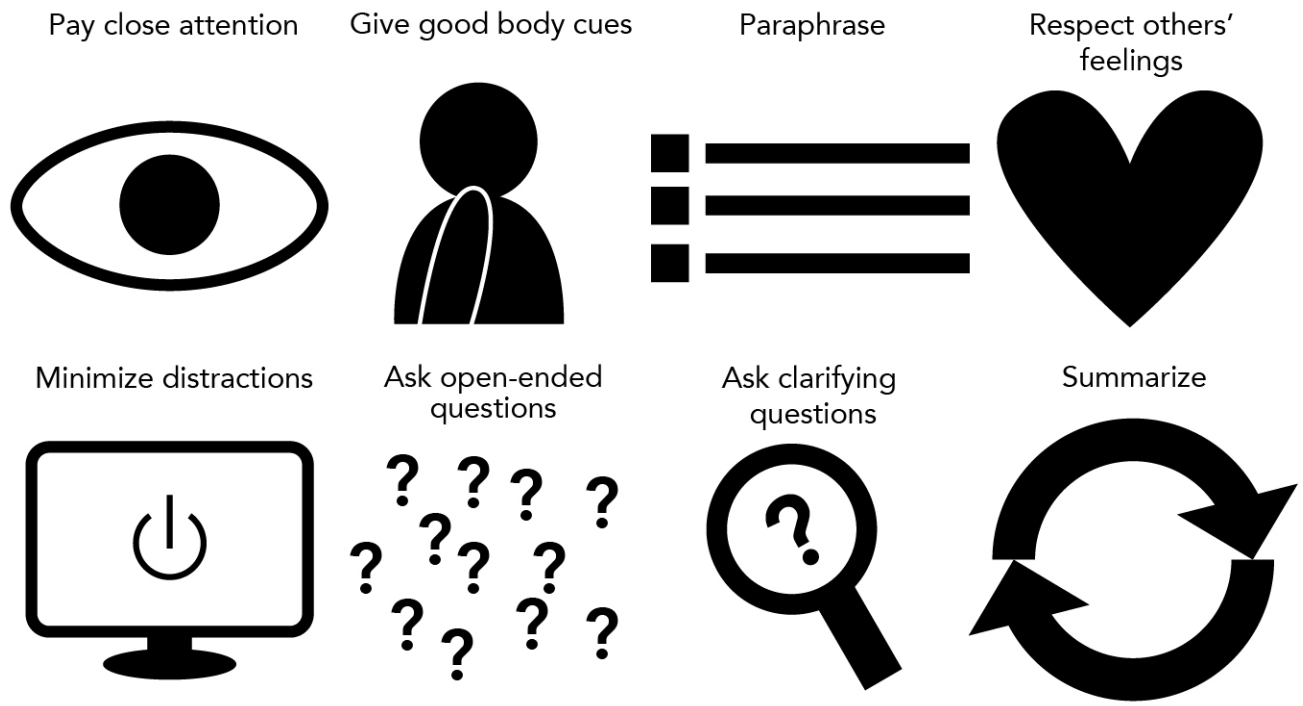
Organizational hierarchies can also obstruct communication via status differences. Often access to C-level leaders is restricted for lower level employees, so information communicated to and from those levels is often distorted.

Time is also an organizational barrier and an enemy of good communication. Workers are under pressure to perform and meet deadlines, and time may prevent them from communicating with their team members and leaders appropriately.

Often steps must be taken organization-wide in order to overcome these kinds of barriers, effectively placing a value on the communication by allowing employees time to communicate and the space to do so with the audience that needs to receive their messages.

Active Listening

As we said earlier in this module, communication isn't about talking or writing, it's about being understood. Communicators on both ends of the social feedback loop should practice active listening. Active listening is the process by which the listener assumes a conscious and dynamic role in the communication process through behavior and action. Active listening looks like this:



You can see in the above model that active listening includes asking open-ended and minimizing distractions, clarifying, paraphrasing, and summarizing. All of these are feedback mechanisms, to ensure that the receiver has heard the message correctly.

This model also includes paying attention to non-verbal cues while the sender is transmitting his message in its recommendation to be attuned to and recognize feelings. The non-verbal cues are particularly important in situations where different cultures are involved. Cultures with high-power distance may be listening but hesitate to ask clarifying questions, which places a bit more responsibility on the sender to ensure the message has been understood. Overall, these active listening practices help deconstruct communication barriers.

Effective Feedback

Communication must be restated and reinforced to ensure no noise is seeping into the message. For instance, if managers set goals for employees, they should be prepared to give those employee feedback on their progress, keeping them on course to reach the finish line.

Positive feedback is always good to share, and negative feedback is a little harder. Both need to be offered if employees are expected to change behaviors. Effective feedback should:

- Be fact-based and timely
- Focus on specific behaviors that are clearly documented, rather than vague statements about personalities or attitudes
- Be job related and professional
- Address behaviors under the control of the person receiving the feedback

The sender should also ensure that the receiver has fully understood the feedback.

PRACTICE QUESTION

Organizations that understand these potential barriers to good communication and know how to navigate them are likely to be more successful in creating higher levels of employee engagement and productivity.

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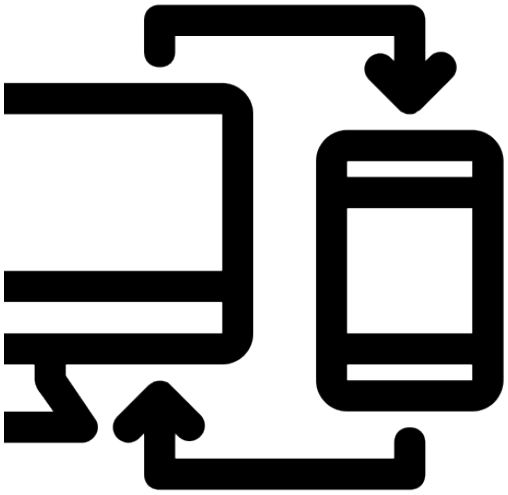
COMMUNICATING WITH TECHNOLOGY

What you'll learn to do: Discuss the importance of technology and various methods of communication available

Both personal and professional communications are becoming increasingly dependent on technology. Everything from ordering dinner from your favorite Thai place to showing samples to far-away colleagues to running a credit card transaction depends on internet and phone communication.

Technology can also generate strong emotion in people: fear, frustration, fascination. In this module, you will learn how to calm the emotion and refocus people on the work at hand.

There are, of course, also considerations about the technology itself: Which platform or application do you choose? How do you use it? How do you make sure the conversation goes smoothly and productively for all involved?



LEARNING OUTCOMES

- Discuss written technologies useful for communication
- Compare and contrast common tools for audio communication
- Compare and contrast common tools for video communication
- Compare and contrast common tools for screen / web sharing
- Explore multifeature online platforms / virtual office spaces

Written Communication

Technology has enriched and enhanced today's organizational communication. For the most part, computer-aided communication obeys all the same rules as face-to-face or written communications. It has an upward, downward, or horizontal organizational direction, and it can facilitate one-on-one or group conversations. It takes the place of so many memos and letters, and it's made communication so much faster. That said, it's not without its drawbacks. Let's take a look at how technology has affected today's organizational communication.

Email

A never-ending inbox of unread email seems to be the bane of every desk worker's existence. Still, as a communication tool, email is brimming with benefits. It takes that time consuming written communication and adds some speed and efficiency. They can be

- Written and edited quickly
- Stored as drafts or as sent communications
- Sent to one or a thousand people with a mouse click
- Read at the receiver's convenience
- Distributed widely for a fraction of what it would cost to send a message in hard copy

Email programs feature "preview windows" and "preview panes" that allow receivers to get a glimpse of a message and decide if it's worth their time to continue reading. Other bells and whistles of email applications allow users to file incoming messages into groups depending on subject or sender, and flag those messages that need attention by a certain date. As far as communications go, emails are becoming easier to manage every day.

Still, email has its drawbacks. New messages pop into inboxes all day and distract workers from doing other tasks that need a deeper focus. It's not a good form of communication for messaging that goes along with company layoffs, plant closings, or any other message that requires a level of empathy and support. And there's no ability to email non-verbal communication along with the email, which means that the receiver could find them cold and impersonal. Even when emojis are included. :)

Instant Messaging

Instant messaging (IM) is becoming increasingly popular as a business communication tool, especially for more informal communication. Some examples of widely used IM services are Google Talk (commonly called Google Chat), Slack, Jabber, Spark, and many more. The advantages of IM are that messages are sent and received instantly in real time and responses are organized in a "conversation" format that supports two-way communication. Colleagues working on a shared project but separated by distance can chat just as if they are in the cubicle next door. During conference calls with external parties, internal team members can pass information "privately" to one another to comment on what is being said.

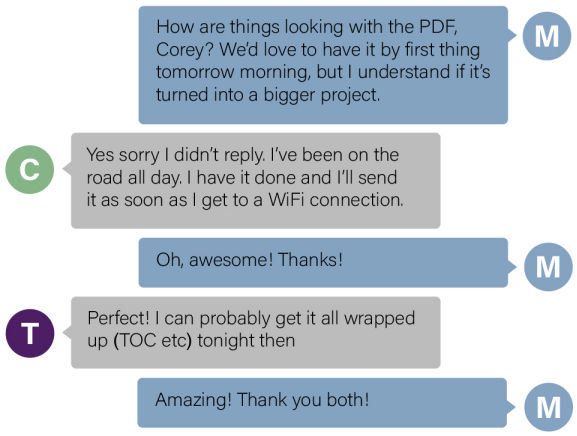


Figure 1. Chat between three collaborating team members

When using IM and SMS communication tools, it is important to remember that even though these messaging systems feel more informal, you are still acting in a professional setting. When chatting across an internal IM system with a coworker who is a personal friend, it's likely acceptable for you to omit capitalization and punctuation marks. However, when talking with a coworker or manager about a company-related topic, you should to communicate in a professional manner.

While IM and SMS are great digital communication tools, there are some disadvantages to these methods. Some companies do not even allow the use of them due to security and liability concerns. Sending company information over public IM services could be risky. Also, IMs and texts create distraction for many employees, especially if engaged in a conversation with an important customer or trying to IM while driving.

Intranet

Companies often provide private, organization-wide information networks that look like a website. These networks are called intranets, and they provide pages where employees can get the latest company news, view calendars of events and access important documents.

Intranet is a "pull" communication, requiring that employees go out to look at what's being stored there. This is different from the "push" effect of email or instant messaging, where the message pops up in front of the receiver and demands to be read. This makes Intranet sites great for information that's not timely, or, if it is, it should be accompanied by an email that points receivers to it. It also cuts down on the number of emails that need to be sent—forms and information that are normally emailed to individual employees can be found in one place.

Social Networking

When Facebook, Twitter, and Instagram took off as the world's social media platforms of choice, it was only a matter of time before organizational communication innovators developed a tool that companies could use. Soon, platforms like Jive (a social business software) and Yammer (a private social network) made their way onto employees' desktops.

These workplace-focused social media tools allow employees to share information the same way they do on Facebook and Instagram, but use of them is restricted to employees only. Companies can encourage their employees to share pictures and ideas with one another, and others can post comments and encouragement in the comments section below.

The advantage of this kind of communication is that it's very organic. Employees can share things that they're proud of and excited about, and other employees can encourage them along. Managers can use it as a vehicle to recognize great work. Many have a polling tool that allows managers to gauge the thoughts and feelings of their teams.

The disadvantage is that every employee has access to the platform, and the option to use it inappropriately is always available. Companies usually assign a communication administrator to monitor comments and quickly remove any disparaging posts that might be created by disgruntled employees.

PRACTICE QUESTION

An interactive or media element has been excluded from this version of the text. You can view it online here: https://courses.lumenlearning.com/wmopen-organizationalbehavior/?p=1140

The popularity of smartphones and other mobile devices have only made these technology-based methods of communications more popular and accessible and, as a result, the line between work time and off time has become less clear. Employees no longer have to be at their desks to be available. Technology has indeed shaped the way we communicate within an organization, and even how we operate.

Audio Communication

You may be asking yourself why we're taking the time to learn how to have a phone call, but this is more nuanced than you may think. The factors to consider in deciding what method to use for an audio-only conversation can be thought of in terms of Three Cs:

- Clarity of the line
- Cost, especially if you are calling internationally
- Comfort in the security of the call, especially if information is sensitive

For most day-to-day calls, the phone on your desk or the cell phone in your pocket will work just fine. However, there are some things you should know—positive and negative—about both of those tools, and all the others available to you, in order to make good decisions about which to use.

Cell Phones and Smartphones

As we all know from the frustrations of losing a call in an elevator or discovering a dead battery just when we need our best friend the most, cell phones are great . . . except when they're not. For business calls, cell phones are generally not preferred under normal conditions for reasons that have to do both with the technology and with the human behavior around it.

- Calls can get dropped or one party can "lose" the other for a few seconds.
- Lines can be noisy, especially if there's electronic interference.
- Phones are not always fully charged when we need them to be.
- Calls between two or more cell phones—especially in speaker mode—can involve unwanted sound artifacts like echoes and static.
- Since smartphones also receive texts, emails, and other notifications, chimes, whistles, and the opening bars to "Stairway to Heaven" can suddenly sound in the middle of important conversations.
- The whole point of a "mobile" phone is that people can move around.
    - They may leave their desks and start multitasking during your call.
    - Some take important calls—even when they're scheduled in advance—out in public where there's noise, lots of distraction, and not much privacy.

While these negative aspects of cell phone technology mean it's not always a great first choice, having a cell phone available can help in all kinds of unexpected situations.

- The landline phone system goes out.
- The internet goes out, meaning that your videoconference or VOIP call can't happen.
- An important participant can't manage more sophisticated technology.
- A participant is on the road and either must join the call on their cell or can't join at all.

Voice Over Internet Protocol (VOIP)

A VOIP call is, at its most basic, a call in which the audio you create by talking gets converted to a digital data package, zipped over the internet, and then reassembled to come out of the speaker of the person you're talking to—all in a nanosecond or two.

VOIP calls can be made on a bunch of different devices. Most newer "landline" phone systems are actually VOIP systems, even when the phone itself looks pretty standard. The decision to install a VOIP phone system in your workplace is probably made at the highest levels, so we won't spend time on the advantages and disadvantages of large business systems like that.

Where you can make a choice about using VOIP is through your computer or your cell phone. Why would you go through your computer rather than using a landline (a real one, not a VOIP that looks like one) or your cell?

- No matter where you are in the world, your calls all come from the same number. This is great if you travel a lot internationally or work from home since no one needs to know you're away from your desk unless you choose to tell them, and they can reach you without having to keep track of multiple numbers.
- International calling is less expensive.
- There are lots of useful features such as being able to transfer a call from your VOIP line to your cell or laptop, easy conferencing, and call recording. Features depend on the VOIP system your company installs or the VOIP platform you find online.

Two disadvantages of VOIP systems are really the same disadvantages of any internet-based platform:

- VOIP requires a lot of bandwidth and a high-speed internet connection. Most services state clearly on their websites what the minimum connection parameters are for VOIP calls. Check with your IT department or your internet service provider to find out what bandwidth and speed you have.
- If your internet service goes out, your phone service does, too.
- While most major VOIP providers are heavily invested in the security of their systems, anything online can be hacked, so think about the level of security your business requires.

Some examples of VOIP brands are Vonage, Ring Central, and Grasshopper.

Conference Phones

A conference phone is simply a phone equipped with conferencing capabilities. This means three or more people can take part in the same conversation at once. The phone on your desk at work almost certainly has a conference feature. If you have a conference room, there may be a conference phone speaker in the middle of the table. This is designed to pick up the voice of whoever is speaking around the table.

A conference phone can be a regular landline or a VOIP line. There's a conferencing feature on your smartphone that's pretty easy to use, too.

The number of people you can have on a call, as well as the ease of making a call and the quality of the call will depend on the system you have. For example, an iPhone allows a call among up to five people while most VOIP systems allow you to include hundreds of people.

Figure 1. A Conference Call Phone

Conferencing Services

Another way to get a lot of people on a call is to use a conferencing service such as freeconference.com, gotomeeting.com, or join.me. These third-party systems work by assigning you a number and a login code. You

can then invite your participants by sending them this information via email or by using the invitation functions many of these services have built in.

When the time comes for the call, people dial in using the number and login. The call begins when the host joins the call, at which point, everyone can participate.

For the most part, these calls are not all that different from any other type of conference call. However, there are a few things to note:

- The free versions of these services may not have all the features available and/or they may limit the number of calls you can schedule per month.
- Paid upgrades give you access to more features and more calls per month.
- With most systems, there is a chime or electronic sound when someone joins or leaves the call.
    - This can be great if you want to keep track of who has heard which parts of the call.
    - It can also get annoying on calls involving lots of people or long, multipart calls where people can hang up once they've heard the pieces that are relevant to them.

Google Voice

Google Voice is a function you can access through your Google login. You can use it to consolidate all your calls (home, work, cell) under one number, and it offers features like converting your voicemails to text.

Google Voice is available only within the US, though it is a good way to make inexpensive international calls from the US.

Google Voice is separate from Google Hangouts, which we will discuss in a bit.

PRACTICE QUESTION

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Video Communication

The tools and platforms available to you for video communication generally work in more or less the same ways, through the details of features and benefits will vary somewhat.

To conduct a call or meeting by video, first you must make sure you have the necessary equipment.

- A camera.
    - Most newer computers (post-2010) have cameras built in. On laptops, the camera is usually in the center at the top of the screen.
    - You can also purchase a separate webcam. Webcams vary widely in price, from about $20 to a couple hundred dollars. For video conferencing under normal indoor lighting conditions, a camera from the middle of the pack will do. There are lots of online reviews of webcams to help you make a choice.
- Audio input and output. You should make sure the computer you plan to use has a working speaker, so you can hear others, and a working microphone, so others can hear you.

Videoconferencing is generally accomplished using a third-party application such as Skype, Zoom, WebEx or video features in a multi-featured platform like Slack or Amazon Chime.

Each offers slightly different features or different ways of accessing common features. That said, when you are choosing a platform, consider the following parameters:

Figure 1. Example of an ooVoo call.

- Is this a presentation mostly led by one person or a collaborative meeting? If attention is going to be on mostly one person, consider how the video windows are arranged. Figure 1 shows a collaborative meeting with all of the participants' images the same size. Figure 2 shows a meeting in which the dark haired woman is leading and therefore has the largest picture.
- Will the video be used only to see each other's faces or to show products, samples, or demos? If you're just looking at faces, most platforms will work just fine. If you are showing or demonstrating products, you may want to seek out the platform with the highest resolution image so that participants can follow without any pixelation or loss of sharpness.
- Does the audio sync well with the image? Some older platforms can have issues with the image getting ahead of the sound. This is distracting to watch and can lead to people unintentionally interrupting or talking over each other.
- Does it work well on tablets and smartphones as well as on computers? Can participants switch among devices if needed?

Figure 2. Video conferencing with a lead.

PRACTICE QUESTION

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Screen Sharing / Web Sharing

Sometimes the most important aspect of your meeting or conversation will be the ability to see someone's computer screen. You may deliver a presentation this way, share sales figures, play a video, or mark up design prototypes. In these instances, screen sharing is your best friend.

Several of the platforms already mentioned—WebEx, Join.Me, Slack, Google Hangouts—as well as others like GoToMeeting and Highfive offer screen sharing options.

When choosing a screen sharing platform, there are a few things to consider:

- What is the main reason for my screen sharing?
    - If you are simply showing PowerPoint slides or going over a spreadsheet, most platforms work equally well.
    - If you intend to allow participants to mark up what you are showing or copy and paste into a shared file, you will need to make sure your platform does that. Google Hangouts and Amazon Chime are two platforms that offer these features.
- Will more than one person share their screen? Most platforms allow you to switch among the call participants' screens, but some make this easier than others.

PRACTICE QUESTION

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Multi-Feature Online Platforms

So far, we've been seeing names like Slack, Google Hangouts, and Amazon Chime pop up in several categories. That's because these platforms offer a variety of features in order to create a complete virtual office environment.

In addition to communication features like voice, video, and screen sharing, these applications also facilitate scheduling, instant messaging, file sharing, and collaboration. They are also continually adding and upgrading features.

Chances are, if your company or team uses a tool like this, you will have been using it since day one to communicate with your immediate coworkers. Exploring the additional tools available is a worthwhile use of your time, especially if you are primarily using technology to communicate with people who are already part of your team.

Here are a few important benefits of using one platform for all your technological communications:

- You can search the whole environment for a specific item. For example, in Google Hangouts, if you don't remember whether you talked with Beth about Easter promotions via email or instant message (IM), you can simply search on "beth easter," and get results from all message channels.
- Recording is easy. If you are editing a display design as a group, and you want to keep track of how and why you made specific decisions, you can do so, usually with one click. Recordings are then sharable.

- Sticking with one platform for all internal/team communication and collaboration means that you and your colleagues need to learn only one piece of software and one set of commands.

If you want more information about these platforms as a whole—not just the voice, video, and screen sharing aspects—there are a lot of good videos on YouTube that go to varying levels of depth on specific features. Just be sure you watch fairly recent ones since these platforms are constantly in upgrade mode.

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OTHER CONCERNS IN WORKPLACE COMMUNICATION

What you'll learn to do: Discuss the other issues in workplace communication

We also need to consider the ethics of our communication—are we speaking about things in the right way? The right place? To the right people? Additionally, we live in an ever changing world, which enables us to stay connected to people in unprecedented ways. New communication tools and methods are continually being developed and introduced to our professional and personal lives.

LEARNING OUTCOMES

- Discuss ethics in communication
- Discuss the importance of staying connected with colleagues and other professionals in the digital age

Ethics in Communication

American business woman and lifestyle expert Martha Stewart is famous for her recipes, her home decorating tips, and her jail time. In late 2001, Stewart avoided losses of about $45,000 when her broker came to her with a tip of “nonpublic” information. That tip motivated Stewart to sell ImClone Systems stock the day before it took a 16% drop in the market.

That tip was an unethical communication. And unsurprisingly, Martha Stewart was tried and sent to prison for using that information to try to save her investment.

Organizations have to manage sensitive information every day, whether it’s an employee’s personal tax information, news about financial results, or information about upcoming layoffs. Leaders are asked to treat such information confidentially, as leaked information can lead to an ethical issue, either within the company (internally) or for their customers and investors (externally)

Any communication should follow these three ethical standards:

- Honesty
- Refrain from doing harm
- Fairness to all stakeholders (internal and external)

Honesty

Honesty should be a feature of every communication, whether it is directed downward to employees, upward to management, laterally to other peers and departments, or externally. Facts and figures should be correct to the best of a preparer’s knowledge. Precautions should be taken to protect any sensitive information contained within.

Honesty should also prevail when communicating goals, expectations, decisions, feedback, or judgments to employees.

Refrain from Doing Harm

Whether communicating on a corporate or an individual level, the communication should make every effort to cause no harm. For instance, tobacco companies are required to communicate that the practice of consuming their products may lead to physical conditions like emphysema or lung cancer. A company who is aware of a danger like that and doesn't communicate it would be breaking this rule of ethical communication.

Fairness to all Stakeholders

When communicating internally or externally, the organization should attempt to be fair to its employees, customers, and community.

If a manager were to exert inappropriate control over employees, stockholders or customers, this would be a violation of this standard. Price fixing, bribery, and insider training are examples of behaviors and communications that are exerting unfairness to stakeholders.

ENRON

Sadly, there's no shortage of examples where organizations making unethical decisions and creating unethical communications as a result. Take this very famous example of a corporate communications and activities gone wrong:

Enron made a variety of unethical decisions that led to the demise of the company and the incarceration of several of its C-level executives. Let's take the ones highlighted in this video one at a time:

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Enron started losing money, and executives chose to hide it rather than admit their investment mistakes – An unethical decision that was followed, no doubt, by dozens of unethical communications, both to their employees, who were directed to disguise losses, and to external stakeholders, who read 10Ks and annual reports that suggested Enron was doing much better than it was. This definitely breaks the honesty and fairness standards. No harm has yet been done, but surely that's to come.

Media wondered if Enron was overvalued, which put pressure on stock prices, and insiders decided to start "cashing out" – Essentially, these insiders were doing exactly what Martha Stewart had done. The media was only wondering if the stock was overvalued, but, because they were aware of the lies being told, insiders knew it was overvalued. They decided to take their money while they could. Ultimately, the communications that led to these actions were not only lacking in honesty and fairness, but they're about to do others harm: financial harm.

Enron filed for bankruptcy – Now, 20,000 jobs have been lost, as well as employee pensions, etc. All the actions and communications that led to this moment violated all three of the ethical standards.

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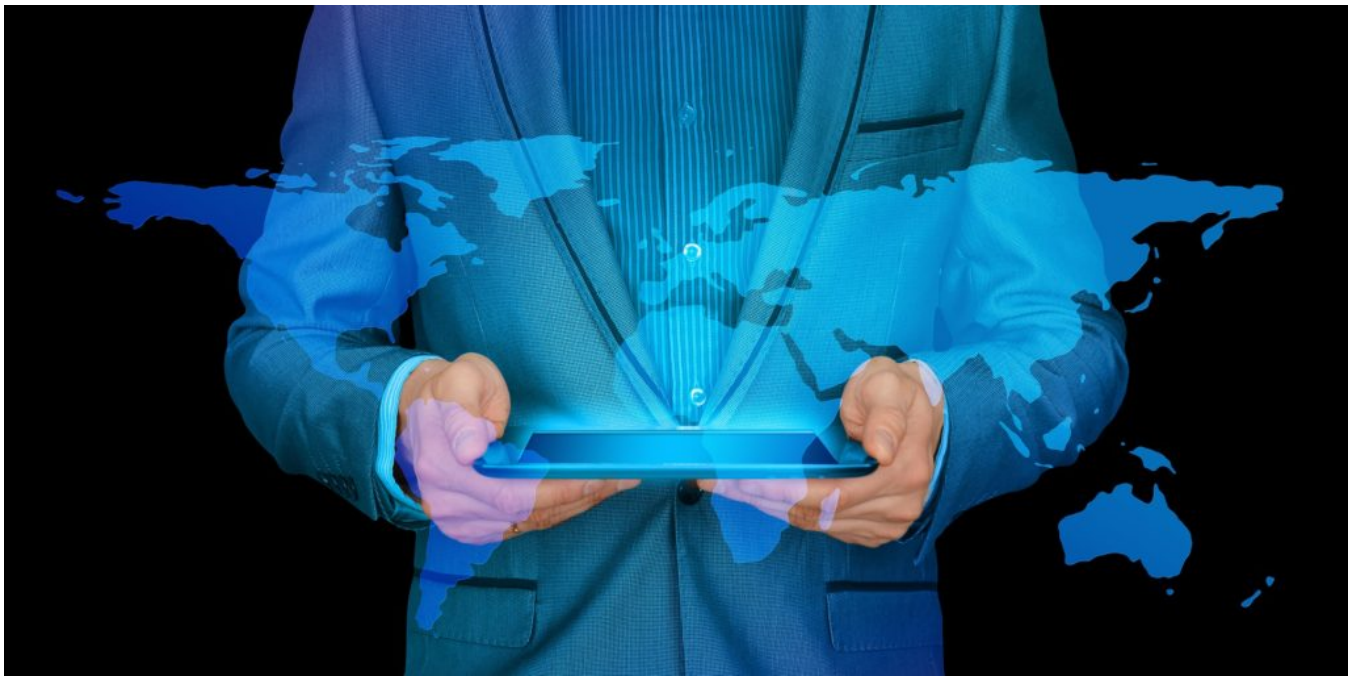
It's every individual's responsibility to communicate and behave ethically in an organization. And any individual who knows that someone else is not behaving ethically needs to make a choice to either do the socially

responsible thing by reporting it, or stay quiet. Unfortunately, many stay quiet, because they feel their careers will be in danger if they speak out. The ethical choice isn't always the easiest, but usually it's the best.

Staying Connected

We live in a technological world, where teams of people can be collaborating and communicating from their respective offices, or even their couches and dining room tables, three thousand miles away from each other. And when you're working from your couch, without the opportunity to chat at the coffee machine or meet up for lunch, you're losing the opportunity to connect meaningfully with other people who have the same business interests, who can provide you with a set of amazing resources to help you succeed, and who look for your input and expertise to help them achieve their own goals.



Staying connected to people is more than just being able to do your job, it's about staying relevant and impactful and maintaining influence in your sphere—which can be hard to do from your dining room table. But conventional communication tools and approaches have been upended in favor of cutting edge digital alternatives that connect co-workers in these new and challenging circumstances. Let's look at some of these tools used to stay digitally connected with coworkers and other colleagues. We'll measure the methods of communication they aid and how well they facilitate the social communication model.

- Document and work sharing tools: Sharepoint and OneNote, both Microsoft products, are examples of tools that help you share work documents and collaborate on projects. Sharepoint allows you the ability to build a webpage for your department, house important and frequently used documents, and post basic, one-sided messages that are usually directly related to the content. OneNote performs a similar function but is more project oriented. The platform allows you to upload pictures and web links, create lists and to dos, and more. Neither of these projects allows for conversation, and they aren't meant to stand on their own as communication tools. In fact, because they're offered by Microsoft, usually other programs (like email) are integrated into them.
- Private messaging and "chat" tools: Private messaging and instant communication tools, like texting, require that the message be written. These tools allow for good, albeit sometimes slow, communication. The linear portion of communication (speaker–encoding–message–decoding–recipient) is easily facilitated in this method of communication, and "feedback" can be given, but "noise" is a frequent saboteur and not always easily identified. Why? Because non-verbal communication isn't present, tone of voice is not easily communicated, written messages can be misinterpreted as aggressive, angry and rude when they're not meant to be. Collaborative tools like Slack include a chat component into their platforms, but offer additional components that make communication more effective.

- **Video communication tools:** Skype, Google Hangouts, and Zoom, are examples of video communication tools that allow you to connect with people visually as well as aurally. Whether it's by chat room or simply dialing someone else with an account, you can have a decent conversation with coworkers as if they were in the room with you. The benefits are easy to see—not only is there the ability for verbal and listening communication, but nonverbal communication is apparent as well. Where a disembodied voice might agree to a decision, a video conference participant might send the non-verbal signal that she is not happy with the ending result. The visual bonus allows for heightened feedback in the social communication model, and the ability to clarify when noise exists.

You can communicate more effectively when you understand the strengths and pitfalls of these digital communication tools. Tools that facilitate multiple types of communication (verbal, listening, non-verbal) and allow the completion of the social communication model's circuit are more likely to aid you in getting your message across to your audience.

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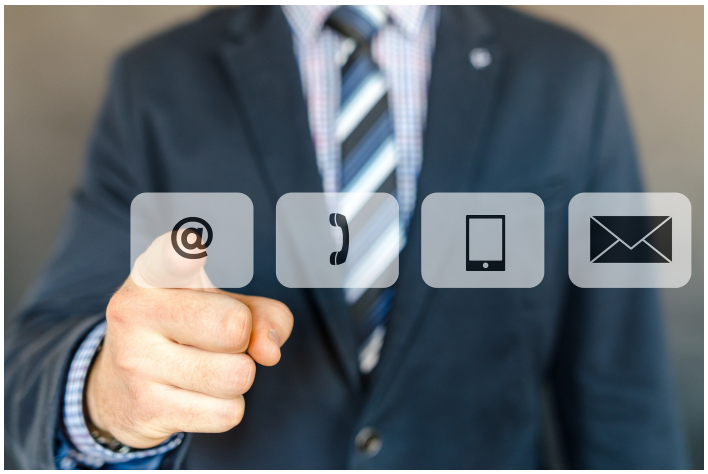
PUTTING IT TOGETHER: COMMUNICATION IN THE WORKPLACE

Communication is the exchange of information between people, and an organization's success depends on it. In this unit, we've learned how basic communication works via the social feedback model. Then, we looked at all the layers of complexity that can be involved in the actual transmission and understanding of a message. We've discussed

- The directions a communication can take within an organization
- How people communicate interpersonally and how organizational dynamics add and change that
- Technology and its impact on communication



- Barriers to effective communication and how to minimize their impact
- An organization's obligation to communicate effectively

Internal communication is a key component of organizational behavior and, in fact, the catalyst for all employee action, motivation, engagement and productivity. It's how workers know what they're supposed to be doing, how they fit into the organization's mission and even what their organization's mission and goals are.

Perfect communication is unattainable. But the correlation between effective communication and productivity has been proven time and again so we should keep trying to get close!

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MODULE 9: GROUP DYNAMICS

WHY IT MATTERS: GROUP DYNAMICS

Why learn about group dynamics within organizations?

One day, Clarence Avery, lead developer of the assembly line; Peter Martin, head of assembly; and Charles Sorenson, Martin's assistant, got together with their CEO, Mr. Henry Ford, to talk about the efficiency of automotive assembly and how, if they did some group work and threw some suggestions on the table, they might be able to make their product affordable to their employees.

They thought about how, if they refined their production a little bit, they could lower the cost of automobile production. If they lowered the cost of production, they could lower the cost of the automobile itself! And if they paid their employees more, their employees could afford to buy their product. Then, they would sell more automobiles.

Oh, and then, they decided to give employees two days off rather than just one. That way they had time to enjoy their automobiles, and Ford Motor Company would attract the best workers.

When the right people get together in a group, and that group is managed well, an organization stands to profit—and sometimes the world is changed and the weekend, as we know it today, is invented.

The day an entrepreneur decides to start a company, he's an individual out there making deals, making decisions and maybe even changing the world. The day he hires others into his company, he's suddenly dealing with groups and group dynamics. Two can be a crowd, or two heads can be better than one, and that all depends on a manager's understanding of how groups work and how to best use them to create solutions for an organization.

Henry Ford knew how to motivate and even agitate his team toward greatness. What if he hadn't understood the potential of groups? Where would we be today?

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GROUP DYNAMICS

What you'll learn to do: Explain and explore the tension between individual versus groups and group dynamics in organizational life.

When it comes to completing work, managing projects and achieving goals, managers have many choices on how they manage the people they lead. They can deal with each of their subordinates individually, assigning individual goals and allowing them to work alone. Conversely, managers can look at their subordinates as one large group, or a subset of smaller groups, and set them on a course of solving organizational problems and achieving objectives.

What are the pros and cons of choosing to assemble a group? And how does it compare to assigning an issue to a single subordinate?

LEARNING OUTCOMES

- Describe various types of groups
- Define successful group development
- Determine successful group structure
- Discuss the advantages and disadvantages of working as a group rather than as an individual

Types of Groups

If you went to high school, then you already know more about groups than you think! Were you one of the cool kids? One of the brainy, studious ones? Did you join the chess club? French club? The football team? All of these, the clubs and cliques you were a part of, and the ones you weren't, are groups. And they can be classified in a number of ways. Let's talk about the types of groups one might encounter, in life and especially in the workplace.

A group is defined as two or more individuals, interacting and interdependent, who have come together to achieve a particular objective. Groups are either formal or informal. A formal group is a designated work group, one that is defined by an organization based on its hierarchical structure, with designated tasks related to its function. In the workplace, that might be the finance group or the human resources group.

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Formal groups are relatively permanent and usually work under a single supervisor, although the structure of the formal group may vary. For example, the finance group works under the chief financial officer at an organization. There may be groups within the finance group, like the accounts payable group and the treasury group, each with their own supervisor as well.

Task forces and committees are also formal groups, because they've been created with formal authority within an organization. Task forces are usually temporary and set up for a particular purpose, while committees can be more permanent in nature, like a planning committee or a finance committee, and can be an integral part of an organization's operation.

An informal group is one that's not organizationally determined or influenced and usually formed by the members themselves in response to the need for social contact. For instance, your workplace might have a group of people who get together during the lunch hour to knit and help each other with yarn projects, or a group that is drawn together by cultural similarities and wants to introduce the rest of the organization to their traditions.

Informal groups are important in that they exist outside the formal hierarchy of an organization but are the structure of personal and social interactions that managers are wise to respect and understand. Employees motivate one another, informally (and formally) train one another and support one another in times of stress by providing guidance and sharing burdens. In fact, if one employee in an informal group is subject to an action by the organization that the others see as unfair, strikes can happen until that situation is corrected.

Within the group categories of formal and informal, there are sub-classifications:

- **Command group.** This is a formal group, determined by the organization's hierarchal chart and composed of the individuals that report to a particular manager. For instance, the manager of training has a command group of his employees, the training group.
- **Task group.** This is also a type of formal group, and the term is used to describe those groups that have been brought together to complete a task. This does not mean, though, that it's just a group of people reporting to a single supervisor. The training group, used in the last example, is not the same as the task group that provides onboarding training for a new employee. The training department might provide the outline for how a new employee is brought into the company, but an onboarding task group would include that employee's manager, an IT manager who equips the new employee with a computer and phone, and so on.
- **Interest group.** An interest group is usually informal, and is a group of people who band together to attain a specific objective with which each member is concerned. Within an organization, this might be a group of people who come together to demand better working conditions or a better employee evaluation process. Outside of an organization, this term is frequently used in political situations to describe groups that give a point of view a voice. This includes groups like the National Rifle Association, the AFL-CIO and the NAACP.

- **Friendship group.** These are groups of people who have come together because they share common ideals, common interests or other similarities, like age or ethnic background.

People join groups for a number of reasons. They might be looking for affiliation, a fulfillment of social needs. Groups also add to an individual's sense of security, status or self-esteem. Or perhaps a goal is easier to accomplish if a group of people concentrate on achieving it, pooling their talents and knowledge. Or, the sheer size of the group might provide the power and influence needed to accomplish the goal.

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Groups are an inevitability in the workplace. Understanding how and why they come together is the first step in understanding how they function and how they can function well. However, there are plenty of arguments out there for individual work, and understanding the individual's need to succeed in the workplace independent of others. Which is right? We'll discuss that next.

Group Development

The story of every feel-good sports movie—from *The Bad News Bears* to *Hoosiers* to *Miracle* to *The Mighty Ducks*—is one about a group that came together clumsily and without much hope and went on to win big. As moviegoers, we sit in the darkened theater and root them on as they meet, fight, cry, learn about each other, and finally gain an understanding of how to work well as a single unit. And when we think all hope is lost, and then that last goal/point/home run is scored . . . well, pass the tissues, please.

Now, you may think, "Those aren't good movies. They're all the same!" And you'd be right. But it's not because screenwriters set out to plagiarize a good idea. It's because the Bad News Bears, the Hoosiers, the USA Hockey players and yes, even the Mighty Ducks, went through all the normal stages of group development, and their group development is the basis for their story.

Groups generally proceed through a sequence during their evolution, and that sequence is called the five-stage model.

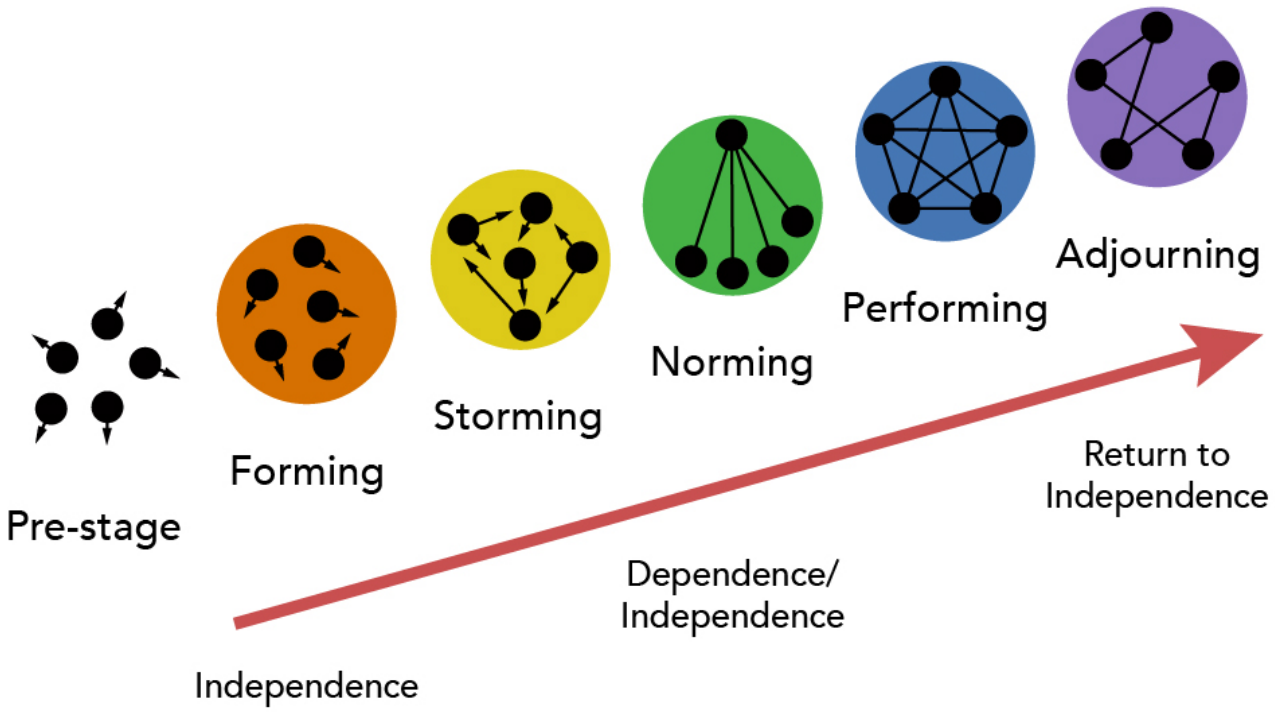

Figure 1

In the **pre-stage**, you have a group of people who have never met and probably do not yet know they're going to be a group.

But the minute they meet, either formally or informally, the members start to go through the **forming** stage. There's a whole lot of uncertainty in the forming stage. The members of the group don't necessarily know the group's purpose, who their leader is, or what the structure of the group is.

The **storming** stage is one of intragroup conflict. Members are resistant to the constraints the group imposes on them individually. The group may attempt tasks and fail. There is likely even conflict over who's the leader of the group.

All of a sudden, close relationships will start to develop between the group members, and a cohesive bond may start to form. A sense of camaraderie and purpose starts to develop. This is the **norming** stage. During the norming stage, the group will determine a correct set of behaviors that are expected of every group member, and group structure will solidify.

The fourth stage is **performing**. The structure of the group is fully accepted at this stage, and the group members are getting to know each other well, understanding how to work together to complete the task at hand. They are fully functional.

A permanent group will continue in the performing stage and stop there, but a temporary group, like a task force or a temporary committee, may proceed on to the **adjourning** stage. In the adjourning stage, the group moves their focus from performing to wrapping up tasks. Members bask in the accomplishments of the group, or become depressed over the loss of camaraderie and friendship they found within the group.

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The five-stage model also doesn't account for organizational context. For instance, a group of three members of a cockpit crew can have never met but still jump immediately to high-level performance, due to the organizational context surrounding the tasks of a cockpit crew. Any group that needs a set of rules and tools, but can forego the time it takes to make plans, allocate resources and determine roles is going to jump a few steps on the model.

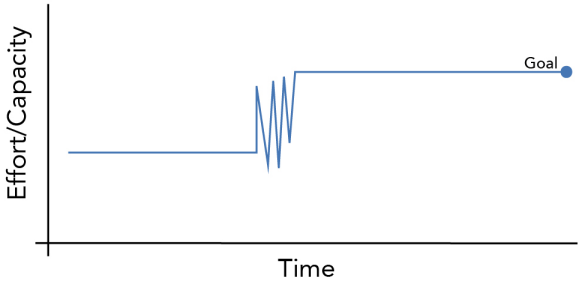
The five-stage model also doesn't seem to work well for temporary groups that face deadlines. These groups have their own set of sequences.

For instance, a committee of senior leaders and key organization members came together at a retail company to plan a large leadership event. The event was to be educational, and would drive home the point that their retail store leaders and their delivery of the customer's shopping experience was key to future success. Educational breakout sessions would underscore that message. The event team, under that instruction, began working on the agenda and started to contact possible speakers.

At the same time, the company's marketing department was getting ready to unleash a new brand strategy on the company. Originally set to be introduced in late spring, the event planning group saw an opportunity to unveil it with dramatic style at the leadership event. The senior leaders and key organization members got together again, and, after some discussion, entirely scrapped their original plans and started working on the best way to introduce their new brand to the group.

This is a classic case of punctuated equilibrium. Punctuated equilibrium is a term borrowed from evolutionary science that states that once a species appears in a fossil record, it will be stable and show little change over its evolutionary history. The same is true for these temporary groups, who appear and become stable for the time it takes to complete their tasks.

In Figure 2, you can see that the first meeting of the group sets the group's direction. They move forward. Then, when half of their time is used up, a transition occurs that initiates major changes. This usually occurs at the same point in the calendar for all temporary groups. They reach the midpoint and, whether a member has been working for six hours or six months on the task, they all experience a kind of crisis around the impending deadline. The calendar heightens the members' awareness, and they transition.



Source: http://www.betterprojects.net/2008/05/punctuated-equilibrium.html

Figure 2.

The transition is usually characterized by an abandoning of prior habits and an adoption of new perspectives. A revised direction is set (If you've become interested in the evolutionary version of this, this is where the species appears!).

After the transition, a second phase of "inertia" happens, as the group completes its goal, usually with a sudden burst of energy at the end. Task completed (Species stable). We can all go home.

This is what happened to the event team at the retail organization. They got together with an initial set of plans and then, halfway through the process, abandoned their original plans for plans they'd not even considered the first time around. There was havoc and scrambling but, as the event planner commented soon after, "This seems right now. We were struggling a little bit to make the first plan a reality, but after the meeting last week, we're really going to move forward with the right message."

We understand now how a group develops, but to really understand how they work, we need to understand the structure of a group. What—or who—are the parts of the group that come together to storm, norm, and perform? We'll talk about that next.

Group Structure

Work groups are not like a mob of people, storming through the streets setting couches on fire over a team win. Work groups are organized and have structural elements that help the members understand who is responsible for what tasks, what kind of behaviors are expected of group members, and more. These structural elements include roles, norms, and status. Groups are also influenced by size and the degree of group cohesiveness.

Let's take a look at how each of those elements creates a structure that helps the members understand the purpose of and function within the group.

Roles

Bill Gates is perhaps best known as the principal founder of Microsoft. He was the CEO, then the chairman, a board member and now, a technical advisor to the current CEO. He's also husband of Melinda Gates, father of their three children, the head of their foundation and a media influencer. These are all roles that Bill Gates has to manage in his everyday life.

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

- Role identity: the certain actions and attitudes that are consistent with a particular role.
- Role perception: our own view of how we ourselves are supposed to act in a given situation. We engage in certain types of performance based on how we feel we're supposed to act.
- Role expectations: how others believe one should act in a given situation
- Role conflict: conflict arises when the duties of one role conflict with the duties of another role.

BILL GATES

Let's look at this through the lens of a day in the life of Bill Gates. First, let's look at him in the role of fundraiser. When he's looking for corporate donations to the Bill and Melinda Gates Foundation, he may visit the CEOs of other successful corporations. He may shake hands, have some lunches, get some commitments for money from these CEOs. That's role identity. The actions and attitudes that are consistent with a fundraiser.

Bill Gates may choose to wear a suit and tie when he visits these CEOs looking for donations. He may use "corporate speak" that's familiar to them. He may purchase the lunch. That might be Bill Gates' role perception. It's the way he thinks he should behave in the fundraiser role.

Later, he and Melinda may hold a press conference where he announces to the world that they've funded textbooks for 250 schools across the nation. Responses include headlines of "Yay, Bill and Melinda!" People talk on Facebook about how Bill and Melinda are really helping communities. They are meeting our role expectations for them.

Finally, Bill and Melissa race out of the press conference, fight traffic to the airport, and try to get home to the violin recital of their oldest child. This is role conflict. The duties of one of Bill's and Melissa's roles is in conflict with another—demands arise from both and need to be managed.

Norms

Norms are the acceptable standards of behavior within a group that are shared by the members.

When we learned about motivation, we talked a little about the Hawthorne Studies. To jog your memory, Hawthorne Electric hired researchers to do a study to determine if higher levels of light increased the production of a work group.

A full-scale appreciation of group behavior and its influence on work groups was uncovered by the Hawthorne Studies in the 1930s. What was discovered was that groups established a set of behaviors. Some of these behaviors were spurred on simply because they were being observed. In other situations, the group collectively established a group norm of production—and those individuals that violated the norm by overachieving were ridiculed for not following the established, albeit unspoken, norms.

There are common classes of norms:

- Performance norms: the group will determine what is an acceptable level of effort, product and outcome should exist in the workplace.
- Appearance norms: the group will determine how members should dress, when they should be busily working and when they can take a break, and what kind of loyalty is shown to the leader and company.
- Social arrangement norms: the group regulates interaction between its members.
- Allocation of resources norms: the group or the organization originates the standards by which pay, new equipment, and even difficult tasks are assigned.

If you wish to be accepted by a particular group, you may conform to that group's norms even before you've become a part of it. Conformity is adjusting one's behavior to align with the norms of a particular group. By watching and observing that group to better understand its expectations, you are using the group as a reference group. A reference group is an important group to which individuals belong or hope to belong and with whose norms individuals are likely to conform.

When people act outside a group's norms—perhaps a manager makes sexual advances to his assistant, or one co-worker spreads vicious rumors about another—this is referred to as deviant workplace behavior.

Status

The socially defined position or rank given to groups or group members by others is called status. Status seems to be something we cannot escape. No matter what the economic approach, we always seem to have classes of people. Even the smallest of groups will be judged by other small groups, opinions will be made, reputations will be earned, and status will be assigned.

Status characteristics theory suggests that difference in status characteristics create status hierarchies within groups. People who lead the group, control its resources, or make enormous contributions to its success tend to have high status. People who are attractive or talented may also have high status.

High status members are often given more leeway when it comes to the group's norms, too, and it makes them more at ease about resisting conformity. If you ever watched television's medical drama *House*, the very talented, intelligent and curmudgeonly main character is allowed to act unconventionally and often inappropriately, largely because the diagnostic talents he brings to the group are so rare and valued. He is often assertive and outspoken with the other group members. He's addicted to pain medications, he hates people and lets everyone know it, and yet his behaviors are tolerated. He's a high status contributor to the group and they need his talents badly, so they overlook his failure to conform to their norms.

In spite of the high status members taking advantage of the norms and dominating group interactions, equity is an important part of status. We talked a bit about how perceived equity is a motivator for people. If status is observed when rewards and resources are distributed among the group members, then usually all is well.

Size

Does the size of a group affect its dynamics? You bet! But how size affects the group depends on where you're looking.

As a rule, smaller groups are faster than their larger counterparts. But when it comes to decision making, larger groups end up scoring higher marks. So, if there's a decision to be made, it's wise to poll a larger group . . . and then give the input to a smaller group so they can act on it.

A side note about size: groups with odd numbers of people tend to operate better than those that have an even number, as it eliminates the issue of a tie when votes are taken. Groups of five or seven tend to be an ideal size, because they're still nimble like a smaller group, but they make solid decisions like a larger group does.

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Cohesiveness

Cohesiveness is the degree to which group members enjoy collaborating with the other members of the group and are motivated to stay in the group.

Cohesiveness is related to a group's productivity. In fact, the higher the cohesiveness, the more there's a chance of low productivity, if norms are not established well. If the group established solid, productive performance norms and their cohesiveness is high, then their productivity will ultimately be high. If the group did not establish those performance norms and their cohesiveness is high, then their productivity is doomed to be low. Think about a group of high school friends getting together after school to work on a project. If they have a good set of rules and tasks divided amongst them, they'll get the project done and enjoy the work. And, without those norms, they will end up eating Hot Pockets and playing video games until it's time to go home for dinner.

Figure 1 shows the relationship between performance norms and cohesiveness. In the workplace, there are ways to increase cohesiveness within a group. A group leader can:

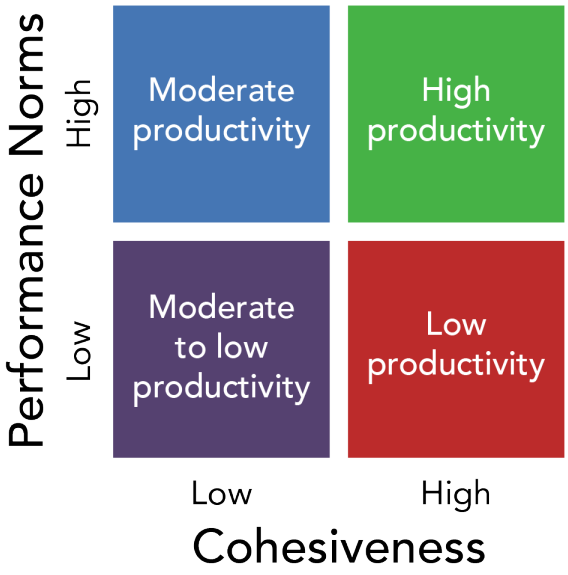

Figure 1.

- shrink the size of the group to encourage its members get to know each other and can interact with each other.
- increase the time the group spends together, and even increase the status of the group by making it seem difficult to gain entry to it.
- help the group come to agreement around its goals.
- reward the entire group when those goals are achieved, rather than the individuals who made the biggest contributions to it.
- stimulate competition with other groups.
- isolate the group physically.

All of these actions can build the all-important cohesiveness that impacts productivity.

Now that we fully understand what a group is and what its dynamics are, shall we go build one to work on a project? Or . . . wait. Are we better off letting one individual person tackle that particular task? We'll next talk about making the choice between assigning an individual to work on a project, versus assigning a group.

Group vs. Individuals

Are two heads better than one? We've talked a lot about groups—how they come together and operate, what elements need to be in place to ensure they're successful—but we've yet to talk about making choices between a group and an individual when it comes to a particular task.

Managers are faced with these choices all the time. After reading all this, you may not understand how there can be a better choice than a cohesive, highly productive group to tackle any problem.

Let's look at some comparisons.

Group vs. Individual Effort

In the late 1920s, Max Ringelmann, a German psychologist, set out to determine if individuals put forth the same level of effort in a group as they did when they were working alone. He set out to examine athletes engaged in a rope tug-o-war, and found that, in a one-on-one match, each player averaged an effort equal to 63 kilograms of force. In a group of three, that force dropped to 53 kilograms, and in a group of eight…only 31 kilograms of force.

This effect is referred to as social loafing, the tendency for individuals to expend less effort when working collectively than when working individually. What causes it? Well, for one, there may be a perception that some group members are not putting out their fair share of effort, and so others are purposely pulling back on their own contribution. Or, it may be attributed to the fact that the entire group shares responsibility for an outcome, so no one person is held accountable for work that is (or is not) done.

It's worth noting that social loafing isn't common across all cultures—it actually has a western bias. It's pretty consistent in individualistic cultures like the US and Canada, but collective societies, like China, do not exhibit as many social loafing tendencies.

If managers want to make sure that individual effort among their group doesn't drop, they need to provide means by which individual contributions can be measured.

Decision Making

There are pros and cons when it comes to group decision making as well. The benefits of a decision made by a group are:

- It is made with more complete information and knowledge.
- It considers diverse points of view.
- It is a higher quality decision, because a group will almost always outperform an individual.
- It will lead to a wider acceptance of a solution, because the decision is already supported by a group of people.

What are the weaknesses of group decision making? Well, an individual can make a decision instantly. When he does, he only has himself to convince that he is right. This short video captures the process for group decision making:

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As you can see, they go through a review of information, preferences and alternatives and go around in circles until decision fatigue comes into play. Decision fatigue is defined as the deteriorating quality of decisions made by

an individual or group as time progresses. With this group, the participants couldn't come to a decision and so individuals in the group began throwing in the towel in a "whatever!" frame of mind. In a work environment, when a group reaches this state, poor decisions can be made.

In group decision making, decision fatigue can arrive over one decision that's been drawn out and reviewed over and over without coming to a consensus. An individual tends to experience decision fatigue when faced with a lot of decisions—for example, a study of judges showed that they made better decisions earlier in the day, and the quality of their decisions diminished as the day went on.

Groupthink

A company called Despair, Inc. made a series of posters that poked fun at those black-framed motivation posters that companies began hanging in offices. Posters with lions faces touted the qualities of "excellence" and a set of colorful hot air balloons promoted ideas about "diversity." In this company's parody of those posters, one of their best sellers showed a bunch of faceless, suited humans throwing their hands into the middle of a huddle. The poster says, "Meetings: None of us is as dumb as all of us."

No doubt the poster is referring to groupthink. Groupthink is a group decision-making phenomenon that prevents a group from making good decisions. Groupthink occurs when the group is so enamored with the idea of concurrence that the desire for consensus overrides and stifles the proposal and evaluation of realistic alternatives.

NASA'S CHALLENGER

Perhaps the most famous and most studied example of groupthink occurred when NASA launched the space shuttle Challenger in January of 1986. NASA had already once cancelled the launch due to weather, and they were insistent that it go off without a hitch on its newly rescheduled date of January 28, 1986. But the makers of a fuel system O-ring, Thiokol, warned NASA that, based on cold weather predicted, that part might fail and yield disastrous consequences.

NASA's internal processes and applied pressure kept those people from speaking up, and in an isolated meeting of Thiokol group members, they weighed the possibilities. The company might not be allowed to work with NASA again if they made too much noise. The part might not fail. And so, they agreed to not make any noise, and to support NASA's decision to launch.

We all know what happened.

Groupthink appears to occur in groups where there is a clear group identity, where members feel there is a positive image of the group that must be protected. That was clearly the case where NASA was concerned—they already had mud on their faces due to the first postponement of the launch, which cost money and a little bit of their reputation. They wanted to be perceived as the elite organization that could do no wrong.

To avoid groupthink, managers can take the following steps:

- Monitor group size, as participants grow more hesitant to participate in larger groups.
- Managers themselves should play an impartial role.
- Encourage a group member to play devil's advocate and challenge group decisions.
- Focus first on the negatives of the decision before talking about the positives.

A subcategory of groupthink is groupshift. Groupshift is defined as a change in decision risk between the group's decision and the individual decision that members within the group would make. That is, group members tend to exaggerate their initial positions when presenting them to the rest of the group. Sometimes, the group jumps in and pushes that decision to a conservative shift, but more often, the group tends to move toward the riskier option.

Why does this happen? It's been argued that, as group members become more familiar with each other, they become more bold and daring. Another theory states that we admire individuals who aren't afraid of risk, and those individuals who present risky alternatives are often admired by other members. Regardless, managers do well to remember that groups often shift toward riskier tendencies and can do their best to mitigate those results.

Introverts and Extraverts in Groups

It won't come as much of a surprise to you to hear this: Introverts aren't always big fans of working in groups.

As you know, introverts operate internally and draw their strength from within. They like being around other people, but interacting with them requires an expenditure of energy. They don't always feel comfortable or motivated to interact in groups, but they do often focus deeply on their work.

Conversely, extraverts love being around other people, they love participating in groups and gain energy by doing so. They're nearly always motivated and comfortable interacting in a group.

Managers need to draw out the best of both types of members. In her 2015 article for Harvard Business Review, behavioral scientist Francesca Gino stated that it was the type of leader that had the most impact on these group members. Interestingly, extraverted managers could very easily draw responses out of introverts, but had a tendency to shut down extraverts who proposed new visions and ideas. Introverted managers had the advantage, as they carefully considered all responses and suggestions.

Gino's group performed a study on a set of stores, and found that when extraverted managers were paired with a passive set of employees, they yielded higher sales. When those same extraverted managers were paired with an extraverted set of employees, their sales were lower than expected. But in both tests, introverted managers yielded higher sales.

Of her findings, Gino noted:

> These results suggest that introverts can use their strengths to bring out the best in others. Yet introverts' strengths are often locked up because of the way work is structured. Take meetings. In a culture where the typical meeting resembles a competition for loudest and most talkative, where the workspace is open and desks are practically touching, and where high levels of confidence, charisma, and sociability are the gold standard, introverts often feel they have to adjust who they are to "pass." But they do so at a price, one that has ramifications for the company as well.

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In managing a group, it pays for the manager to consider how meetings are set up and run, and yet few companies show any evidence of doing so. Arriving at a meeting process that encourages introverts to speak up and extraverts to take time for reflection is a win-win for the group and the company.

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PUTTING IT TOGETHER: GROUP DYNAMICS

Managers who understand groups and group dynamics are already ahead of the game when it comes to producing results for an organization. We looked at types of groups we see in a work setting, and how they are defined. We looked at how groups come together through the lens of one of those sappy stories about sports, and how they all go through the forming, storming, norming and performing stages. And finally, we looked at the elements of a group: its roles, its norms and all of the characteristics that help determine how the group is going to operate and how productive it's going to be.

And note, we might have talked about the Mighty Ducks. We might have talked about LeBron James and his comeback year with the Cleveland Cavaliers. But we never said the word "team." There's a difference between a group and a team. All teams are groups, but not all groups are teams.

We'll talk about that next. So much more to learn!

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MODULE 10: MANAGING GROUPS AND TEAMS

WHY IT MATTERS: MANAGING GROUPS AND TEAMS

Why discuss strategies to manage groups and teams?

Visa was eating Mastercard for lunch. For ten years, from 1987 to 1997, Mastercard followed in the shadow of their competitor, trying five different ad campaigns and getting nowhere. What was the ad that would help them recapture the spotlight? The Mastercard executives turned to McCann Erikson, and the company assigned a creative team of three the job of changing the image of Mastercard for the rest of the world.

The team—Joyce King Thomas, Jeroen Bours and Johnathan Cranin—debated freely and intensely. They'd worked together for two years and knew each other well enough to challenge ideas during their brainstorming sessions.

Johnathan Cranin was in the shower when the idea, borne of many brainstorming hours with his team, came to him. "Some things money can't buy," he thought. He took it back to the team and they got to work. They started with an ordinary list of things that you purchase during a baseball game. And then added that thing that you couldn't.

The ad didn't test as well as some others in focus groups, but the group stood by their instinct and knew that their "some things money can't buy" ad would work well in the long run. Mastercard took a chance with it. And they've been adding US cards at almost twice Visa's rate ever since.

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It's not likely that any of the three members of this creative team would have come up with this campaign on their own, and if one of them had come close, it still probably would not have matched the level to which this campaign rose. Thomas, Bours and Cranin are a classic example of a team—bringing synergy and energy to a final product.

Teams bring organizations success, and smart organizations understand how teams operate and how to lead them to success.

For basic kinds of work, there are individuals. For everything else . . . there's a team. Found in smart organizations everywhere.

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GROUP AND TEAM MANAGEMENT

What you'll learn to do: Describe the relationship between general group and team management with various structures and techniques

It's hard to describe the difference between a group and a team without using a sports analogy, because the benefits of teamwork, and the obvious differences between group and team, reveal themselves so readily on the football field, the baseball diamond, or wherever it is that people meet to push the limits of athletic performance.

A winning team is more than a group of people achieving a goal and delivering a result. There's positive energy and synergy around a team (meaning that they produce more together than they could individually).

Organizations benefit from the ability to build and manage great teams. In order to do that, we need to understand what sets one group apart from the rest and makes that group a team.

LEARNING OUTCOMES

- Describe differences between a group and a team
- Discuss the types of teams
- Discuss creating effective teams
- Describe how to turn individuals into team players

Groups vs. Teams

In Module 9: Group Dynamics, we defined a group as two or more individuals who are interactive and independent, coming together to achieve particular objectives. Specifically, a work group is one that interacts primarily to share information and to make decisions that help each member perform within his or her area of responsibility.

For instance, a retail store chain might hold a monthly corporate meeting to manage the opening of new stores. A few representatives from the retail team are there to discuss the progress on the building of the store. A representative from merchandising attends the meeting as well, so she can determine how the aisles of the store will be laid out, and what merchandise will be placed on the shelves. A representative from the finance department shows up to ensure that leases are being paid and that taxes are being paid. These team members might be referred to as the "new store group," but the group members are there to share information with one another so they can get their own jobs done, and so a store can be opened.

A work team, on the other hand, generates positive synergy through coordinated efforts. Their individual efforts, when pooled together, are often more than the sum of their individual inputs. Their goal is not just sharing information, it's a collective performance. They often feature both individual and mutual accountability and the members' skills are complementary to one another.

Let's look at the distinguishing features of a team:

- The first distinguishing feature of a team is that the individual members are fully committed to a common goal and approach. Often, they've developed this approach themselves. The members should agree that the team's goal is worthwhile and have a desire to achieve it. This agreement on the goal is imperative—this gives the team its vision and the motivation for the members to perform.
- The second distinguishing feature is mutual accountability. If the team is going to succeed, the members should feel accountable to each other as well as the organization for the process and outcome of their work. It's not unusual for team members to take on extra work and responsibility because they feel a deep commitment to the team, even if there is an accountable leader of that team.
- The third distinguishing feature is that of trust and collaboration. We talked in the last module about how group members share norms, but teams actually share a culture. That culture is built on compromise, cooperation and collaboration, directed to reaching their common purpose. This doesn't mean that there isn't conflict involved. On the contrary, healthy conflict can boost creativity and performance as long as it's managed well. Their sharing can continue to the point of shared leadership, even though the team may have an appointed leader.
- The fourth distinguishing feature of a team is synergy. Synergy is the process of combining two or more actions that result in an effect that differs from the total of the individual actions. Basically, it means that the whole is greater than the sum of its parts. The team produces more together than they would individually.

TEAMWORK AT NASA

A famous example of a high-performing team is the crew—both on the ground and in orbit—on the Apollo 13 mission. When "failure wasn't an option," the ground crew in Houston worked tirelessly to bring the three astronauts home alive. As depicted in the movie, when CO_2 levels in the cabin were reaching dangerous levels, the team took to determining how they could make a new filter to produce breathable air. The leader said, "We have to make this fit to this," holding up both a square and a round filter. Then he gestured to a pile on the table of miscellaneous items that were currently floating on the Apollo 13 and added, "Using nothing but that." The team didn't hesitate, and one of them can be heard saying, "Okay, let's make a filter!" as hands start sorting through the parts.

Before long, as the world watched, this same team guided the astronauts toward building a new contraption that would keep them alive for a while longer.

This team fully committed to its goal and approach when building that filter. They shared mutual accountability for it—success was the only option they considered. They extended trust to one another, and then the astronauts extended trust to the ground team in building it. Finally, the result was synergistic—definitely more than any one individual could have accomplished on his own.

Today's organizations are moving quickly from the concept of a hierarchical organization to one that is built of teams. When companies like General Foods moved to a team-based structure, they made news, but now organizations are more likely to turn heads if they aren't using teams. Teams shift the control in an organization from the management to the employees, with senior teams often making decisions for the organization and employees determining how to carry out those plans. Ultimately, teams succeed when they're supported by the organization, when there is that leadership adjustment from external (senior team) to internal (team members) and when the teams are provided a clear standard of high- performance expectation.

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Types of Teams

Organizations use different types of teams in different ways to accomplish their objectives. Some teams have a very simple and specific focus, and others face complex issues with organization-wide ramifications. We can look at teams and classify them in a variety of ways. Let's first take a look at them based on their task complexity and team member fluidity.

Task complexity is the extent to which a task is intricate and consists of different, interrelated parts. Membership fluidity is the extent to which membership within a team is stable. Low membership fluidity would mean that people are often entering into and leaving the team, and high membership fluidity means they are quite stable, not changing often at all.

Simple Work Teams

Simple work teams have low task complexity and low team fluidity. Their goal is simple problem solving, and often they are a group that supports day-to-day activities, dealing with issues that require input from more than one person or to generate commitment from employees. Usually these are people from a same team or department, so they generally have a similar focus and tend to work together relatively easily.

Administrative Teams

An administrative team has high task complexity but low team membership fluidity, meaning that the problems the team deals with are complex but people stream in and out of the group. The goal of an administrative team is to problem solve and then "sell" their ideas to the rest of the organization. Their focus could be internal, external, or both, and the team members are usually management level.

An example of an administrative team might be a relocation committee that's dedicated to relocating a plant to a new area. Members of the team might flow in and out, but the complexity of the task is rather high and not at all part of their regular routine. Management level members work for a finite period of time to accomplish the strategic objective of moving the plant—all its machinery, all its people, and so on—to a new address.

Cross-Departmental Teams

A cross-departmental team tends to have a low complexity level but a high team membership fluidity, meaning that the work is fairly simple but the teams are committed and fairly unchanging. Their goal is integration in structure and setting ground rules, and their focus is internal and very specific.

A cross-departmental task force is an example of this type of team. Perhaps an organization is installing a new system that will manage all their data, both at the main office and at their plants, in an entirely different way. The task force might come together from different areas of the organization to identify the types of data their

departments generate and how that data will be transferred over to the new system, how people will be trained to use the new system and even how change around the system will be managed.

Process Teams

Process teams deal with high complexity tasks and have high team member fluidity, meaning people are assigned to the team and stay. These folks are creative problem solvers and deal with implementation. Their focus is strategic and broad.

Process teams do not have departmental affiliation and function independently to undertake broad, organizational-level process improvements. For instance, the department store Mervyn's, the now defunct discount department store chain, had a SWAT team that rushes in to solve a store's critical issues. They were deployed at any time, whenever they're needed. They even attempt to solve organizational-wide issues like flextime and insurance.

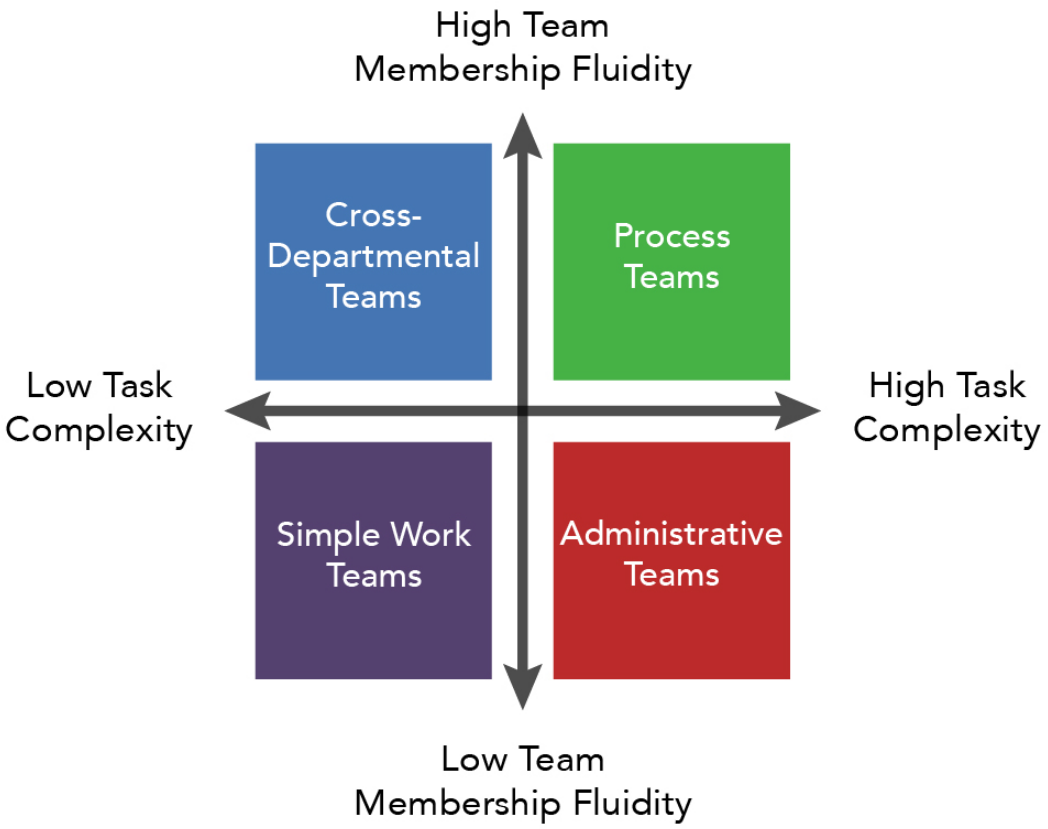
Self-Managed Teams

Self-managed teams (SMTs) are a commonly used process team used in organizations. Self-managed teams are process teams of employees who have full managerial control over their own work. Volvo is known for having abandoned their typical assembly line structure for one that included only self-managed teams. The teams were charged with assembling their large part of the car, but they could decide how to do it and who was going to work on what parts. The results included significant improvements in product quality and employee satisfaction.

Overall self-managed teams include these characteristics:

- The power to manage their work
- Members with different expertise and functional experience
- No outside manager
- The power to implement decisions
- Coordination and cooperation with other teams and individuals impacted by their decisions
- Internal leadership, based on facilitation. This means that a rotating leader focuses on freeing the team from obstacles as they do their work.

Self-managed teams require a change in structure on behalf of the organization and a high level of commitment on behalf of all parties to ensure their success. Most self-managed teams that fail do so because of a lack of commitment on the part of the organization.



Virtual Teams

It's worth noting that there are now also virtual teams, which are teams that use computer technology to tie together physically dispersed members in order to achieve a common goal. It is true that these virtual teams might be an administrative, cross-functional, simple work or even a process team, but they are distinctive in that they allow people to collaborate online.

Because virtual teams have limited social interaction – many times they have not met in person – they tend to be more task-oriented and exchange less social information. But they're able to do their work even if the members of the team are thousands of miles apart, and allows people to work together who may not otherwise be able to collaborate.

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Creating Effective Teams

We've learned a little about how teams differ from groups and really "take it to the next level" as far as productivity, and we've learned about the types of teams we might find in the workplace. Now that we know all that . . . let's build one!

Let's say that we've determined that team work is preferable to individual work for the project we need to accomplish. We don't want to solve the wrong problem by creating an effective team to do something a single employee could do better! And we want to understand what an effective team actually means to us . . . in this case, we're going to call a team "effective" based on objective measurement of the team's productivity- a manager's assessment of their performance and member satisfaction.

Knowing that a team is the way we want to go, we're going to take a look at four different areas and take them one at a time.

- Context
- Composition
- Work design
- Process

Context

If you're going to create an effective team, you need first to think about context—that is, all the things that surround the team that aren't actually your team. Contextually speaking, the things that seem to matter most to effective teambuilding are:

- Adequate resources
- Leadership and structure
- Trust
- Performance evaluation and reward systems

Of all of those items, it appears that adequate resources are the item that most impacts a team's ability to do its work. Lack of resources impedes the team's ability to do their work, so it's imperative that organizations support their team with the right amount of funding and tools for the job.

Team members should always agree on the work that is to be done and who is doing it, so leadership and structure are important parts of context. Team members should all contribute equally and share the workload, they should determine schedules, any training needed and so on. If they are a self-managed team, they can agree by whatever means they determined decisions might be made, and move on to next steps. Teams don't have to have leaders, but if they do, they should be careful not to obstruct progress and expect great things from this team. (No, that's true. It's been shown that leaders who expect great things from their teams get great things!)

If that leader is a part of the team, then the team needs to show trust in that leader. And the members should trust one another, too. Team members will not spend time monitoring one another if they trust each other, and they'll be more likely to take risks.

Finally, the team should have an established system for how their performance is evaluated and rewarded. Performance evaluation and reward systems keep team members individually and mutually accountable. Individual performance evaluations and reward systems aren't consistent with high-performing teams, so these systems need to recognize team progress as much, if not more, than individual contribution.

Composition

Now that we know the atmosphere around the team (the context), we need to take a look at the members actually making up the team, and talk about them in terms of their roles, diversity, and the size of the team.

When determining composition, a manager should consider the:

- Abilities of the members of the team.
- Personalities of team members.
- Roles that will be allocated.
- Diversity of team members.
- Size of the team.

Team Abilities

While we talked before about how the sum of the team is greater than its parts, an assessment of team members' abilities will help a manager determine what can be accomplished by the team. In order for the team to be successful, they'll need to have three different skills among them—technical expertise, problem-solving skills, and decision-making skills. A good balance of the three is an imperative—too much of one and not enough of another will lower a team's performance. It also helps if the team members have good interpersonal skills.

Team Personalities

Where personalities of team members are concerned, teams perform well if there is a "higher than mean" level of traits like agreeableness and conscientiousness, extraversion and emotional stability. Interestingly, studies have shown that it's more important for the "higher than mean" measurement to include people who all have tendencies toward those characteristics. For instance, having one person on the team who's very conscientious and one who is not may adversely affect the performance of the team, while two people who are more conscientious than average will enhance the team's performance.

Team Roles

Members of a team should be selected with an eye toward filling all the roles that need to be allocated. There are about nine different roles needed on a team and, while members can fill more than one of these roles, members should be matched to those team role demands. Those roles are:

- **The Plant.** Creative, imaginative. Solves problems.
- **The Resource Investigator.** Communicative. Explores opportunities and develops contacts.
- **The Coordinator.** Clarifies goals, and promotes decision-making.
- **The Shaper.** Dynamic, challenging, thrives on pressure. Overcomes obstacles.
- **The Monitor-Evaluator.** Strategic and discerning. Sees all options and judges accurately.
- **The Teamworker.** Co-operative and perceptive. Listens, builds, averts conflict.
- **The Implementer.** Conservative and efficient. Turns ideas into practical actions.
- **The Completer/Finisher.** Conscientious. Searches out errors, meets deadlines.
- **The Specialist.** Self-starting and dedicated. Provides knowledge/skills in rare supply.

These roles are classified into action-oriented roles, people-oriented roles, and thinking-oriented roles.

Managers need to understand the strengths each team member brings to the table and select members for the team with those strengths in mind.

Team Diversity

The diversity of a team also plays a deciding factor in how productive and successful the team is. Of course, there needs to be a diversity of skills, but if a team also features members of diverse age, gender, education, functional background, and experience, this bodes well for them. Keep in mind, however, that having a team with individuals from various cultures on a single team often does **not** spell instant success, as team members have a longer learning curve understanding how to work with one another.

Team Size

Finally the size of the team makes a difference in a team's success. Studies show that a team should be made up of no more than ten people, and optimally, no more than exactly the number of team members that are necessary to do the work. When teams have more members than they need, cohesiveness and mutual accountability suffer, and social loafing can creep in.

Beyond those things, managers need to consider if members actually want to be on a team—there are many individuals who would preferably opt out rather than participate on one, and it's not likely that those employees are going to lend any real value to the group. Furthermore, a manager can consider an individual's flexibility, or their capability as a team member to complete more than one kind of task. These individuals, if they're willing to participate on the team, are very valuable indeed!

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Work Design

We talked a lot about work design in Module 6: Motivation in the Workplace and how the right job design can motivate an employee to perform. Similarly, the right work design for a group is a huge motivator. The manager should strive to give the team members work that offers autonomy, skill variety, task identity and task significance. Just like with individuals, these features motivate the team and increase its effectiveness.

Process

Finally, to build an effective team we must consider process. Process refers to the way the team operates, and includes things like:

- Common purpose
- Specific goals
- Team efficacy
- Managed conflict levels
- Minimized social loafing

Having a common purpose provides direction and drives the commitment of the team members. Teams that are destined to be successful put a lot of effort into defining their common purpose—creating it, discussing it and agreeing on it—so that they can use it as their guiding principle. Any and all activity performed by the team should support the common purpose.

Just like the motivational theory of goal setting, a team must translate their common purpose into attainable, measurable, specific goals. These goals help the team focus on the results they're working to achieve. Just like with individual goals, team goals should be challenging in order to be motivational.

Teams need to feel like they're accomplishing something, and most of the time, they truly believe that they will achieve results. This concept is called team efficacy. Success breeds success, and teams that have been successful in the past want more of that same success for their future projects. Management can help team efficacy by setting up the team to achieve small successes along the way to their larger goals, and provide training to ensure that team members are growing their skills.

Conflict can be healthy for teams, but usually not when it's relationship based. Relationship conflicts—team members who aren't getting along, exhibit interpersonal incompatibilities, etc.—are almost always to the detriment of the team's success. However, conflict around task content is often beneficial because it helps the team avoid the trappings of groupthink.

Finally, a successful team minimizes social loafing. Team members in successful groups understand the effects of social loafing and hold themselves accountable for a certain level of productivity. Successful teams make members individually and mutually accountable for the team's goals, and members of these teams are clear on those expectations.

Considering all these options can help a manager build an effective team. The model we used here attempts to generalize across all varieties of teams, so if you're "trying this at home," take that into consideration and don't approach this too rigidly! You may have needs these suggestions don't fill, but ultimately, following these guidelines will get you pretty close to building an effective team.

Team Players

Not all individuals want to be a part of a team. As we mentioned in Module 9, group dynamics often include introverted individuals who can be uncomfortable participating in a team atmosphere and, left to their own devices, would choose to work on their own. Others don't want their compensation and evaluations tied to a group of people and prefer to work as a single contributor.

Organizations, too, have dedicated years to building hierarchical cultures within their walls that don't support the idea of teams. Organizations have nurtured individual accomplishments and created competitive work environments, fostering attitudes in their workers that are the antithesis of team players. Finally, not all cultures lend themselves to team environments. Collective cultures, like those in Asia and Israel, often thrive in team environments, but highly individual cultures, like the United States, Canada and Australia, are quite the opposite.

This doesn't mean that teams are a pie-in-the-sky, unattainable hope for these individuals, organizations and cultures. It just means that managers and organizations need to work a little harder to get past these obstacles.

Shaping team players calls into practice three different areas: employee selection, training, and rewards.

Employee Selection

In the employee selection process, managers should interview prospective team members to ensure that they have the skills required for team participation. Do they exhibit the action-oriented, people-oriented or thinking-oriented skills required to take on a team role? Do they come from an organization that prized individual contribution and, if so, does that seem woven into this employee's fiber?

If it seems the prospective team member does not exhibit the necessary personality traits and skills to be on the team, then perhaps a transfer to another department is the best solution, or, in the case of a new hire, perhaps the role should be offered to another candidate. If the team member shows some signs that they're interested and open to the idea of working on a team, then perhaps training is the answer.

Training

If employees are particularly steeped in the idea of individual work and accomplishment, then perhaps training is the answer. Training specialists can conduct exercises that show the benefits of team environments, and offer workshops that can help an employee fine-tune some of the skills they need to be a productive team member, like conflict management, problem-solving and communication skills.

Rewards

Rewards are often key in changing the mindset of an employee who has been raised on the importance of individual accomplishment. Rewards systems in organizations need to be altered to encourage cooperative rather than competitive behavior. Organizations who offer bonuses based on team achievement in addition to individual accomplishment can help bridge the gap between the two mindsets.

Promotions, rewards and other forms of recognition can be given to individuals based on how effective they are as team members. Individual contributions to the organization can be balanced with contributions to the team – team member training, helping to resolve conflict and learning new skills might be among those areas that are measured.

PRACTICE QUESTION

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Will all people become team players? Absolutely not. And that doesn't necessarily mean they have to find work elsewhere. Look at what J. Richard Hackman, a professor of social and organizational psychology at Harvard University, had to say about a CFO who just wasn't a good team member, when he was interviewed for *Harvard Business Review*: (Note: Coutu, Diane. "Why Teams Don't Work." *Harvard Business Review*, May 2009, hbr.org/2009/05/why-teams-dont-work.)

> We worked with a large financial services firm where the CFO wasn't allowed on the executive committee because he was clearly a team destroyer. He was disinclined toward teamwork, he was unwilling to work at finding collective solutions, and every team he was on got into trouble. The CEO invited the CFO to stay in his role because he was a truly able executive, but he was not allowed on the senior executive team. Although there were some bruised feelings at first, in the end the CFO was much happier because he didn't have to be in "boring" team meetings, and the team functioned much better without him. The arrangement worked because the CEO communicated extensively with the CFO both before and after every executive committee meeting. And in the CFO's absence, the committee could become a real team.

That's probably the exception and not the rule, but it stands as an example that all individuals don't need to become team players for an organization to successfully implement a team.

When an organization is redesigning jobs around teams, it should be expected that they'll encounter people like the CFO mentioned above, who was resistant and defiant in a team setting. If the organization is committed to valuing its employees, it will implement training and rewards to support the new environment, and finally, work with employees like that CFO to bring him around to the benefits of teams.

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THEORIES OF GROUP AND TEAMWORK

What you'll learn to do: Describe the study and theories of group and teamwork

We talked at some length about self-managed teams. They're often high-performing, but found only in certain situations within organizations. They're not that common.

More often than not, leaders are called upon to lead their groups and teams to goal fulfillment. How is that done? How can one leader walk into a group situation and see which steps are necessary to make that group a high-performing team?

We'll talk about the history of groups and teamwork, and how leadership theories have developed since the Industrial Age. Early theories lay the foundations for later ones, and, after we take a look at all of them, we'll see if we understand any more about what makes a good leader than we did when we started.

LEARNING OUTCOMES

- Differentiate among early team management theories
- Differentiate among modern team management theories
- Discuss strategies for managing teams today

Early Management Theories

Once you have a group of people (or a team of people), they will need to achieve goals and objectives. We know how the group came together, how they will function effectively and how they will become a team. So let's talk now about how the group will be managed.

Management of people didn't really become a subject of scientific study until the turn of the twentieth century, when researchers began to understand that there was more to the motivation and hard work of an employee than just a paycheck. Before that . . . well, managing people wasn't exactly an art.

During the industrial revolution at the turn of the 19th century, the United States entered a phase where significant changes occurred in the areas of transportation, agriculture and manufacturing, allowing us to produce goods quickly and efficiently. James Watt invented the steam engine, which shortened transportation times and allowed us to move goods faster. Eli Whitney invented the cotton gin, opening the door to quicker, more efficient cotton harvesting.

But even as Francis Cabot Lowell invented his water-powered mill, it wasn't to lessen the burden of his laborers. Women would work in his plant 12 to 14 hours a day, and they were paid better than ladies at other textile manufacturers . . . for a while. But when Lowell wanted to increase his profits and meet customer demands, he cut his employees' pay and lengthened their hours. Because of that, trade unions formed, strikes occurred and the Lowell Female Labor Reform Association was created.

We were a long way from the “take care of your employees and they’ll take care of you” notion.

There were still management problems, though, and they presented problems for these new factory owners. Large numbers of people had to be managed, trained, controlled, and motivated. Materials and tools needed to be supplied. Managers looked to handle these issues scientifically.

Scientific Management

Frederick Winslow Taylor was an engineer for Bethlehem Steel in 1889, when he decided to analyze the issue of soldiering, which is when workers are deliberately working under capacity.

He observed workers unloading iron off of rail cars and loading steel onto them. Taylor studied the movements, tools, and processes of the workers and determined that, while they were currently loading about 12.5 tons a day, they were clearly capable of loading 47.5 tons a day. He recommended that workers be provided incentives in the form of wage increases to meet new loading goals. These recommendations, when followed, led to increased production for Bethlehem Steel.

The process that Taylor laid out was a template for other organizations:

1. Each task should be studied scientifically to determine the best way to perform it.
2. Workers should be carefully selected and trained to perform the tasks.
3. Managers and workers should cooperate to ensure efficient production.
4. Managers should plan, and workers should be responsible for implementing those plans.

Bureaucratic Management Approach

Rather than concentrate on increasing worker productivity and efficiency, the administrative approach to scientific management focused on helping managers coordinate organizational duties.

Max Weber developed a bureaucratic approach to management. A German citizen, Weber was interested in industrial capitalism, particularly how it was successful in some areas and not in others. Weber traveled to the United States to observe industrial capitalism, and determined that the U.S. used professional managers, business and economic relationships, whereas in Germany people were given positions of authority based on social standings and connections, and businesses were highly linked to family.

In order to help eliminate the practice of social privilege and favoritism prevalent in family-owned businesses, Weber proposed the bureaucratic approach. Bureaucracies have a negative connotation today, but in the true definition of the word bureaucracies are impersonal structures based on clear authority, responsibility, formal procedures and separation of management and ownership.

In his approach, Weber proposed:

- Hierarchal management structure.
- Division of labor.
- Formal selection process for new employees.
- Career orientation.
- Formal rules and regulations.
- Impersonality.

Weber didn't anticipate the problems that would come from his approach (division of labor leading to boredom, formal rules leading to "red tape"), his bureaucratic method is in practice among many organizations today, and his idea that hiring and promotion should be based on capability and not social standing is written into US labor laws.

Administrative Management Approach

In his administrative management approach, theorist Henri Fayol proposed five basic management functions that are still an important part of management practice today. In his 1916 book General and Industrial Management, he talked about those functions:

- Foresight: an organizational plan for the future.
- Organization: implementation of the plan.
- Command: select and lead workers.
- Coordinate: make sure all activities are coordinated and helping to reach goal.
- Control: ensure activities are going as planned.

French-born Fayol came to some of these basic concepts when he witnessed the shutdown of a mine. A horse had broken its leg, and the mine had to be shut down because no one had the authority to purchase a new one. Seeing this as a failure of management to provide the right resources, he began his studies of management structures.

Fayol's studies also produced fourteen principles that could guide management behavior, but felt that they weren't rigid or exhaustive. Five of those principles still exist in current management theory and practice:

- Unity of command.
- Fairness and equity.
- Discipline and order.
- Scalar chain of command.
- Teamwork and subordination of individual interests.

Weber's bureaucracy approach informs most organizations today and Fayol's approach helps us understand the basics of management no matter what the industry or situation. Now let's look at some studies and research that bring in the human relations approach.

Humanistic Viewpoint

Mary Parker Follett's teachings, many of which were published as articles in well-known women's magazines, were popular with businesspeople during her lifetime. But she was virtually ignored by the male-dominated academic establishment, even though she attended Radcliffe University and Yale and was asked to address the London School of Economics. In recent years her writings have been "rediscovered" by American management academics, and she is now considered the "Mother of Modern Management."

Follett developed many concepts that she applied to business and management, including the following:

- A better understanding of lateral processes within organizational hierarchies. These concepts were applied by DuPont Chemical Company in the 1920s in the first matrix-style organization. A matrix organizational structure uses a grid rather than a pyramidal system to illustrate reporting paths. An individual may report both to a functional manager (such as sales or finance) and to a product manager.
- The importance of informal processes within organizations. This is related to the idea of authority deriving from expertise rather than position or status. For example, an informal group may form in an organization (during or outside of official work hours) to socialize, form a union, or discuss work processes without management overhearing.
- Noncoercive power sharing, which she called **integration**, to describe how power operates in an effective organization. She wrote about the **"group principle"** that characterized the whole of the organization, describing how workers and managers have equal importance and make equal contributions.
- Coining the term "win-win" to describe cooperation between managers and workers. She also talked about **empowerment** and **facilitation** rather than control.
- Promoting conflict resolution in a group based on constructive consultation of equals rather than compromise, submission, or struggle. This is known as the **constructive conflict** concept.

Follett devoted her life's work to the idea that social cooperation is better than individual competition. In her 1924 book *Creative Experience*, Follett wrote "Labor and [management] can never be reconciled as long as labor persists in thinking that there is a [management] point of view and [management] thinks there is a labor point of view. These are imaginary wholes which must be broken up before [management] and labor can cooperate."

We've talked before about Elton Mayo, Fritz Roethlisberger, and the Hawthorne Studies. They visited the Western Electric Hawthorne Works to determine the affects of lighting on productivity. As we know, they learned much more about the workers than just whether they did better in a well-lit atmosphere. They learned that their observation alone increased worker productivity, that workers value their social relationships and rely on group norms to restrict their productivity output.

There were several different flaws in the Hawthorne studies and their methodologies, but it spurred on studies by Abraham Maslow, Douglas McGregor, Frederick Herzberg and David McClelland, all approaching their research from the source of motivation of the worker and how that can be manipulated to increase productivity.

PRACTICE QUESTION

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Modern Management Theories

These early scientific and humanistic approaches to managing people gave way to more studies on how to achieve more productivity, efficiency and profit. Those theories and findings became the basis for further learning.

Systems View

The systems view of management suggests that organizations are a complex collection of interrelated parts, working toward a common purpose.

In the systems view, a system is defined in two ways: externally, by its purpose and internally, by its subsystems and internal functions.

Externally, the concept dictates that each system has a role to play in the system at the next level up. For instance, a company that makes boxed macaroni and cheese creates its product for the system at the next level, the boxed macaroni and cheese market. The boxed macaroni and cheese market impacts the next level systems, like the food industry.

Internally, the system view looks at subsystems and internal functions. Each of these systems interrelates and contributes to the overall purpose of the parent system. So, the accounts receivable and accounts payable departments contribute to the overall purpose of the finance department, which contributes to the overall purpose of the organization and so on.

Managerially speaking, an organization looks to the system above it in the hierarchy to define its purpose, and then organizes its subsystems to serve that purpose. A manager's duty is to operate the systems in his charge to support the larger systems.

Contingency View

The contingency view of management suggests that the effective management of an organization depends on various contingency factors, so if a manager is going to be successful he or she must understand the different aspects of an organization and the factors that can affect performance.

What kinds of variables affect the performance of an organization and its workers?

For one, an organization's size is a contingency factor. Small organizations can behave informally and are often more flexible than larger organizations. They can make decisions faster, and managers have direct control over processes. Large organizations require indirect control mechanisms, and they can't change direction quickly the way a smaller organization can. But they can have divisional structures with workers that are highly specialized, and this may not be appropriate for a smaller organization.

Environmental change and uncertainty also impact the way an organization is managed. A organization with centralized processes works best with a stable environment. Certainty and predictability allow an organization to

create policies, rules and procedures to fit the way they do business. An organization with decentralized processes is an advantage when there's a unstable environment. Organizations in an unstable environment need to be able to respond quickly to changes, thus they require specialization for non-routine tasks and problems.

Work technologies have an impact on organizations as well. The technology to do the work impacts the type of worker that needs to be hired, the span of management to manage those workers, and so on.

What about customer diversity? Globalization? A business must adjust for all of these contingencies as well. The contingency view is based on the idea that there's no one best way to manage an organization, and that managers should be ready to adjust to different situations as they present themselves. Conversely, researchers suggests that managers themselves perform differently in different situations, and their success is as much situational as it is based on their talents and behaviors. We'll talk more about that in a future module.

Chaos View

Chaos theory is a scientific principle that describes the unpredictability of systems, such as weather patterns, water flows and, if you're a Spielberg fan, the actions of human-engineered dinosaurs. Although they appear to be chaotic behaviors, they can be defined by mathematical formulas and are not as random as one might think.

Chaos management views pick up where contingency views leave off. In the early 1980s, Tom Peters, management guru, wrote a handbook explaining the Chaos Theory, specifically intended for managers. In it, he emphasizes that managers must be prepared for a constantly changing environment.

According to Peters, changing global environments and technology are evidence of chaos, and businesses should not just observe them without response. Peters suggests that the permanently installed hierarchal structure is a cause of inflexibility in organizations that's damaging. Not only should organizations be flexible with their structures, but they should be prepared to achieve their organizational results in a variety of ways.

The secret to capitalizing on the chaos view is a customer-responsive approach. Peters suggests that organizations review their vision and mission, and be open to and willing to embrace change.

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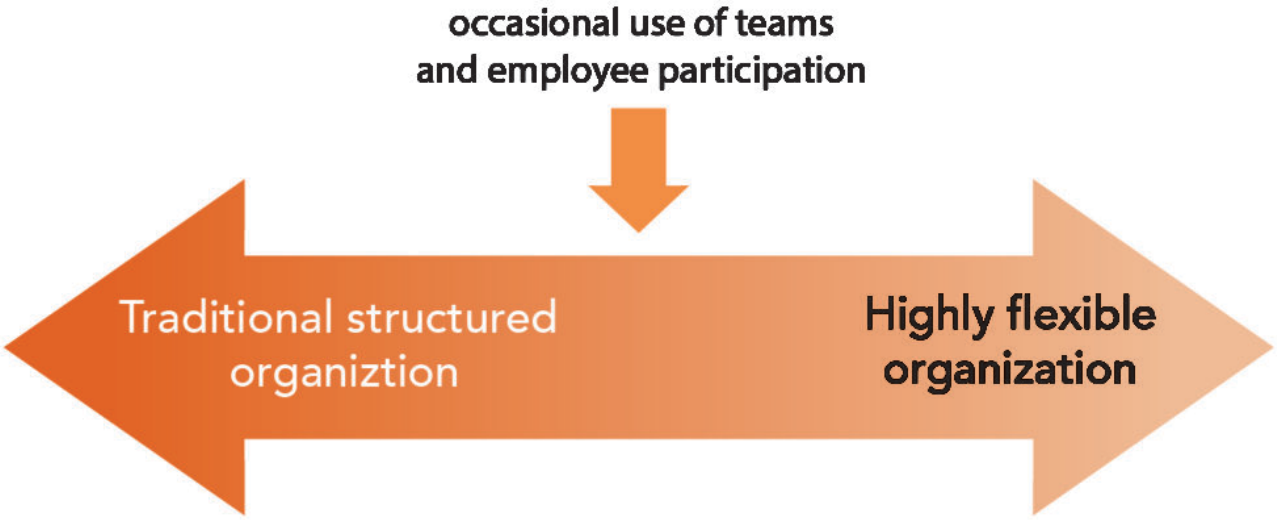
Managing Teams Today

Now that we understand some basic approaches and views to managing people, both individually and in team settings, we can use some of these concepts to understand the ways that teams are incorporated into organizations today.

Think about Max Weber's bureaucratic approach to management versus what Tom Peters proposes in his chaos view of management. On one end of the spectrum, you have a highly- controlled, traditional organization, and on the other, you have a very flexible, unstructured organization.

On one end, Weber's end, of the spectrum, there is high management control, and on the chaos end, that's less so. Peters recommended we do away with the rigidity of the hierarchical structure to increase flexibility and focus on delivering to customers. So . . . is his suggestion a more team-based organization, with high employee involvement and control? Maybe.

Today's organizations tend to be more middle-of-the-road in their use of teams. They've kept some of their managerial control and traditional structure, and use teams to accomplish work on specific tasks.



As organizations move to more team-based structures, the control shifts from management to employees. Upper management still sets the general direction, vision, mission, goals and objectives. But then employees, with that understanding, make decisions and control their own activities. If an organization is going to see a team succeed, they need to:

- Provide a clear standard of high performance expectations. Management can set expectations—preferably challenging expectations, as we learned earlier—and then teams decide how to accomplish those goals on their own.
- Provide organizational support. The organization's structure and culture must support the success of the team. Organizations that forego an all-individual reward system and remove other cultural barriers are more likely to see their teams succeed.
- Adjust internal and external leadership. Team leaders should guide groups but not necessarily dictate what has to be done.

Researchers like Taylor, Weber and Fayol never got to the point where they could conceive of a team in a working environment. But those concepts that still exist in management principles studied today certainly don't exclude the use of teams, do they? Teams undoubtedly look for the most efficient way to perform, they reward

their members based on achievement and experience, they understand the importance of management decision makers and resource managers in their numbers. Those principles are still at work every day.

Consider the structural elements of an organization as they conceived them and how they change (but don't disappear) in a team-based organization.

	Traditional Organization	Team-Based Organization
Formalization	All activities and procedures are clearly described in formal written documents	Activities and procedures depend on team goals and are not necessarily formally written.
Specialization	Individuals and departments specialize in a particular task/function	Individuals/teams learn as many skills to perform tasks to do their jobs.
Hierarchy	Clear reporting lines with managers having few direct reports	Organization is flat, more lateral relationships and only a few levels.
Centralization of decision making	Decisions made by managers and passed down to employees	Decision is made by a team and coordinated with other teams
Differentiation	Departments and their functions are clearly different from one another	Differentiation is based on project and not function
Integration	Activities are coordinated by managers of different departments	Each team is responsible for coordinating with other teams

In spite of all those traditional organizational elements being in place for team-based organizations, there are a lot of growing pains and changes needed if an organization is going to go from a traditional one to one based on teams. What would make an organization do that?

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Organizations like Goldman Sachs, American Airlines and Kellogg's do fine with a traditional organizational structure, with teams used to tackle particular tasks and issues. But some organizations, like Lucent Technologies, have adopted a team-based structure throughout several of their areas.

SEI INVESTMENTS

SEI Investments in Pennsylvania adopted a team-based organizational structure when its CEO realized that the company lacked competitive advantage. SEI declared their new strategy: Become more responsive to customers than other firms in the industry. The decision to restructure as a team-based organization was the result of that strategy.

SEI decided to form teams specifically to handle a client problem. Once that problem was handled, the team disbanded, and then another one was created to address the next client. As a result, SEI became more profitable, realizing their strategy of becoming more responsive to customers than other companies in the industry.

SEI's teams were tied to their strategy, and organizations that don't get specific in attaching team goals to strategy are setting themselves up for failure. When teams aren't clear on how they're furthering organizational

strategy, they lose focus and motivation. In most cases, those teams won't live up to expectations. Jon Katzenbach, director at McKinney & Co and team-based organizational expert, points out that it's not about the numbers for teams. "Teams aren't motivated by numbers—even big numbers," he explained. "They're motivated by something to do in the marketplace, like beating a competitor.

Pre-industrial revolution, our economy was based on the textile merchant, the grocer, and all the individual business owners that made their towns go. But once the industrial revolution found its way to the United States, managers were suddenly faced with the task of managing many workers and ensuring that they reached some level of productivity. Science and research improved efficiency, and as the world changed, new views emerged to help managers adapt.

Teams and team-based organizations are not an entirely new concept, but as we continue to innovate and realize what teams can do to help organizations realize their goals, we will continue to use these management approaches to help us move forward.

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PUTTING IT TOGETHER: MANAGING GROUPS AND TEAMS

Ford's team created the assembly line and the five day work week. Steve Jobs' team created the first real personal computer. Walt Disney's team created an empire around a happy little mouse.

Great things can be accomplished by businesses when they assemble a group with the right set of skills and set them to work on a project. As they learn to work together, they produce a product that's far more than the sum of its individual parts.

Know that your team is put together well and that the group is well balanced, and put your best leadership skills in place to manage that team. That spells success for today's organizations, even as they face the constant headwinds of change.

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MODULE 11: CONFLICT AND NEGOTIATION

WHY IT MATTERS: CONFLICT AND NEGOTIATION

Why learn about strategies for managing conflict and negotiation in the workplace?

Negotiation and conflict management events are everywhere, and the organization that faces them head on and looks to them as opportunities rather than obstacles will win the day. Think about the good that comes from negotiation and conflict management processes:

- Teachers' unions work with school boards to get increased pay for overworked educators and additional budgets for much-needed educational materials.
- City governments use tax incentives to bring new business into the area, increasing job opportunities for the community and bringing new potential revenue into the city.
- A brewery strikes up a deal with a bourbon distillery to remove used barrels from their property that may have otherwise been discarded, so they can turn around and use them to add a bourbon taste to their beer products.
- A teenager takes her life savings to the car dealership and purchases her first used car.

Negotiation and conflict management don't just make the business world go 'round, they're a part of life. Mastering these skills and understanding how to leverage the techniques will help you be more successful in work and life.

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CONFLICT MANAGEMENT

What you'll learn to do: Describe why conflict resolution, "crucial conversations," and other higher stakes communication is necessary to study in organizations

The moment there were just two automobiles on the highway, there was a potential for a vehicle crash. This is true not only of the network of open roads, but also in an organization, where just two employees can just as easily "crash" in some sort of conflict.

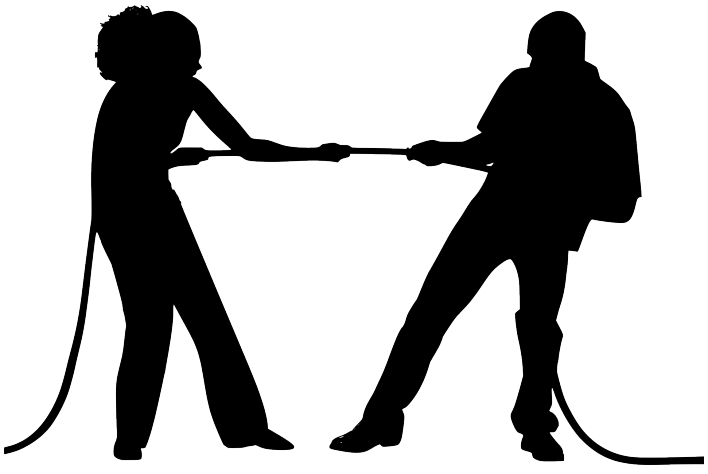
No matter what the size of the business, conflict is going to be a natural part of its existence. So, naturally, we need to understand how to dissect and navigate conflict and be prepared to have those conversations that lead to conflict resolution. Otherwise, conflict could result in a stalemate that stifles the purpose of the organization.

LEARNING OUTCOMES

- Define conflict
- Differentiate among types of conflict
- Identify stages of the conflict process
- Discuss the appropriate use of various conflict management styles
- Identify organizational sources of conflict

What Is Conflict?

The word "conflict" tends to generate images of anger, fighting, and other ugly thoughts that leave people bruised and beaten. Conflict isn't uncommon in the workplace, and it isn't always good. But it isn't always a bad thing, either. Let's talk a little bit about what conflict is and how we think about it.



Conflict is a perception—meaning it only really exists if it's acknowledged by the parties that are experiencing it. If Teresa and Heitor have a heated discussion about the path the company should take to win more customers, but they walk away from the disagreement unfazed and either don't think about the issue again or think the issue is resolved, then no conflict exists. If Teresa and Heitor both walk away feeling that their ideas weren't heard by the other, that the other is wrong, that the other needs to come around to a better point of view . . . then conflict exists.

Teresa's and Heitor's situation could be viewed as a competition rather than conflict. Some people use competition and conflict interchangeably; however, while the terms are similar, they aren't exactly synonymous. Competition is a rivalry between two groups or two individuals over an outcome that they both seek. In a competition there is a winner and a loser. Teresa might want to attract more customers by a direct mail campaign and Heitor may be championing a television campaign. They may be competing for a finite amount of

marketing budget, and if Heitor's idea is rewarded, then he is the competition's winner. Teresa is the loser. They may shake hands after the fact, shrug it off and go on to compete another day.

Conflict is when two people or groups disagree, and the disagreement causes friction. One party needs to feel that the other's point of view will have a negative effect on the final outcome. Teresa may feel strongly about direct mail campaigns because she's done several with great results. Heitor may feel television is the way to go because no one reads their mail anymore—it just gets thrown out! Each of them may feel that the other's approach is a waste of the marketing budget and that the company will not benefit from it. Teresa will jump in and prevent Heitor from trying to further his goal for television advertising, and Heitor will do the same to Teresa.

Conflict can be destructive to a team and to an organization. Disadvantages can include:

- Teams lose focus on common goals
- Winning eclipses any other goals of the group
- Judgement gets distorted
- There is a lack of cooperation
- Losing members lack motivation to continue participation

But if managed well, conflict can be healthy and spark creativity as parties try to come to consensus. Some of the benefits of conflict include:

- High energy
- Task focus
- Cohesiveness within the group
- Discussion of issues

There has been plenty of conflict over how conflict is viewed in the workplace over the years. Just like our concept of teams, our concepts of managing people and how they're motivated, our concepts of stress in the workplace have changed as we've learned.

PRACTICE QUESTION

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Traditional View

Early in our pursuit of management study, conflict was thought to be a dysfunctional outcome, a result of poor communication and lack of trust between co-workers. Conflict was associated with words like violence and destruction, and people were encouraged to avoid it at all costs.

This was the case all the way up until the 1940s, and, if you think about it, it goes right along with what we thought we knew about what motivated people, how they worked together and the structure and supervision we thought we needed to provide to ensure productivity. Because we viewed all conflict as bad, we looked to eradicate it, usually by addressing it with the person causing it. Once addressed, group and organization would become more productive again.

Many of us still take the traditional view—conflict is bad and we need to get rid of it – even though evidence today tells us that's not the case.

The Human Relations View

Since the late 1940s, our studies of organizational behavior have indicated that conflict isn't so thoroughly bad. We came to view it as a natural occurrence in groups, teams and organizations. The Human Relations view suggested that, because conflict was inevitable, we should learn to embrace it.

But they were just starting to realize, with this point of view, that conflict might benefit a group's performance. These views of dominated conflict theory from the late 1940s through the mid-1970s.

The Interactionist View

In the Interactionist View of conflict, we went from accepting that conflict would exist and dealing with it to an understanding that a work group that was completely harmonious and cooperative was prone to becoming static and non-responsive to needs for change and innovation. So this view encouraged managers to maintain a minimal level of conflict, a level that was enough to keep the group creative and moving forward.

The Interactionist View is still viable today, so it's the view we're going to take from here on as we discuss conflict. We know that all conflict is both good and bad, appropriate and inappropriate, and how we rate conflict is going to depend on the type of conflict. We'll discuss types of conflict next.

Types of Conflict

In literature, fledgling writers learn that there are many different kinds of conflict that arise in literature. One might see a plot that outlines the "man vs. man" scenario, and another might be "man vs. nature." When examining workplace conflict, one sees that there are four basic types, and they're not terribly different from those other conflicts you learned in freshman literature except that they all deal with conflict among people. They are:

- Intrapersonal
- Interpersonal
- Intragroup
- Intergroup

Intrapersonal Conflict

The **intrapersonal conflict** is conflict experienced by a single individual, when his or her own goals, values or roles diverge. A lawyer may experience a conflict of values when he represents a defendant he knows to be guilty of the charges brought against him. A worker whose goal it is to earn her MBA might experience an intrapersonal conflict when she's offered a position that requires her to transfer to a different state. Or it might be a role conflict where a worker might have to choose between dinner with clients or dinner with family.

Interpersonal Conflict

As you might guess, **interpersonal conflict** is conflict due to differences in goals, value, and styles between two or more people who are required to interact. As this type of conflict is between individuals, the conflicts can get very personal.

JOBS V SCULLEY

Apple is a global brand; in fact, its reach is so prevalent you're most likely in the same room as at least one Apple product. However, it wasn't always such a strong contender in the market.

When MacIntosh sales didn't meet expectations during the 1984 holiday shopping season, then-CEO of Apple John Sculley demanded that Steve Jobs be relieved of his position as vice president of the MacIntosh department. Cue interpersonal conflict. As Steve Jobs was still chairman of Apple's board, it was Sculley's wish that Jobs represent Apple to the outside world without any influence on the internal business. Steve Jobs got wind of this and tried to sway the board in his favor. The conflict was put to an end by the board when they voted in favor of Sculley's plan. Jobs ended up leaving the company, disclosing that hiring Sculley for the CEO position was the worst mistake he ever made.

However, Jobs went on to found the company NeXT (a computer platform development company), and when in 1997 NeXT and Apple merged, Jobs retook control of Apple as its CEO, where he remained until he resigned in

2011 because of health issues. Steve Jobs was largely responsible for revitalizing Apple and bringing it to be one of the “Big Four” of technology, alongside Google, Amazon, and Facebook.

Intragroup Conflict

Intragroup conflict is conflict within a group or team, where members conflict over goals or procedures. For instance, a board of directors may want to take a risk to launch a set of products on behalf of their organization, in spite of dissenting opinions among several members. Intragroup conflict takes place among them as they argue the pros and cons of taking such a risk.

Intergroup Conflict

Intergroup conflict is when conflict between groups inside and outside an organization disagree on various issues. Conflict can also arise between two groups within the same organization, and that also would be considered intergroup conflict.

Within those types of conflict, one can experience horizontal conflict, which is conflict with others that are at the same peer level as you, or vertical conflict, which is conflict with a manager or a subordinate.

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Creating good conflict is a tough job, and one that’s not often done right. But organizations that don’t encourage dissent won’t be around for very long in today’s world. Companies today go out of their way to create meetings where dissension can occur, reward people who are courageous enough to provide alternative points of view, and even allow employees a period of time to rate and criticize management.

The Conflict Process

The conflict process—that is, the process by which conflict arises—can be seen in five stages. Those stages are:

- Potential opposition or incompatibility
- Cognition and personalization
- Intentions
- Behavior
- Outcomes

Potential Opposition or Incompatibility

The first stage in the conflict process is the existence of conditions that allow conflict to arise. The existence of these conditions doesn’t necessarily guarantee conflict will arise. But if conflict does arise, chances are it’s because of issues regarding communication, structure, or personal variables.

- Communication. Conflict can arise from semantic issues, misunderstanding, or noise in the communication channel that hasn’t been clarified. For instance, your new manager, Steve, is leading a project and you’re on the team. Steve is vague about the team’s goals, and when you get to work on your part of the project, Steve shows up half the way through to tell you you’re doing it wrong. This is conflict caused by communication.

- Structure. Conflict can arise based on the structure of a group of people who have to work together. For instance, let's say you sell cars, and your co-worker has to approve the credit of all the people who purchase a vehicle from you. If your co-worker doesn't approve your customers, then he is standing between you and your commission, your good performance review, and your paycheck. This is a structure that invites conflict.
- Personal variables. Conflict can arise if two people who work together just don't care for each other. Perhaps you work with a man and you find him untrustworthy. Comments he's made, the way he laughs, the way he talks about his wife and family, all of it just rubs you the wrong way. That's personal variable, ripe to cause a conflict.

Cognition and Personalization

In the last section, we talked about how conflict only exists if it's perceived to exist. If it's been determined that potential opposition or incompatibility exists and both parties feel it, then conflict is developing.

If Joan and her new manager, Mitch, are having a disagreement, they may perceive it but not be personally affected by it. Perhaps Joan is not worried about the disagreement. It is only when both parties understand that conflict is brewing, and they internalize it as something that is affecting them, that this stage is complete.

Intentions

Intentions come between people's perceptions and emotions and help those who are involved in the potential conflict to decide to act in a particular way.

One has to infer what the other person meant in order to determine how to respond to a statement or action. A lot of conflicts are escalated because one party infers the wrong intentions from the other person. There are five different ways a person can respond to the other party's statements or actions.

- Competing. One party seeks to satisfy his own interests regardless of the impact on the other party.
- Collaborating. One party, or both, desire to fully satisfied the concerns of all parties involved in the conflict.
- Avoiding. One party withdraws from or suppresses the conflict once it is recognized.
- Accommodating. One party seeks to appease the opponent once potential conflict is recognized.
- Compromising. Each party to the conflict seeks to give up something to resolve the conflict.

We'll talk about this a little more in the next section when we use these styles to manage conflict.

Behavior

Behavior is the stage where conflict becomes evident, as it includes the statements, actions and reactions of the parties involved in the conflict. These behaviors might be overt attempts to get the other party to reveal intentions, but they have a stimulus quality that separates them from the actual intention stage.

Behavior is the actual dynamic process of interaction. Perhaps Party A makes a demand on Party B, Party B argues back, Party A threatens, and so on. The intensity of the behavior falls along a conflict oriented continuum. If the intensity is low, the conflict might just be a minor misunderstanding, and if the intensity is high, the conflict could be an effort to harm or even destroy the other party.

Outcomes

Outcomes of a conflict can be either functional or dysfunctional:

- Functional outcomes occur when conflict is constructive. It may be hard to think of times when people disagree and argue, and the outcome is somehow good. But think of conflict, for a moment, as the antidote to groupthink. If group members want consensus, they're bound to all agree before all the viable alternatives have been reviewed. Conflict keeps that from happening. The group may be close to agreeing on something, and a member will speak up, arguing for another point of view. The conflict that results could yield a positive result.

- Dysfunctional outcomes are generally more well known and understood. Uncontrolled opposition breeds discontent, which acts to sever ties and eventually leads to the dissolution of the group. Organizations meet their ultimate demise more often than you'd think as a result of dysfunctional conflict. People who hate each other and don't get along can't make decisions to run a company well.

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Managing conflict in today's business world is a must. We'll look next at how that's done.

Conflict Management Styles

We talked earlier about the "intentions" stage of conflict when we discussed how conflict develops. The intentions stage discusses how each player in the conflict interprets the statements and actions of the other conflict participant, and then the reaction that they give. Those reactions are the basis for conflict management.

Whether you're managing the conflict of two subordinates or embroiled in the midst of your own conflict, you make a choice on how the conflict should be managed by weighing the importance of the goal against the importance of the relationships in questions.

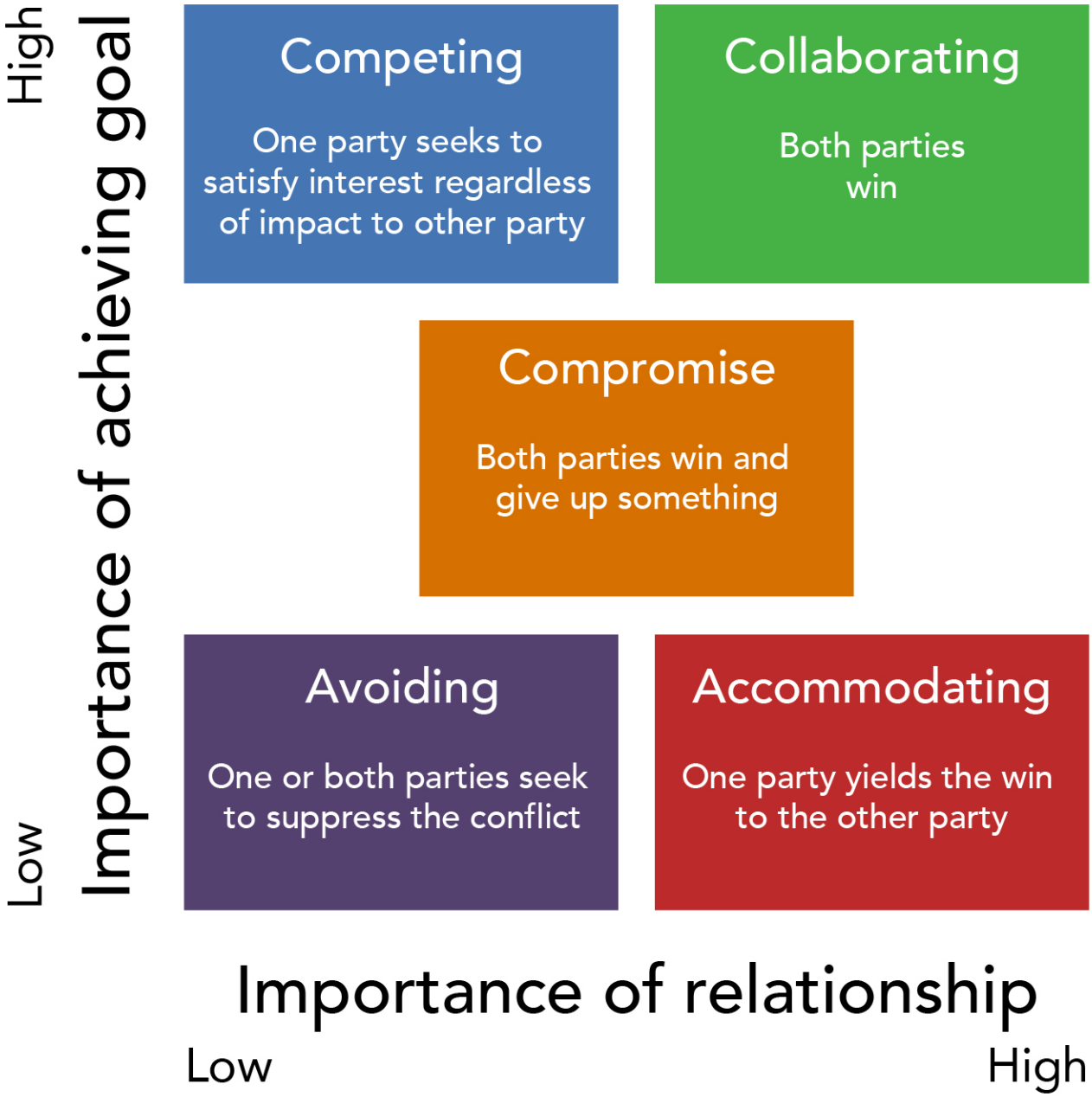

Figure 1. Five primary styles of conflict management

Each person brings his own innate style of conflict management to the party. Are they all right or all wrong? Let's look at Teresa and Heitor's situation once more—they're charged with the task of bringing new customers to their business. Teresa wants to use direct mail to bring attention to their company's offerings, and Heitor wants to move forward with an expensive television ad campaign. Teresa thinks that Heitor is wasting dollars by putting the message out there for an untargeted audience of viewers, and Heitor thinks that Teresa is wasting dollars by sending something out that's just going to get tossed in the trash.

The **avoiding style** of conflict resolution is one where one has low concern for his or her ultimate goal *and* low concern for his or her relationship with the other. In this situation, Heitor might avoid any discussion with Teresa, not wanting to start any fights. He's just not that kind of guy. But his idea isn't getting furthered along, nor is hers, nor is the company meeting its goals. The conflict hasn't gone away, and the job just isn't getting done.

The **accommodating style** of conflict resolution is where one party focuses on the needs of the other, and not the importance of the goal. If Heitor were one to adopt the accommodating style, he might look at Teresa as a valued team player who really needs a break after a couple of tough months. Without thought to the goal and the outcome the company expects, he tells Teresa to go ahead with the direct mail program.

The **competing style** of conflict resolution is defined by one party pushing ahead with his or her own mission and goals with no concern for the other party in the conflict. If Teresa were to adopt the competing style of conflict resolution, she might move forward with the plan to use direct mail and ignore anything to do with Heitor's suggestion. She'd take her idea to their boss and implement and run right over any objections Heitor had. As you might guess, this approach may exacerbate other conflicts down the road!

Right in the middle of Figure 1 is the **compromising style** of conflict management. Here, moderate concern for others and moderate concern for the ultimate goal are exhibited, and a focus is placed on achieving a reasonable middle ground where all the parties can be happy. For Heitor and Teresa, this might mean a joint decision where they devote half of their marketing funds to the direct mail campaign that Teresa wants to do, and the other half to the television spots that Heitor wants to do. Neither party has gotten exactly what he or she wanted, but neither party is completely dissatisfied with the resolution.

Finally, the **collaborating style** is one where there is high concern for relationships and high concern for achieving one's own goal. Those with a collaborating style look to put all conflict on the table, analyze it and deal openly with all parties. They look for the best possible solution: a win for each party in the conflict. In this situation, Heitor and Teresa would sit down, look at the possible conversion rate of each of their planned marketing campaigns. Perhaps they would find that a third option—online advertising—would provide a more targeted audience at a discounted price. With this new option that both parties could get behind, conflict is resolved and both feel like the company's goal will be satisfied.

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For Teresa and Heitor, the conditions were right for a collaborating style of conflict resolution, but it's easy to see how a different style might have been more appropriate if the situation had been different.

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So, now we understand what conflict is, how it develops and how to respond. We're ready to face conflict when we find it! But…where will we find it? Where, within an organization, does conflict lurk?

Sources of Conflict in an Organization

Personality conflicts make work rough. When you're not in the office, you get to choose who you hang out with, but during the work day, the cast of characters is chosen for you. If an organization is looking to hire people that fit with the company culture, then chances are good you'll get along with most of them! However, it's likely that there will be at least one coworker that you don't get along with 100 percent.

Organizational sources of conflict are those events or factors that cause goals to differ. Personality conflicts, irritating as they may be, don't actually qualify as an organizational source of conflict. They may be the most aggravating part of your day and, certainly, they're something organizations need to watch for if it interferes with daily work, but these organizational sources produce much bigger problems. Those sources are

- Goal incompatibility and differentiation

- Interdependence
- Uncertainty and resource scarcity
- Reward systems

Goal Incompatibility and Differentiation

Organizational sources of conflict occur when departments are differentiated in their goals. For instance, the research and development team at an electronics company might be instructed to come up with the best new, pie-in-the-sky idea for individual-use electronics—that thing consumers didn't know they needed. The R&D team might come up with something fantastic, featuring loads of bells and whistles that the consumer will put to excellent use.

Then, the manufacturing team gets together to look at this new design. They've been told that management likes it, and that they need to build it by the most economical means possible. They start make adjustments to the design, saving money by using less expensive materials than what were recommended by the R&D team. Conflict arises.

Goal incompatibility and differentiation is a fairly common occurrence. The manufacturing team disagrees with research and development. The sales department feels like the legal department is there to keep them from getting deals signed. Departments within the organization feel like they are working at cross-purposes, even though they're both operating under the assumption that their choices are best for the company.

Interdependence

Interdependence describes the extent to which employees rely on other employees to get their work done. If people all had independent goals that didn't affect one another, everything would be fine. That's not the case in many organizations.

For instance, a communication department is charged with putting together speaking points that help their front-line employees deal with customer questions. Because the communications department is equipped to provide clear instructions but are not necessarily the subject matter experts, they must wait for engineering to provide product details that are important to the final message. If those details are not provided, the communication department cannot reach their goal of getting these speaking points out on time for their front-line staff to deal with questions.

The same holds true for a first-, second-, and third-shift assembly line. One shift picks up where another leaves off. The same standards of work, production numbers, and clean-up should be upheld by all three teams. If one team deviates from those standards, then it creates conflict with the other two groups.

Uncertainty and Resource Scarcity

Change. We talked about it as a source of stress, and we're going to talk about it here as an organizational source of conflict. Uncertainty makes it difficult for managers to set clear directions, and lack of clear direction leads to conflict.

Resource scarcity also leads to conflict. If there aren't enough material and supplies for every worker, then those who do get resources and those who don't are likely to experience conflict. As resources dwindle and an organization has to make do with less, departments will compete to get those resources. For instance, if budgets are slim, the marketing department may feel like they can make the most of those dollars by earning new customers. The development team may feel like they can benefit from the dollars by making more products to sell. Conflict results over resource scarcity.

Reward System

An organization's reward system can be a source of conflict, particularly if the organization sets up a win-lose environment for employee rewards.

For instance, an organization might set a standard where only a certain percent of the employees can achieve the top ranking for raises and bonuses. This standard, not an uncommon practice, creates heavy competition within its employee ranks. Competition of this nature often creates conflict.

Other forms of rewards that might incite conflict include employee of the month or other major awards that are given on a competitive basis.

Conflict can occur between two employees, between a team of employees, or between departments of an organization, brought about by the employees, teams, or organizations themselves. Now that we understand conflict, we're ready to take on negotiation. It's different from conflict, but it's easy to see how some of the skills one uses to be a great negotiator are snatched from conflict resolution.

PRACTICE QUESTION

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Practice: Conflict Management

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NEGOTIATION

What you'll learn to do: Discuss the history of negotiating techniques within organizational behavior

Now we understand what conflict is and ways it can be managed, we will move onto negotiation. And if you think conflict causes anxiety, wait until you meet negotiation!

People are intimidated by the negotiation process, and the reason for it is because they think negotiation is personal issue. But negotiation is about solving problems and arriving at win-win solutions for all the parties involved. The people component should only add benefit to the negotiation process, not add an element of dread.

Negotiation skills are highly valuable in the business world, and here we're going to talk about techniques that bring about successful issue resolution.

LEARNING OUTCOMES

- Discuss how negotiating is different from managing conflict
- Describe the stages in the process of negotiation
- Compare various types of negotiating strategies
- Identify issues in negotiating
- Discuss third-party negotiations

Negotiation vs. Conflict Management

We negotiate every day. We might be looking for a better job, trying to purchase a used car, or walking down the street on the right side and seeing someone coming right toward us, seemingly unwilling to step to the left. We don't necessarily think about whether we won or lost a negotiation when we step to the left and let the walker pass, but it's a negotiation, nonetheless.

Negotiation is the process of discussing each individual's position on a topic and attempting to reach a solution that benefits both parties. We often step in and negotiate when a conflict is taking place, but conflict doesn't have to exist for there to be an opportunity for negotiation. It can be a discussion of an exchange of goods and services (or just jockeying for position on a sidewalk).

All negotiations share four common characteristics:

- The parties involved are somehow interdependent
- The parties are each looking to achieve the best possible result in the interaction for themselves
- The parties are motivated and capable of influencing one another
- The parties believe they can reach an agreement

If these conditions don't exist, neither can a negotiation. The parties have to be interdependent—whether they are experiencing a conflict at work or want to do business with one another. Each has an interest in achieving the best possible result. The parties are motivated and capable of influencing one another, like a union bargaining for better working conditions. A worker doesn't have influence over a manufacturer, but a union of workers does, and without that influence as a factor, both parties won't be motivated to come to the table for discussions. Finally, the parties need to believe they can reach an agreement; otherwise any negotiation talks will be futile.

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There are two basic types of negotiation—distributive and integrative:

Distributive Negotiation

Distributive negotiation operates under zero-sum conditions. Anything one party gains in the deal is lost by the other party. There can be a winner and a loser, and parties are usually opposing each other. Any relationship between the two parties is usually short term, as at least one party will walk away a "loser" of sorts and animosities can build.

BUYING A USED CAR

Imagine you're looking to purchase a used car. You might meet a salesperson on the lot. You ask the price of the green Chevy. The salesperson tells you, and you shake your head—you know you don't want to pay that much. You make an offer that's significantly cheaper than the current sales price. Negotiation begins.

The new price will likely come at the commission of the salesperson, as there's a fixed amount of resources to be divided. As you "win" a discounted price, he "loses" commission. You and the salesperson are opposing each other in the price negotiation. And when the purchase is complete, you'll part ways, not likely to interact again.

Integrated Negotiation

Integrated negotiation features a variable amount of resources to be divided. In integrated negotiations, both parties can walk away winners. Their primary interests don't make them "opposing parties," but rather they're convergent or congruent with one another. In integrated negotiations, the relationship can be of longer term, because feelings are preserved and no one walks away a loser.

RESIDENTIAL AMUSEMENT PARK

Let's say a long-operating amusement park is now surrounded by residential housing. One fall, the park announces that they're going to open a roller coaster on the side of the park that's closest to the residential neighborhood, and they're going to build a parking structure to accommodate the extra guests they're sure the coaster will attract. Neighbors mount a protest—they don't want noise and the extra traffic that the roller coaster will bring. They complain to the city, and meetings are called.

The amusement park realizes that having the trust of these area homeowners is important because their complaints are not only well-founded but can cause delays to the park's plans. The park agrees to move the parking structure to the other side of the park, reposition speakers that might create too much noise for their neighbors and build a wall to keep the sound in the park and not out in the neighborhood. It's a win-win for both

sides—neighbors keep a neighborhood free from traffic and noise, and the amusement park can add its profit-building roller coaster. Additionally, if the park can keep the neighborhood on its side, people from the neighborhood are more likely to visit the park.

Stages of Negotiation

Negotiation, in simplified terms, is a five-step process. Those steps are shown in Figure 1.

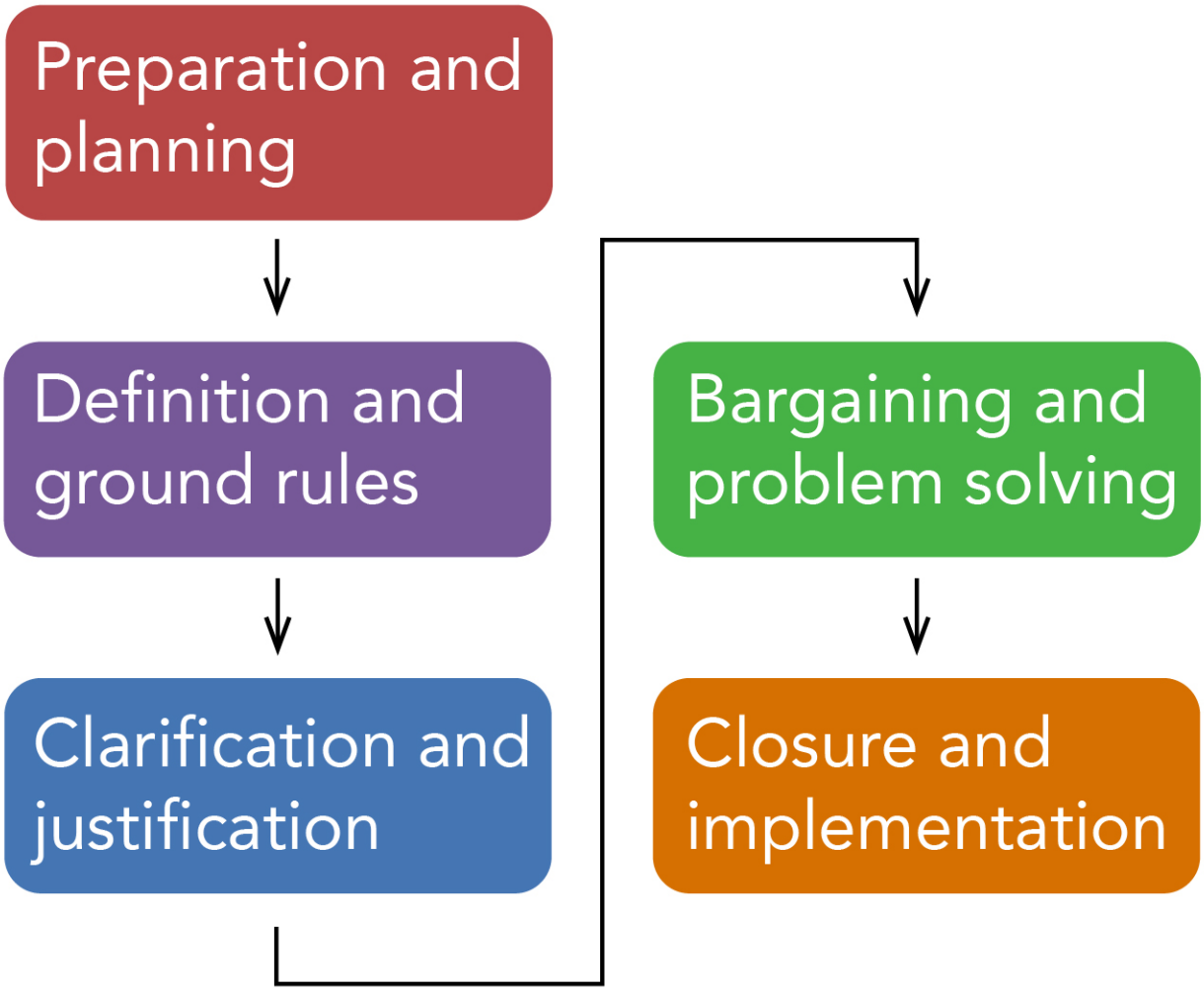

Figure 1. The five steps of negotiation

Let's take deeper look into each step.

Preparation and Planning

In the preparation and planning stage, you (as a party in the negotiation) need to determine and clarify your own goals in the negotiation. This is a time when you take a moment to define and truly understand the terms and conditions of the exchange and the nature of the conflict. What do you want to walk away with?

You should also take this moment to anticipate the same for the other party. What are their goals in this negotiation? What will they ask for? Do they have any hidden agendas that may come as a surprise to you? What might they settle for, and how does that differ from the outcome you're hoping for?

This is a time to develop a strategy for the negotiation. We'll talk more about strategies in the next section.

Definition of Ground Rules

After the planning and strategy development stage is complete, it's time to work with the other party to define the ground rules and procedures for the negotiation. This is the time when you and the other party will come to agreement on questions like

- Who will do the negotiating—will we do it personally or invite a third party?
- Where will the negotiation take place?
- Will there be time constraints placed on this negotiation process?
- Will there be any limits to the negotiation?
- If an agreement can't be reached, will there be any specific process to handle that?

Usually it's during this phase that the parties exchange their initial positions.

Clarification and Justification

Once initial positions have been exchanged, the clarification and justification stage can begin. Both you and the other party will explain, clarify, bolster and justify your original position or demands. For you, this is an opportunity to educate the other side on your position, and gain further understanding about the other party and how they feel about their side. You might each take the opportunity to explain how you arrived at your current position, and include any supporting documentation. Each party might take this opportunity to review the strategy they planned for the negotiation to determine if it's still an appropriate approach.

This doesn't need to be—and should not be—confrontational, though in some negotiations that's hard to avoid. But if tempers are high moving into this portion of the negotiation process, then those emotions will start to come to a head here. It's important for you to manage those emotions so serious bargaining can begin.

Bargaining and Problem Solving

This is the essence of the negotiation process, where the give and take begins.

You and the other party will use various negotiation strategies to achieve the goals established during the preparation and planning process. You will use all the information you gathered during the preparation and planning process to present your argument and strengthen your position, or even change your position if the other party's argument is sound and makes sense.

The communication skills of active listening and feedback serve the parties of a negotiation well. It's also important to stick to the issues and allow for an objective discussion to occur. Emotions should be kept under control. Eventually, both parties should come to an agreement.

Closure and Implementation

Once an agreement has been met, this is the stage in which procedures need to be developed to implement and monitor the terms of the agreement. They put all of the information into a format that's acceptable to both parties, and they formalize it.

Formalizing the agreement can mean everything from a handshake to a written contract.

PRACTICE QUESTION

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SALESCO

Let's take a look at this process in action. A team from a retail organization, Salesco, is looking to purchase widgets for resale directly to the consumer. You lead a team from WholesaleCo and are interested in negotiating an offer to sell these widgets to them at a wholesale cost.

- **Preparation and Planning.** You know that WholesaleCo will be going up against OtherCompany, who is likely to outbid you on price. You research, as best you can, the price and quantity OtherCompany is willing to come to the table with. You also know, from your earlier research, that Salesco is a company that values quality and if they're going to say no to OtherCompany, it'll be because they have a reputation for skimping on quality. Your company produces the better, but more expensive, widget. Armed with this information, you put together your proposal.
- **Definition of Ground Rules.** Salesco, as your customer, has let you know that they expect widgets to be manufactured and delivered in the first quarter of the following year. They'd like to sign with a 25% deposit. Your company usually requires 50% down, but you counter with 30%, provided you have a signed contract before the end of the year, which is approaching quickly. You offer Salesco your proposal. Salesco does not share OtherCompany's offer.
- **Clarification and Justification.** Salesco wants to understand more about your deposit requirements, and you'd like to know if your offer is otherwise in the ballpark for them. You reiterate that you provided them the best price you could for the quality product you produce. Salesco assures you your offer is good but they'll review it further with their legal team.
- **Bargaining and Problem Solving.** Salesco understands that WholesaleCo is not providing them the best price but that the quality they look to provide their customers will only come from WholesaleCo, and never OtherCompany. They'd still like to go with a 25% deposit because that's all they have budgeted for the remainder of the fiscal year. As a representative of Wholesale, you offer to go with a 25% deposit if a second payment can be made at the beginning of the next quarter, which would allow them to pay it out of next year's budget. Agreements are made.
- **Closure and Implementation.** WholesaleCo makes changes to the contract for the widgets and a representative from Salesco signs. The new contract outlines the changes in the deposit structure, and a full delivery schedule of widgets to Salesco' distribution centers by an agreed-upon date.

The negotiation process is complete.

Books have been written, and classes have been taught on the art of negotiation. The ability to master negotiation strategy is a coveted skill in the business world. Now that we understand the basics of the negotiation process, let's take a look at some of the negotiation "experts" that are out there and how they finesse the process to get the best results.

Types of Negotiating Strategies

If someone is looking to become skilled in the art of negotiation, that person would not have to look very far to find some help. The business section of your local bookstore has a shelf that's probably jammed with books promising to make you a better negotiator. There is no shortage of people who claim to have the best strategy, and each offers differing suggestions, tactics, and techniques to be used within the negotiation process that will help you get more out of your negotiations.

While there are slew of opinions and sources on the subject, we'll focus on three popular texts:

- *Getting to Yes* by William Ury and Roger Fisher
- *Getting More* by Stuart Diamond
- *Never Split the Difference* by Chris Voss with Tahl Raz

Getting to Yes by William Ury and Roger Fisher

When it was first released, *Getting to Yes* in particular got everyone's attention and changed the game for people trying to make a deal. The book was initially published in 1981, but with new editions published in 1991 and 2011 (both of which added Bruce Patton as a co-author) *Getting to Yes* remains among the most popular books on negotiation. *Getting to Yes* was written by William Ury and Roger Fisher, two Harvard University researchers and members of Harvard's Negotiation Project.

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This book, and the concept of principled negotiation that it introduced, was determined to change the way people make deals, and millions of readers flocked to it to digest its sage advice. In principled negotiation, one moves successfully through the process by determining which needs are fixed and which needs are flexible for the negotiators. It was meant to be a negotiation strategy by which agreements could be made without damaging business relations. There are five major points that one should consider in the negotiation process:

1. Separate the people from the problem. This describes the way the parties should interact with each other throughout the negotiation process. Negotiators are only people, and they have personal interests in their positions. If the Party A attacks the position of Party B, it can feel as though he or she is attacking Party B personally. If parties can go into a negotiation committed to clear communication, and do their best to acknowledge the emotions that are attached to the negotiation process, there will be a better chance for amicable resolution.
2. Focus on interests, not positions. This is an aspect to be considered throughout the negotiation process, starting with planning and preparation and revisited in clarification and justification. A party's position is something he has decided upon. His interests are the reason why he's made that particular decision. Each party should attempt to explain their interests clearly and have a full understanding of the other party's interests.
3. Invent options for mutual gain. It's during this stage, that falls within the bargaining discussion part of the process, that parties should get together and try to generate as many possible options for resolution. Parties can focus on shared interests to generate as many win-win solutions as they can during the brainstorming sessions. Once all possible solutions are exhausted, evaluation of those proposed solutions can begin.
4. Insist on using objective criteria. Using objective criteria can keep the discussion polite and the relationship preserved during the negotiation process. This objective criteria can be introduced during the ground rules stage, or at any point thereafter, and parties should agree to its use. Objective criteria can be statistics, past legal judgments, professional standards or other data that is legitimate and practical.
5. Understand your "BATNA." The BATNA – the best alternative to a negotiated agreement – is the most advantageous course of action a party can take if negotiations fail and an agreement can't be made. A party should never accept a negotiated deal that leaves him or her worse off than his BATNA. The BATNA is a leverage point in negotiations, and without a clear idea of BATNA a party is negotiating blindly.

With these suggestions, Fisher and Ury made a huge impact on the art of negotiation. People didn't look anymore to just get a "piece of the pie." They wanted to "expand the pie" and keep relationships intact by applying these integrated bargaining techniques to their next negotiation opportunities.

PRACTICE QUESTION

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Getting More by Stuart Diamond

Do Fisher and Ury provide the only way to negotiate? Of course not! Many books out there take Fisher and Ury as the starting place and work from there. Pulitzer Prize-winning journalist and Wharton Law Professor Stuart Diamond was the associate director of the Harvard Negotiation Project (with which Fisher and Ury were affiliated), and he takes a different approach to negotiation strategy in his book *Getting More*.

In *Getting More*, which encompasses many of the lessons taught in his class at University of Pennsylvania, Diamond's approach focuses on finding and valuing the perceptions and emotions of others rather than using the traditional tactics of power, logic, and leverage. "Think of yourself as the least important person in the negotiation," a written quote on his website suggests. "Even with hard bargainers, it has to begin with their feelings and perceptions, their sensibilities."

Getting More emphasizes valuing the trust aspect of negotiations, encouraging participants to be transparent and constructive, not manipulative. He even encourages parties to "make emotional payments," that is, tapping into the other party's emotional psyche with empathy or simply by valuing them. *Getting More* takes the idea of preserving a relationship during the bargaining process and escalates it to the next step by actually leveraging the personal connection.

This negotiations model has been adopted by U.S. Special Operations Command for the training of U.S. Special Forces, Green Berets, U.S. Navy Seals, the U.S. Marines and other units, and Google has used the book to train 12,000 of their employees worldwide. The book rivals Ury and Fisher's *Getting to Yes* with its 1.5 million copies sold.

Never Split the Difference by Chris Voss with Tahl Raz

Former FBI hostage negotiator Chris Voss took a different stance on the negotiation process in his recent book *Never Split the Difference*, where he promotes the idea of "tactical empathy."

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In Chris Voss's negotiation strategy, by empathizing with the other party, the negotiator is able to win trust and bring that other party over to his side, where he then involves her in the solving of "her problem." This is following Stuart Diamond's book, valuing people by acknowledging their intelligence, after which the negotiator advances his own point of view by asking the other party's opinion. The process relies simply on the idea that both parties understand each other's point of view when it comes to **this** subject.

Chris Voss also provides some psychological techniques that help connect you, as the negotiator, to the other party. He suggests "mirroring" what the other party says by repeating their last three words before adding your own thoughts. Mirroring helps the other party feel more secure and heard. The negotiator can also help foster a level of security with the other party by giving them the chance to offer up a few "no" responses to requests. "Pushing too quickly for a yes can lead to mistrust," he says. By asking questions that "bait the 'no,'" Voss helps the other party feel in control. "Is this a bad time to talk?" he might ask. "No," the other party might reply, "this is a good time."

This differs from Diamond's approach to negotiation in that Diamond is advocating for genuine personal connection to put the other party at ease, while Voss uses techniques and tactics that do the same without having to make a personal investment. But both strategies take Ury's and Fisher's recommendation of "separating the person from the problem" to a more thoughtful, purposeful level.

Cialdini's *Influence: The Power of Persuasion* and Kerry Patterson's *Crucial Conversations* are also popular reads on the subject and offer slightly different ways to hone your negotiation talents. Overall, it's important to understand that each of these approaches to negotiation strategy has something to offer and, used correctly by the right kind of negotiator, the strategies can yield excellent results.

Issues in Negotiation

As you might guess, negotiations don't always go smoothly. Before you step into a negotiation, you'll want to understand what kind of issues could throw a wrench into the bargaining machinery and how others manage those variables. Let's take a look at some common issues that contemporary negotiators face, and how they can be overcome.

Personality

If "talent is just personality in the right place," then what are the right and wrong kinds of personality traits for negotiation? Tomas Chamorro-Premuzic, professor of business psychology at University of London and Columbia University, suggests that high emotional intelligence is key if a negotiator is going to be successful. Emotional intelligence is the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically.

In his article, "The Personality Traits of Good Negotiators," for the *Harvard Business Review*, Chamorro-Premuzic cites people who show neurotic tendencies and "Machiavellianism" (a term that describes a person's tendency to exploit and manipulate others) as those who can expect to experience less attractive results at the negotiation table.

If the process is followed and strategic considerations are made for the problem and people involved, personality should neither help nor hinder the negotiation process.

Gender

Men and women don't necessarily negotiate differently; studies show that men negotiate slightly better outcomes than women do in the same situations, but the difference is often nominal. Continued emphasis is placed on collaborative, integrative negotiation, and both men and women can succeed with this approach. But there is evidence that gender affects the outcome of bargaining. Why is that?

Statistically speaking, women tend to fall short of their male counterparts is when they're negotiating for themselves; however, research has shown that when women negotiate for others, they often outperform men. What's the trick to getting past this? Fatimah Gilliam, founder and CEO of The Azara Group, a leadership development and strategy consulting business, offered advice on overcoming this hurdle in an article for University of Pennsylvania's Wharton School of Business. "Change your perspective…think beyond yourself," she said. "You're negotiating for your family. You're negotiating, if it's compensation, so that you can have more money to take care of your parents when they're old, right?"

Research also shows that women have less confidence in their negotiation abilities, which may lead to hesitation to engage in negotiation practices. Women penalize themselves by avoiding these situations when engagement is in their best interest.

Cultural Differences

Negotiation styles vary across cultures, and it's helpful to keep in mind cultural differences when engaging in negotiations. While we don't want to risk sounding stereotypical, here are some examples of how different cultures approach negotiation:

- Italians, Germans, and French don't "soften up" a party in the negotiation with praise, and hearing another party do this seems manipulative to them.
- The French enjoy conflict, so they tend to be longer in the negotiation process and aren't terribly concerned with whether the other party likes them.
- The Chinese also draw out negotiations because their belief is that they never end, so when parties from other cultures feel like they're coming to a conclusion, the Chinese party may just decide to start over.
- Japanese negotiators work to develop relationships, so tying up loose ends and details in an agreement may have no importance to them.
- The British often complain that their U.S. counterparts talk too much.
- Indian executives often interrupt each other, and when other parties are listening intently and not interrupting, they feel as though they aren't being heard.
- Americans mix business and personal lives, and other cultures compartmentalize them, so when Americans ask, "How was your weekend?" it can seem intrusive to other cultures.
- Russians ignore deadlines and make no concessions because they view concessions as a sign of weakness.

The cultural aspect of negotiation significantly affects the amount of time for preparation and planning, so the negotiator can determine how to handle these cultural differences.

Negotiations are often difficult even when there are no obstacles involved, but being aware of issues triggered by personality, gender and culture can help the parties overcome them and deal with the matter at hand.

Unethical Negotiations

When a person is in a negotiation process to get something he or she needs, ethical concerns may surface. How far do you go to get what you want? Should you always tell the truth and reveal your plan, or does doing so compromise your position? Difficult questions like these arise often in negotiations.

Some unethical (or at least questionable) behaviors that often occur during negotiations include:

- Selective disclosure: highlighting positive information and downplaying (or omitting) negative information
- Misrepresentation: negotiators misstate facts or misstate their position (e.g., they are willing to accept a lower price than they originally stated)
- Deception and lying: negotiators provide factually incorrect information that leads to incorrect conclusions
- False threats and false promises: negotiators mislead the other party as to actions they might take at the end of the negotiation process
- Inflicting direct or indirect harm: negotiators intentionally sabotage the other party's chances of success

Just because something is unethical does not mean that it's illegal. A lot of unethical behavior is still on the right side of the law. The most you can do to monitor ethical behavior in a negotiation is to bring it to the table yourself and be willing to say no and walk away if the other party does not.

Mistakes in Negotiation

Preparation and planning are key in avoiding common negotiation mistakes, but even the most experienced negotiator can still make them. Perceptual bias and poor decisions account for most of them. Let's look at a couple:

- Winner's curse. This is when a negotiator makes a high offer quickly and it's accepted just as quickly, making the negotiator feel as though he is being cheated. Lack of information and expertise are chief among the issues that cause this mistake.
- Mythical fixed pie. The negotiator assumes that what's good for the other side is bad for his side. For instance, imagine that two parties that want an orange. If a negotiator makes the mythical-fixed-pie mistake, he divides that orange in half and gives each party a piece. He's let competitiveness get in the way of coming up with a creative solution, and if he'd listened, he'd have understood that one party wanted the meat of the orange and the other wanted the rind.
- Overconfidence. The negotiator puts too much stock in his ability to be correct, and thus uses high anchors for his initial offers and adjustments. His lack of information and distorted self-perception will cost him a fairly negotiated deal.

- **Irrational escalation of commitment.** This is when the negotiator continues a course of action long after it's been proven to be the wrong choice. Causes of this include an insatiable need to win and ego, and it shows a lack of commitment to actually arriving at a fair deal.

Again, preparation and planning can help a negotiator avoid these issues, but practice is another way to get better at avoiding mistakes!

PRACTICE QUESTION

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Third-Party Negotiations

For every negotiation that goes well, there is one that crashes and burns. In the last section, we talked about some of the ways a negotiation can go wrong—one of the parties might have an abrasive personality, might be from a different culture, or even be unethical. Or perhaps there seems to be no resolution that will satisfy all parties. Whatever the reason you're stalled in the negotiation process, you should know that help is available: it's called the third-party negotiator.

If you're surprised that such a "job" as third-party negotiator exists, you'll be even more surprised to find out that they're pretty common. A judge, a lawyer, and even an agent for a movie star is a third-party negotiator. Anyone who negotiates on your behalf or listens to your pleas and then decides your fate fits into the third-party negotiator role.

There are four basic third-party negotiator roles: arbitrator, conciliator, consultant, and mediator. Each of these third-party negotiator roles provides a specific service for the parties who have employed him or her, and their services are often situation-dependent. Let's take a look at each role and how it functions.

Arbitrators

An arbitrator is a third party with the authority to dictate agreement. Arbitration can be voluntary or forced on the parties of a negotiation by law or contract. The arbitrator's power varies according to the rules set by the negotiators. He might be limited to choosing one of the party's offers and enforcing it, or he may be able to freely suggest other solutions. In arbitration, there is always settlement.

Often used in the U.S. legal system, an arbitrator is used in lieu of a judge (though, technically, a judge is also an arbitrator!). If two people are, for example, involved in a car accident, they might agree to use an arbitrator in order to determine a fair amount of repayment for damages caused. In entering into the arbitrator situation, both parties agree to let that person make the final decision.

Conciliators

A conciliator is a trusted third party who provides communication between the negotiating parties. This approach is used frequently in international, labor, family and community disputes, and, if you're a fan of *The Godfather* movies, it's the role that Robert Duvall's character played for the Corleone family. Conciliators often engage in fact finding, interpreting messages, and persuading parties to develop an agreement.

Very often conciliators act only as a communication conduit between the parties and don't actually perform any specific negotiation duties.

Consultants

A consultant is a third-party negotiator who is skilled in conflict management and can add his knowledge and skill to the mix to help the negotiating parties arrive at a conclusion. A consultant will help parties learn to understand and work with each other, so this approach has a longer-term focus to build bridges between the conflicting parties.

A real estate agent is an excellent example of a third-party negotiator who is considered a consultant. People who are looking to buy a house might not understand the ins and outs of earnest money deposit, title insurance and document fees. A real estate agent will not only explain all of that, but prepare the purchase agreement and make the offer on behalf of her client.

Mediators

Finally, a mediator is a neutral, third party who helps facilitate a negotiated solution. The mediator may use reasoning and persuasion, he may suggest alternatives. Parties using a mediator must be motivated to settle the issue, or mediation will not work. Mediation differs from arbitration in that there is not a guaranteed settlement.

Mediators are most commonly found as third-party negotiators for labor disputes. If a labor union and a company come together to discuss contract terms, a mediator may be employed to assist in ironing out all the issues that need extra attention—like vacation days and percentage of raise.

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All negotiations are going to experience issues and obstacles, and how you handle them is going to dictate your success. Every negotiation is different—it's why applying one particular strategy to a negotiation can be so complicated—but continued practice and awareness of the issues that will trip you up are a good start toward a successful negotiation meeting.

Practice: Negotiation

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PUTTING IT TOGETHER: CONFLICT AND NEGOTIATION

Where two people come in contact with one another, there is a potential for conflict, and anything that can be done to mitigate that conflict increases productivity. Conflict causes stress, it creates distraction, and it can bring operations to a standstill. However, it can also spark creativity and healthy competition if it's managed right. Understanding where the line has to be drawn and keeping conflict on the right side of it is tantamount to success.

We gave you a couple of examples when we talked about why conflict and negotiation matter to an organization. The teacher's union went into negotiations with the school board for more pay for teachers, and a bigger budget for much needed supplies. Conflict between employees and their governing board might have resulted in a teacher's strike. But instead, negotiations were put into gear and both parties come away satisfied.

Conflict can result in the need for negotiation—or the need for negotiation can arise out of two parties' willingness to exchange goods and services. Being able to look at the whole picture and see creative solutions beyond the zero sum game, where both parties can win, can help business (and people) flourish.

Earlier, we talked about the city government that wanted to bring new businesses into the area. The city government used negotiation skills, carefully straddling the balance between much needed tax income and tax breaks that would provide incentive for businesses to operate within their city limits. When these new businesses open their doors, more people come into the city to work. They also get their morning coffee at a city business, eat their lunch there, do their grocery shopping on the way home within the city limits. The new business takes advantage of tax breaks to increase profitability in its early years of operation, and the city benefits from additional commerce and more residents employed.

Now we understand what conflict is, where it comes from and how to manage it. We understand how the negotiation process works, including how to apply strategy and avoid pitfalls. It's not difficult to see how these skills will benefit the organization for which you work, and make your life better, too.

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MODULE 12: MAKING DECISIONS

WHY IT MATTERS: MAKING DECISIONS

Why learn about individual and group decision-making?

Some choices are ordinary—what time to wake up, what to eat for lunch—while some are extraordinary—what (or if) college to attend, what city to live in. People make decisions every day of their lives; just think about how many choices you've made just in the last hour. Every action is a choice. Sometimes your choices feel pretty limited—there were most likely contributing factors that led you to read this page (a class, a degree, a job, etc.)—but in the end we always have choice.

So how do you make the best decisions—especially when, like in business, your choices impact others around you (coworkers, employees, customers, board members, etc.)? One of the biggest contributing factors to making a decision is just that—actually making a decision. All too often, especially in large companies, decisions can grind through the process slowly and ineffectually.

As Marcia Blenko, leader of Bain & Company's Global Organization Practice, wrote, (Note: Blenko, Marcia W., Michael Mankins, and Paul Rogers. "The Decision-Driven Organization." Harvard Business Review. June 2010. Accessed April 15, 2019. https://hbr.org/2010/06/the-decision-driven-organization.)

> We found that decision effectiveness and financial results correlated at a 95% confidence level or higher for every country, industry, and company size in our sample. Indeed, the companies in our sample that were most effective at decision making and execution generated average total shareholder returns nearly six percentage points higher than those of other firms.

Their study also found that the typical organization can more than double their decision making capabilities. How successful would the typical organization be if they could actually do that?

Decision making is the key to an organization's success. So, what does a good decision look like, how is it made, and how can organizations step in to make sure creative solutions are generated by their team members?

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MAKING DECISIONS IN DIFFERENT ORGANIZATIONS

What you'll learn to do: Describe the types of decisions made in different types of organizations

Organizations make decisions every day, and, as we mentioned earlier, the better and quicker they do so, the more successful they will be. But what kind of techniques and tools do organizations employ to make good decisions? What are the obstacles and how can a good, creative decision give an organization a leg up on the competition?

LEARNING OUTCOMES

- Describe the decision making process
- Compare various biases and errors in decision making
- Discuss ways to promote creativity in decision making
- Discuss group decision making and how organizations make decisions

The Decision Making Process

"To be or not to be: that is the question." Hamlet lamented.

"Should I stay or should I go now?" The Clash asked.

"Two roads diverged in a yellow wood," Robert Frost pointed out.

If you're struggling to make a decision, you're in good company. Literature, poetry and pop culture provide plenty of sympathy for your plight. Sadly, while they understand your pain, they don't always sing you to the correct resolution. When it comes to making a decision, in business or in life, how can you be sure you're doing the right thing?

Well, we wouldn't be writing songs about making decisions if it were an easy task. That said, researchers have studied the decision-making process as much as anything else, and they've come away with some different ideas and models that help us understand how we can make decisions more carefully and successfully. Let's take a look at the five best known of those decision making models.

Rational Decision Making

The rational decision making model assumes decisions are based on an objective, orderly, structured information gathering and analysis. The model encourages the decision maker to understand the situation, organize and interpret the information, and then take action. There are eight steps in the rational decision making process:

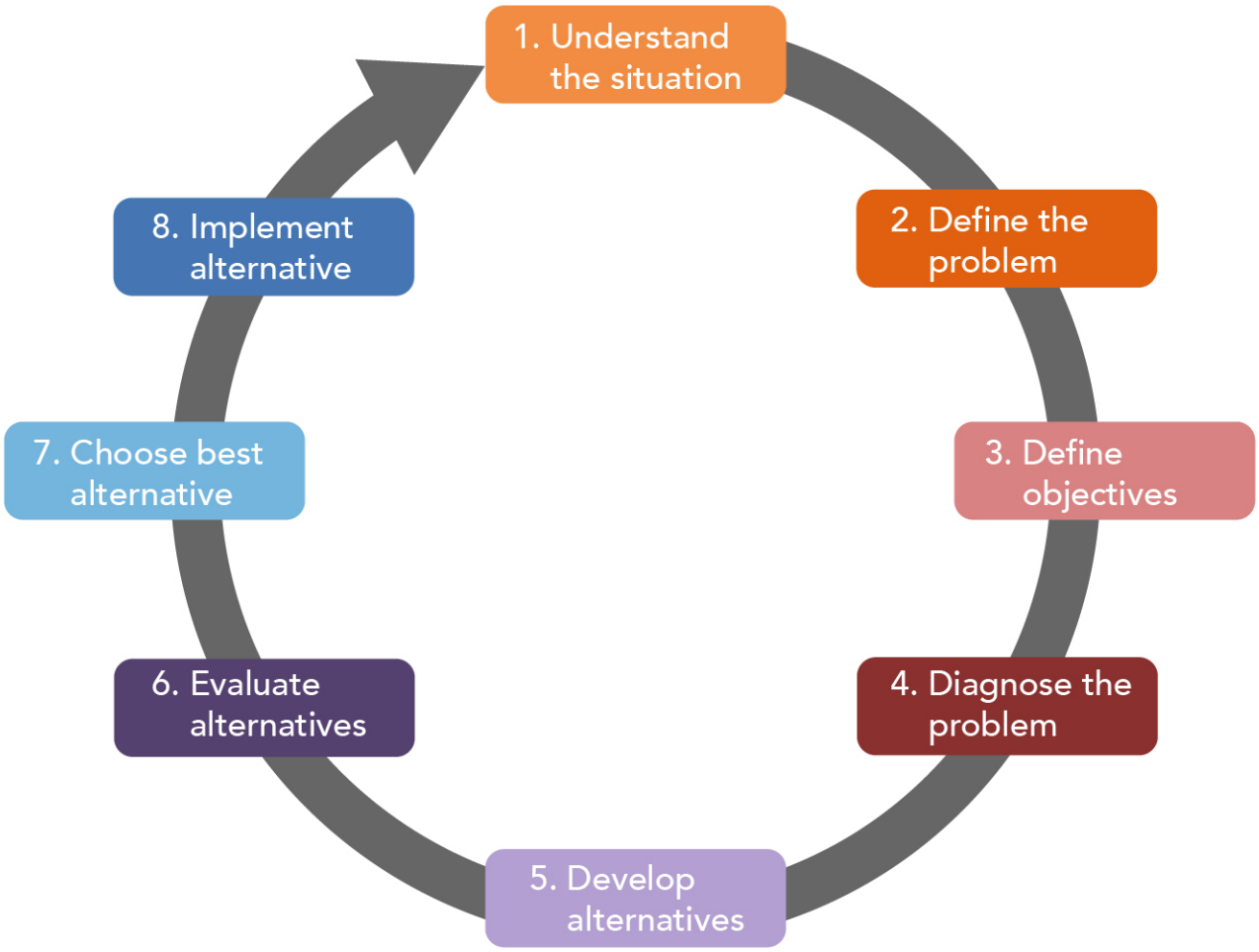

Figure 1. The Rational Decision Making Process

BAD HOTEL REVIEWS

Let's say that you're the general manager at a nice hotel. Suddenly, you notice that customers are rating your property two and three stars instead of the customary five stars you and the team are used to earning. You need to make a decision about next steps to solve this issue. Let's start right at the top of the rational decision making model.

- **Understand the issue.** The issue is clear to you. Customers are rating their experience at your property online, and they're not happy. This will surely damage your team's efforts to generate new business. You need to find a way to earn better customer ratings.
- **Define the problem.** You and your team sit down and read the last twenty or thirty customer reviews on three different travel sites. It turns out that customers' unhappiness coincides with a recent increase in rates. They no longer feel they're getting good value for their money.
- **Define the objectives.** What criteria will your solution have to meet? Clearly, you want to start getting better ratings from customers. You don't want to see customers complaining about anything online. Your objective is 100% happiness, 100% five-star ratings.
- **Diagnose the problem.** This is the stage where you look to determine and understand the root causes of your issue. Perhaps you decide that all customer-facing staff report daily on quality issues. And

maybe you consult with operations on additional perks that can be incorporated into the guest experience without giving away too much margin.

- **Develop alternatives.** You ultimately want to create a lengthy list of alternatives and not decide on one too quickly. You look over your employees' reports on quality. You wait on operations for recommendations on extra perks. You collect all the data.
- **Evaluate alternatives.** Once you have all your alternatives on the table, you can start to make a choice. Every employee suggestion, every operations recommendation should be in front of you, and you consider each option carefully.
- **Select an alternative.** One of your employees has suggested two additional members for the housekeeping staff, as the current level of staff is having difficulty keeping up with the increase precipitated by an office building opening up down the street. A member of your operations team has suggested providing a continental breakfast for business travelers in response to the increase in that customer type. Both seem like good ideas. Which will provide the bigger impact?
- **Implement alternative.** You decide to hire the two additional members for the housekeeping staff, understanding that your customers view quality in clean rooms and common spaces. You get the budget approved and post for those two jobs. You make a plan to check in at the thirty day mark to see if customers' ratings have improved.

The goal of the rational decision making model is to eliminate possibilities for error and biases. It assumes the following:

- Managers have all the information about the situation.
- Managers are aware of all alternative options and are equipped to evaluate them properly.
- Managers are looking to make the best possible decision.
- Managers are capable of eliminating misperceptions and biases.
- There are no cost or time constraints.

In a perfect world, where all of those assumptions are met, this model is how the decision making process works best. But we know that those assumptions can't all be met. And that's why we have the bounded rationality model.

Bounded Rationality Model

The bounded rationality model assumes numerous organizational and individual factors restrict rational decision making. This is the version of decision making that occurs most often in organizations, because the assumptions of this model are much closer to the truth:

- Early alternatives and solutions are quickly adopted because of perceptual limitations.
- Managers often don't have access to all the information they need.
- Managers are not aware of all the alternatives and can't predict the consequences of each one.
- Organizational goals constrain decisions.
- Conflicting goals of multiple stakeholders can force a compromise of a decision.

Because a human being is limited in the amount of information he or she can process, when a complex decision needs to be made, he or she will reduce the problem to a manageable size. By limiting the number of choices and the amount of necessary information, the product is a decision that's acceptable and satisfactory. This is sometimes referred to as the Satisficing model.

In the bounded rationality model, the same steps are used in the decision making process, only instead of reviewing all information and all alternatives, those aspects are limited to the amount the decision maker is willing to gather.

Linear Model of Decision Making

Linear decision making involves listing positive and negative factors of each decision alternative. If you've ever made a list of pros and cons around a certain decision, then you've embarked on linear decision making.

In order for it truly to be linear decision making, the decision maker must then assign a numerical “weight” to each of his pros and cons, and arrive at a total score for each side. For instance, let’s say you were trying to decide if you should or should not hire a very experienced but very expensive candidate for a position in your office. Your linear decision making model might look like this:

Reasons to Hire Candidate		Reasons to Not Hire Candidate	
Very experienced in an area where it’s difficult to find experience	3	Another candidate might be able to be hired cheaply and trained	–2
Would not lose as much productivity because candidate has experience	3	Wouldn’t be promoting from within but rather hiring from outside	–3
Candidate would be a good fit with the group culturally speaking	1	Candidate has done some job hopping recently	–3
Searching for another qualified candidate, even if he has to be trained, may take a while.	2	Did not impress all the managers that interviewed him.	–3
Total	9	Total	–11

You’ve assigned the most important reasons a 3 on the positive side, and a –3 for the most important reason on the negative side. This makes it easy for you to tally up both sides and add them together. A positive score suggests you should hire the candidate, and a negative score suggests you should not. Looks like you’re not hiring this candidate!

Intuitive Decision Making

Intuitive decision making is a model that assumes managers make decisions by relying on past experience and their personal assessment of a situation. This model of decision making is often used when there are high levels of uncertainty or complexity around a particular problem, or when the decision is novel and the managers don’t have past experience with this kind of problem.

If managers are faced with uncertain, complex situations and they can’t get the right information to make a good decision quickly, they are apt to rely on hunches and intuition. Given the choice between this model and a linear model (like the one discussed above), managers should reach for the linear model.

Garbage Can Model

The garbage can model is one where managers use information about problems, participants, solutions and opportunities haphazardly to generate ideas and potential decisions. Unlike the other decision making models we discussed, the garbage can model does not always lead to satisfactory solutions, because the problem does not always precede alternatives and solutions.

For instance, the corporate office of an organization might have been recently informed of the benefits of going to an "open environment" where people can talk and collaborate freely. Senior management may get behind this idea and start looking for ways to knock down cube walls and make their environment more collaborative before it's even been determined that their office has issues being collaborative.

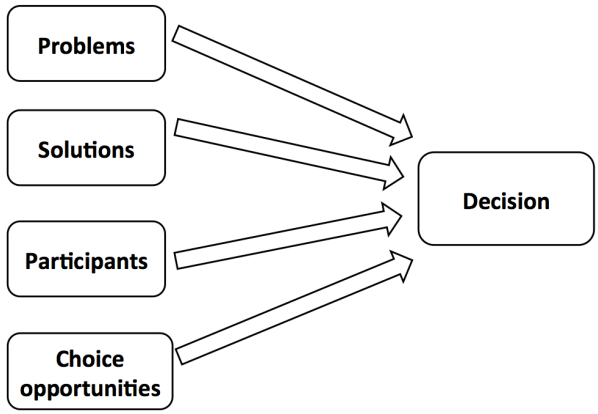

Figure 2. The Garbage Can Method

As you can see in Figure 2, there is no sequence of steps the way there is in rational decision making, but rather the decision comes by looking at independent streams of events.

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These are five well-known models for decision making. Now we're going to take a look at some of the rules and biases in decision making that, when you're aware of them, will lead you to stronger decision making skills.

Biases in Decision Making

There are two types of decisions—programmed and non-programmed. A programmed decision is one that is very routine and, within an organization, likely to be subject to rules and policies that help decision makers arrive at the same decision when the situation presents itself. A nonprogrammed decision is one that is more unusual and made less frequently. These are the types of decisions that are most likely going to be subjected to decision making heuristics, or biases.

As we become more embroiled in the rational decision making model—or, as we discussed, the more likely bounded rationality decision making model—some of our attempts to shortcut the collection of all data and review of all alternatives can lead us a bit astray. Common distortions in our review of data and alternatives are called biases.

You only need to scroll through social media and look at people arguing politics, climate change, and other hot topics to see biases in action. They're everywhere. Here are some of the more common ones you're likely to see:

Overconfidence Bias

The overconfidence bias is a pretty simple one to understand—people are overly optimistic about how right they are. Studies have shown that when people state they're 65–70% sure they're right, those people are only right 50% of the time. Similarly, when they state they're 100% sure, they're usually right about 70–85% of the time.

Overconfidence of one's "correctness" can lead to poor decision making. Interestingly, studies have also shown that those individuals with the weakest intelligence and interpersonal skills are the most likely to exhibit overconfidence in their decision making, so managers should watch for overconfidence as a bias when they're trying to make decisions or solve problems outside their areas of expertise.

Anchoring Bias

The anchoring bias is the tendency to fix on the initial information as the starting point for making a decision, and the failure to adjust for subsequent information as it's collected. For example, a manager may be interviewing a candidate for a job, and that candidate asks for a $100,000 starting salary. As soon as that number is stated, the manager's ability to ignore that number is compromised, and subsequent information suggesting the average salary for that type of job is $80,000 will not hold as much strength.

Similarly, if a manager asks you for an expected starting salary, your answer will likely anchor the manager's impending offer. Anchors are a common issue in negotiations and interviews.

Confirmation Bias

The rational decision making process assumes that we gather information and data objectively, but confirmation bias represents the gathering of information that supports one's initial conclusions.

We seek out information that reaffirms our past choices and tend to put little weight on those things that challenge our views. For example, two people on social media may be arguing the existence of climate change. In the instance of confirmation bias, each of those people would look to find scientific papers and evidence that supports their theories, rather than making a full examination of the situation.

Hindsight Bias

Hindsight bias is the tendency we have to believe that we'd have accurately predicted a particular event after the outcome of that event is known. On the Saturday before a Super Bowl, far fewer people are sure of the outcome of the event, but on the Monday following, many more are willing to claim they were positive the winning team was indeed going to emerge the winner.

Because we construct a situation where we fool ourselves into thinking we knew more about an event before it happened, hindsight bias restricts our ability to learn from the past and makes us overconfident about future predictions.

Representative Bias

Representative bias is when a decision maker wrongly compares two situations because of a perceived similarity, or, conversely, when he or she evaluates an event without comparing it to similar situations. Either way, the problem is not put in the proper context.

In the workplace, employees might assume a bias against white males when they see that several women and minorities have been hired recently. They may see the last five or six hires as representative of the company's policy, without looking at the last five to ten years of hires.

On the other side of the coin, two high school seniors might have very similar school records, and it might be assumed that because one of those students got into the college of her choice, the other is likely to follow. That's not necessarily the case, but representative bias leads a decision maker to think because situations are similar, outcomes are likely to be similar as well.

Availability Bias

Availability bias suggests that decision makers use the information that is most readily available to them when making a decision.

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We hear about terrorism all the time on the news, and in fictional media. It's blown out of proportion, making it seem like a bigger threat than it is, so people invest their time and efforts to combat it. Cancer, however, kills 2,000 times more people. We don't invest in that, it doesn't get enough news coverage, and it's not as "available" in our mind as information. Hence, the availability bias.

Commitment Errors

This is an increased commitment to a previous decision in spite of negative information. A business owner may put some money down on a storefront location to rent DVDs and Blu-rays, start purchasing stock for his or her shelves and hire a few people to help him or her watch the cash register. The owner may review some data and stats that indicate people don't go out and rent videos too much anymore, but, because he or she is committed to the location, the stock, the people, the owner is going to continue down that path and open a movie rental location.

Managers sometimes want to prove their initial decision was correct by letting a bad decision go on too long, hoping the direction will be corrected. These are often costly mistakes.

Randomness Errors

If you are certain your lucky tie will help you earn a client's business at a meeting later today, you're committing a randomness error. A tie does not bring you luck, even you once wore it on a day when you closed a big deal.

Decisions can become impaired when we try to create meaning out of random events. Consider stock prices. Financial advisors feel they can predict the flow of stock prices based on past performance, but on any given day,

those stock prices are completely random. In reality, these advisors were able to predict the direction of stock prices about 49 percent of the time, or about as well as if they'd just guessed.

In the case of the lucky tie, that's more a superstition. Decision makers who are controlled by their superstitions can find it difficult or impossible to change routines or objectively process new information.

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Managers who can objectively collect data and arrive at alternatives without being affected by these biases are already head-and-shoulders above other decision makers who aren't aware of these pitfalls. Finding unique solutions to unique problems requires a little something more, though. Creativity in decision making can take you to the next step. We'll talk about that next.

Creativity in Decision Making

If a decision maker is going to produce novel alternatives when solving a problem, then he or she is going to need a little creativity to help the process along. Creativity allows the decision maker to more fully appraise and understand the problem . . . sometimes in ways others can't see it.

Creativity is the ability to link or combine ideas in novel ways, and their unique alternatives have to be considered useful to others. Creativity is also known as divergent or lateral thinking. Lateral thinking moves away from the linear approach that's advocated in rational decision making. Some researchers feel that employee and manager creativity is the hallmark of an organization's success—that solving old organizational issues in new ways creates organizational effectiveness.

If creativity is the key to organizational effectiveness, then how do we get some of that? Is there a way that organizations can foster creativity for the benefit of decision making?

First, it's important to note the characteristics of creative people, so we can understand what we're aiming for in our creative environment. Creative decision makers seem to have an ability to sift through the massive amounts of information that can be reviewed when making a decision, and decide what information is and isn't relevant. Still, they listen to all sources to understand where problems are emerging. And when they're ready, they present a solution that's bold and well informed. They don't rely on the rational decision making model . . . they rely on something more than that. Creativity.

Four characteristics that creative leaders seem to have in common:

- Perseverance in the face of obstacles and adversity
- Willingness to take risks
- Willingness to grow and openness to experience
- Tolerance of ambiguity
- Effective use of analogy to apply a known situation to an unknown situation

Organizationally (and individually) speaking, there are certain factors that, when they exist, tend to point to a more creative atmosphere.

- **Questioning attitude.** Organizations that don't invite the questioning of values, assumptions or norms are not likely to be very creative. Organizations need to continually question the long-held beliefs of their industry if they're going to stay ahead of the curve and come up with creative ways to bring services and products to their customers.
- **Culture.** Our traditional values are sometimes at odds with the creative solutions we might come up with to solve organizational problems. If an organization's culture puts too much emphasis on tradition, they're likely to stifle creativity around problem solving.
- **Leadership.** Similar to culture, leaders who are bound to traditional characteristics of the leader-follower relationship, who don't promote questioning attitudes or invite their employees to challenge the status quo, will not do much to foster a creative environment.
- **Attitude toward risk.** Finally, employees who are afraid to try something new will never put their creative solutions into action! Just as one of the characteristics of a creative leader is a willingness to take risks, so must employees feel comfortable doing so in an organization.

Overall, creativity is likely to flourish in an environment that's open and encourages participation. Keeping everyone on an even playing field, with no organizational encouragement for an "us versus them" type of environment will increase dialogue and keep ideas flowing.

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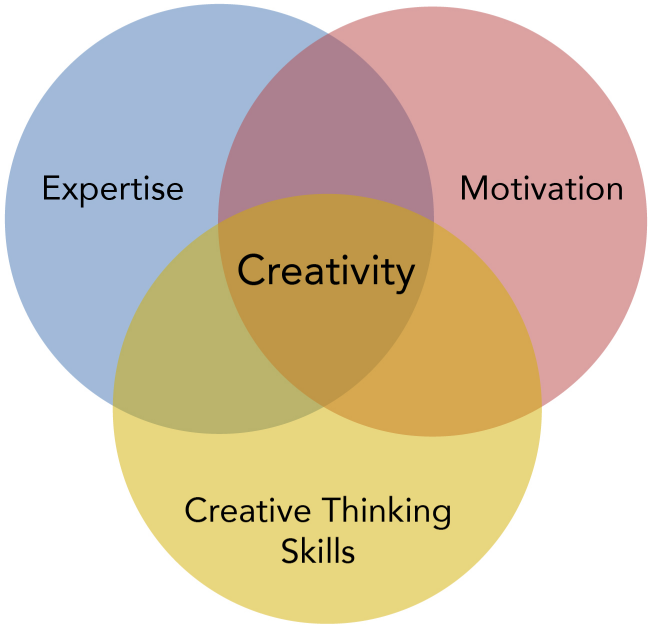
The Three Components of Creativity

Studies show that most individuals have the capability of being at least moderately creative, so if organizations want to help individuals develop their creativity, they can leverage the three components of creativity. The three components of creativity suggest that creativity lies at the intersection of motivation, expertise and developed creative thinking skills.



Expertise—technical, procedural and intellectual knowledge—is the foundation for all creative work. You wouldn't expect someone who knows very little about software programming to come up with creative solutions to problems. The potential for creativity in a given area is enhanced when the individual has an exceptional grasp of the information around a problem or issue. Organizations can have a positive impact on increasing employee expertise with training, mentorship programs, etc.

Creative thinking skills encompass all those personality traits we talked about earlier that are common to creative leaders. Organizations, when cognizant of the traits that foster creativity, can interview and select candidates for hire that have these characteristics.

Motivation here means that an individual wants to work on a particular task because it's interesting and engaging. An individual who is more intrinsically motivated is likely to have an easier time developing creativity than one who is more extrinsically motivated. Motivation determines the extent to which an individual will engage his expertise and creative thinking skills.

Brainstorming and Cooperative Exploration

Organizations can also stimulate creativity by employing the practices of brainstorming and cooperative exploration.

Brainstorming is a creative process in which individuals generate a large number of ideas without censorship. No idea is a bad one! If you're looking to bring new customers into a retail store, the idea of "training monkeys to ring up purchases" is on the table until it's time to review and determine which ideas are actually viable. The benefit of brainstorming is that a group of people can build on each other's ideas, no matter how ridiculous, and perhaps eventually come up with viable solutions.

Cooperative exploration requires individuals to consider a problem from different points of view. Individuals taking part in a cooperative exploration might find themselves arguing for points that they do not believe. But the process requires that individuals work the problem from all angles to ensure that they received the best point of view.

In the cooperative exploration, the following positions are taken by the participants:

- **Neutral.** Individual does not take sides, and just considers the facts.
- **Emotional.** Individual only considers the emotional aspects of the issue—who gets hurt? What emotions may be triggered?
- **Negative.** Individual only considers the negative—what will go wrong and what if the solution doesn't work.
- **Positive.** Individual only considers the positive aspects of the issue.
- **New solution.** Individual only considers the new creative possibilities, or the "what ifs"
- **Holistic.** Individual considers the entire issue, asking "What's the big picture?"

By encouraging participants to consider these different viewpoints, the model encourages lateral and divergent thinking.

Creative thinking and creative decision making can keep an organization ahead of its competitors. Now, let's talk about how different organizations put all these aspects of decision making together and actually make decisions with them.

Group Decision Making

We already discussed how groups and teams can be more creative than individuals. If an organization is looking to get really creative solutions to an issue, assigning a group might be the best alternative. The combined expertise of group members helps them define problems better, then develop and analyze better alternatives.

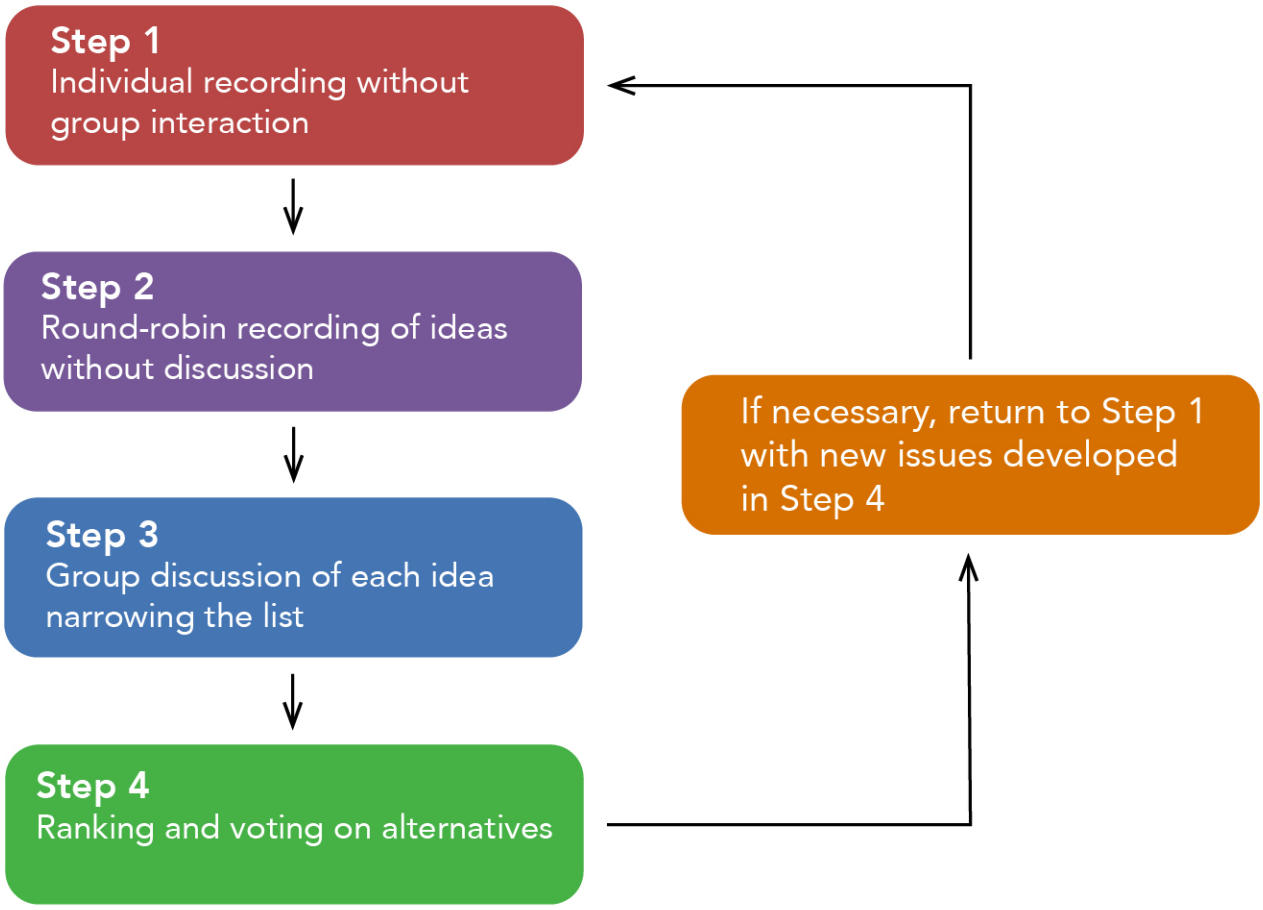
Groups rely on the same decision making models that individuals use. They can use linear models to analyze positive and negative alternatives, and use intuition when there's no past history of the situation. Similarly, though, groups also fall victim to decision making biases. In fact, their structure can present special challenges:

- Groups are subject to groupthink and conformity pressures.
- Groups have internal structures that affect the way individuals participate, and that can hinder the decision making process.
- Groups develop norms that could have an impact on decision making, either helping it or damaging it.

Thankfully, there are some tools available to groups to help them avoid biases and other pitfalls. These models reduce fear and conformity, discourage censorship and can increase the number of quality alternatives the group develops.

Nominal Group Technique

The nominal group technique is a structured group process of generating and ranking problem solving ideas. It's "nominal" because the technique actually reduces interaction between the group members at some stages.



As you can see in the model, the steps of the nominal group technique are:

- Step 1. Individuals in the group are given a problem. Each individual writes down his or her alternatives to that problem.
- Step 2. All of the alternatives submitted by the individuals are shared with the group and written down.
- Step 3. Without disclosing who came up with what alternative, the group discusses each idea, narrows the list.

- Step 4. The group votes on that narrowed-down list of alternatives to determine which are the best.

The process can be repeated more than once to reach an agreement on the solutions to the problem. The key to the success of this technique is to limit the interaction between the group members during the initial alternative-gathering stage. The technique does, however, require a manager or facilitator that can manage the process well.

The Delphi Technique

The Delphi technique obtains opinions about an issue through a series of formal surveys and rating scales. A facilitator or a small group might get together and develop a questionnaire that asks the opinions of others on a particular topic. When those responses are returned, the group or facilitator summarizes those responses, then develops a more focused questionnaire. This can be repeated several times, though usually twice is enough to get to the heart of the issue.

The Delphi technique can be used with large groups of people and assures anonymity, thereby reducing conformity pressure. It's efficient, reduces interpersonal conflict and can easily be done using technology (email, survey tools, etc.). It is time consuming, though, and ultimately, decisions can't be made using this technique alone.

There are other group support systems available to help with group decision making. Groupware is software designed to enhance and support group interaction. Computer-aided decision systems is a type of software that collects data from group members to be used in decision making. In both cases, these systems can be helpful but should not be the only means by which group members interact and develop alternatives.

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How Does an Organization Actually Make a Decision?

So far, we've discussed the methods by which individuals and groups can make decisions, the obstacles they will face and how those obstacles can be minimized to generate the best, most creative alternatives to a problem. But is that actually how decisions are made within an organization?

Like we mentioned earlier, the decision making model that is most commonly used by organizations is the model of bounded rationality. While the rational decision maker requires that an individual or group evaluate all the alternatives, the likelihood that all alternatives will be considered, or even conceived of, is pretty small. There are just things you won't think of on your own, alternatives that are floating out there that will never get dragged into the conversation.

The most that organizations can hope for is that individuals and groups think of as many alternatives as they can. That's really what bounded is all about.

What other ways do organizations help or hinder the decision making process? Here are a few:

- Performance evaluations. Employees want to deliver on what's expected of them. For instance, if managers don't want to hear anything negative, employees will do their best to stifle any negative information. This can lead to the evaluation of limited numbers of alternatives.
- Reward systems. An organization's reward system can affect decision making processes by suggesting to their employees which selections are preferable. An organization that rewards risk aversion will not be considering too many alternatives that have a measurable amount of risk. One that promotes and supports risk will have the opposite result.

- **Formal regulations.** An organization sometimes outlines the function of a job a little too clearly, leaving little room for personal interpretation. Retail workers, like a cashier or stock person, have little autonomy to come up with solutions to address problems they face every day.
- **Time constraints.** Organizations are impatient! They set deadlines for reports, budgets, performance evaluations…and frequently those deadlines don't allow enough time for creative alternatives to grow.
- **Historical precedence.** Organizations do a have a past history of decisions and their results, and even the newest manager can draw from those lessons when making a decision.

Successful organizations do their best to minimize the structural and hierarchical obstacles and clear the way for innovative decision making. As Marcia Blenko, leader of Bain & Company's Global Organization Practice, wrote, (Note: Blenko, Marcia W., Michael Mankins, and Paul Rogers. "The Decision-Driven Organization." Harvard Business Review. June 2010. Accessed April 15, 2019. https://hbr.org/2010/06/the-decision-driven-organization.)

> Ultimately, a company's value is no more (and no less) than the sum of the decisions it makes and executes. Its assets, capabilities, and structure are useless unless executives and managers throughout the organization make the essential decisions and get those decisions right more often than not.

With co-writers Michael Mankins and Paul Rogers, Blenko went on to explain that a CEO's best move is to reorganize a company in a way that promotes the most innovative and quickest decisions, because that's how organizations compete and win today. In their research, they rated decision quality and effectiveness of organizations and found that there was a 95% correlation between quality decisions and financial success. (Note: Ibid.)

What about organizations that aren't solely focused on financial success? Nonprofit organizations can surely benefit from an organizational structure that promotes better, quicker, more innovative decisions. But their mission is not profit—it's social benefit.

Where nonprofits have their own set of hindrances, the more successful nonprofits are able to systemize their decision making models and repeat them. Their objectives center chiefly around operations and fundraising, and the decisions they make center around those two things. On the other side of the coin, they are subject to impact from both the internal and the external environments. Decision makers aren't always clearly defined in a non-profit, either, which can make it difficult when a contingency of the organization needs someone to make a final call.

Organizations can do their best to foster innovative decision making by providing the right tools and removing the obstacles that are likely to hold up the process.

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DATA AND MANAGERIALISM IN DECISION MAKING

What you'll learn to do: Describe the role of statistics, data analytics, data science and managerialism in contemporary decision-making.

When you and your coworkers are trying to decide where you want to go for lunch, you need only to narrow the selection of restaurants, consider the ones in your price range, choose one and go. When it comes to making more complex decisions, there are plenty of external factors that can help (or hinder) your efforts.

Good businesses don't "go with their gut." They use all the statistics and data available to them when they make the decisions that will define their success as a company. We're going to discuss statistics, data analytics, data science, and managerialism, and how they impact decision making.

LEARNING OUTCOMES

- Identify the steps to effectively use data in decision making
- Discuss big data and its implications on decision making
- Discuss the consequences of managerialism in decision making
- Discuss decision making tools

Using Data to Make a Decision

Now that we've discussed how an individual or a group can arrive at a good decision, let's talk about some of the things they need to consider when they're making that decision. And by "some of the things," we mean **data**.

Years ago, companies struggled and toiled over reports that would provide data on which to base a decision. Now, in this computerized universe, data is everywhere. It's just a matter of harnessing it for your organization, reading it correctly, and making it work for you. Companies that use data in their decision making processes are more flexible and agile and stay competitive.

So how does an organization use data in its decision making processes? Well, let's say that data just became available for the first time to your organization yesterday. These steps might be a good way to for you to approach the use of data in your decision making:

1. Decide on your strategy
2. Identify key areas and target data
3. Collect the data
4. Analyze the data
5. Make a decision about the data

6. Present your findings

Now, let's dive a bit deeper into each of these steps!

Step 1: Decide on Your Strategy

It's easy to get overwhelmed with all the data that's out there to use, so when you're incorporating data into your decision, it's best to start with the strategy. What is it that you want to accomplish on behalf of the organization? What business areas do you want to improve? Get your action plan in place. If your goal is to increase the response speed to customers calling into your company's service line, then you know where to start looking for information.

Step 2: Identify Key Areas and Target Data

Which questions do you want to answer about your customers calling into your company's service line? You might want to know how many customers call in on average each day, but it might also be valuable to know which days are the busiest and which are the slowest. You may want to know how many customer service representatives are scheduled at any one given time and how long each of them spends on a call or email.

Step 3: Collect the Data

Where is your data coming from? Is it from internal sources, or are you looking to purchase external data? It's likely you'll need to contact data owners and harvesters and put in your request. If you want to see all data on product sales for the last quarter, you will probably have to contact the people in finance to handle that. If you want to understand your organization's turnover, someone in HRIS might be your best bet.

In many cases, departments will set up reports to run with a certain set of criteria. An HR department's turnover reports might include salary level, title and job classification. If you want to see length of employment or department added to their regular reporting, this will likely take a little extra time and a few extra work hours to accomplish. Allow for that extra time when you're planning your own work schedule.

Data can also be purchased. You may look to a company that collects and sells their customers' personal information, like their addresses, income range, age, and buying habits. These lists are valuable for companies that want to employ direct mail to sell their product. Another kind of data that is often purchased by organizations is industry data. For instance, the American Pet Product Association (APPA) produces a "bible" of information for veterinarians, pet retailers and pet service providers. For a few thousand dollars, the APPA will share their research on the growth of the pet industry, how many US households own pets, what kind of pets they own, what kind of income they have, how many kids they have, and so on.

Whatever data you're collecting, keep your strategy in mind as you request it. Will the data help you make educated decisions around your strategy? If not, don't ask for it, because that would be a waste of your time and everyone else's.

Step 4: Analyze the Data

You've come this far, now it's time to look at the data that's been provided and determine trends and information that can help your strategy. It could be that you have just a small slice of data, a page or two of numbers that isn't

hard to sift through. Or, you could have a terabyte hard drive full of stats and figures that would be almost impossible to go through by hand. No worries—there are computerized platforms that will help you get through this part. We'll cover those a bit later.

You may also have to "clean" the data up as you analyze it. Are there items showing up in the reporting that you know shouldn't factor in to your final decision? Maybe you're looking at a turnover report, and it includes all people who were fired in their first 90 days on the job. You may have to back that data out of the report to get a true idea of how many employees (who aren't in their probationary period) are choosing to leave the company.

As you come to conclusions about the data, make sure they're accurate and insightful, that there aren't any bogus "correlations" included in your interpretations.

Step 5: Make a Decision about the Data

Be cognizant of the biases and other things that can trip you up as you make your decisions about the data, but determine the next steps for your strategy based on the information in front of you. Remember, the numbers never lie—but you can also make them say pretty much whatever you want. Don't fall victim to confirmation bias when you're lining up the data.

Step 6: Present Your Findings

Someone, somewhere, is interested in what you're doing. Organizationally speaking, there are people who have hitched their wagons to your strategy's star, and they're waiting on your analysis to take action. Show them what you think the data is telling you, how you came to that decision, and how it will affect your decisions on your strategy moving forward. Agree, together or on your own, that you're going to turn this data-based conclusion into action.

PRACTICE QUESTION

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Those are the steps to using data to support decision making. Now let's take a look at "big data" and how a person can get . . . well, a little overwhelmed with the amount of data that's available to today's decision maker.

Big Data in Decision Making

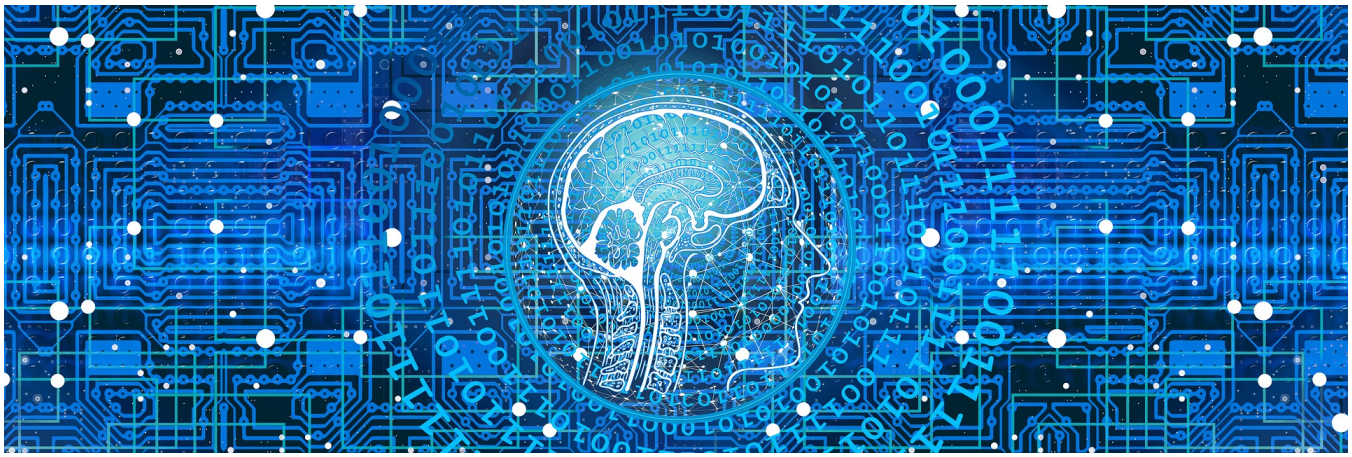
Once upon a time, there was a small retailer with big ideas. After about five years, the retailer had approximately twenty locations, and the company decided they wanted to be even larger. This retailer sold a lot of franchise locations, opened a lot of corporate locations, and suddenly found itself with over 400 stores in over thirty states. But they were still operating like a mom-and-pop business: sales were being tallied on spreadsheets and product pricing was like throwing a dart at a bunch of numbers on a wall. Orders in their distribution center were being printed off, and people with carts would wheel around, picking items off a shelf and boxing them up by hand.

A retailer that was growing couldn't continue to operate that way, so they went out and bought a whole new retail management system that changed everything. From the way merchandise was "picked" in the distribution center

to how the customer was handled at the cash register, everything was computerized. Loyalty programs were developed for repeat customers, emails were collected—and all of that data was being collected on the back end, ready to be spit out in a variety of cookie-cutter reports, or even customized ones. Sales information was being collected at the speed of a transaction every couple of seconds, and that was just the start.

When the leadership team went to look at the data they were collecting, when they were ready to make some decisions and wanted some data to help get to the right answers, there was so much data to look at, they didn't even know where to begin. Where once they had to guess what kind of customer was buying Item A, now they knew her email, her income level, the time of day she normally shopped, how many times a year she bought that item and what other items she chose to buy when she bought that item.

It was enough to make their heads explode.



The term "big data" is used to describe extremely large data sets that may be analyzed computationally to reveal patterns, trends, and associations, especially relating to human behavior and interactions. Often, this data is too large or complex for traditional data-processing application software.

Data can have many rows, or cases of information, but not be terribly complex. Think in terms of the sales of Item A above. We might be able to look at information about the size of the product (did they buy the 10 oz or 22 oz package?), the location at which the sale took place, and the time of day it sold. There might be 700 instances of the sale of that item, so there are 700 rows, or cases, of data.

Now let's take the information on the customer. We know her age, her income range, and the time of day that she wants to shop. We know the types of products she buys in the store, and what kind of coupons get her to make an extra trip in to shop. We know that she shops primarily at the store on Main Street, but that she sometimes stops in to the store on Pine Street. This is data that has more attributes or columns, and features a higher complexity.

Data with many cases of information is considered to be statistically powerful. Data with more attributes and a higher complexity is more likely to lead to a false discovery rate.

PRACTICE QUESTION

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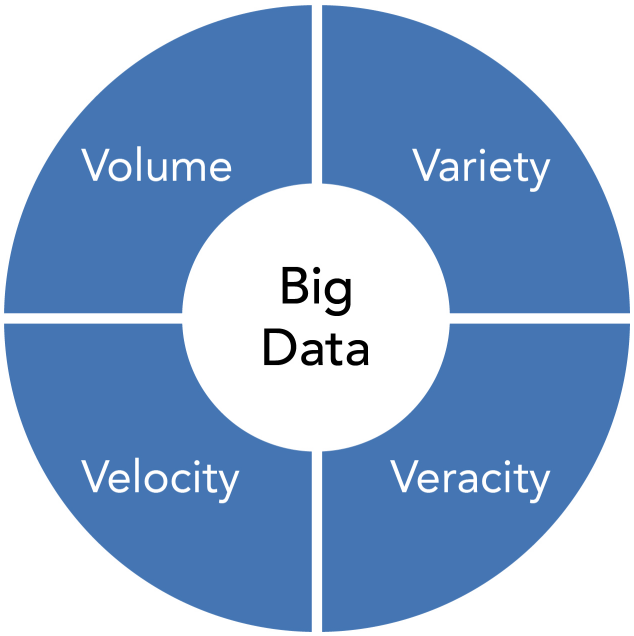
Challenges with big data include the ability to capture it to begin with, storing such large amounts of data when it's captured, analyzing it, sharing it, and even keeping the information secure and private.

IBM data scientists broke the concept of big data into four pieces: volume, velocity, variety, and veracity.



- **Volume.** This refers to the amount of data being collected—and it's always huge. Just think of this: 90% of all the data in the world was generated in the last two years. Volume is the amount of data being generated and collected—the size of the sample will determine if it's big data or not. Putting things in perspective, the retail chain Walmart has more than 2.5 petabytes of customer data just from the 1 million+ transactions they handle every hour. That's 167 times the amount of information held in all the Library of Congress.
- **Velocity.** This is the speed at which data is generated and made available. A lot of data is available in real time. Two kinds of velocity as they relate to big data are frequency of generation and frequency of handling, recording and publishing.
- **Variety.** There are two types of data: structured and unstructured. Structured data is the kind you think of when you think "data"—like the date, amount, and time columns on a bank statement. Unstructured data is all of the other data that's out there—tweets on twitter, your mobile phone's voice mails, photos, GPS locators. One of the goals of big data has been to take those unstructured types of data and learn how to make sense of them.
- **Veracity.** This term refers to how accurate the data is. There is inherent discrepancy in all data collected, and a good data analyst will account for those discrepancies or clean up the data. Still, overall, the inaccuracy of data costs companies billions of dollars each year.

Big data was an issue when companies didn't know how to handle the sheer amount of data being collected and how quickly the information was coming in. Now, there are consultants to help organizations handle and process the data (it's a $100 billion industry), and companies have learned to adjust and prepare in other ways. Big data can help an organization make very accurate decisions that create a huge impact.

KROGER

The grocery retailer Kroger sent out a magazine with recipes and other food related articles. Each article was about a food their consumer was likely to use, and the insert featured coupons for brands the consumer used. Big data helped Kroger increase customer engagement by informing their customer rewards through accurate couponing. Kroger analyzes the data of 770 million transactions and boasts that 95% of their transactions come with loyalty card use, which ultimately equates to $12 billion in incremental revenue.

RED ROOF INN

The Red Roof Inn looked to big data to help them capitalize on stranded travelers. In the coldest depths of winter, when recreational travel is at its low point of the year in cold weather areas, Red Roof Inn was able to examine historical weather information, historical flight information, and ultimately start targeting marketing efforts to the 90,000 passengers that end up stranded due to winter weather. Big data helped Red Roof determine the areas where their services might come in handy, and pointed them to mobile advertising and other methods to drive digital bookings.

Taming big data definitely has its rewards.

Managerialism in Decision Making

In order to understand managerialism and decision making, one must first have a grasp of what managerialism is—and that's not necessarily the easiest definition to understand.

The definition of managerialism is the belief in or reliance on the use of professional managers in administering or planning an activity. It's ideological, an approach that sees businesses and organizations as the core building blocks of society, rather than citizens and their needs and wishes. And, similar to other ideologies, like communism and socialism, there are aspects of managerialism that look great on paper, are well thought out, and just don't succeed in the real world.

As you can imagine, researchers over the years have had their fair share of things to say about managerialism. Henri Fayol and Frederick Winslow Taylor's early concepts of management were seen differently as managerialism came about, expressed in the simple formula:

Management + Ideology + Expansion = Managerialism

The "expansion" part of that equation suggests that managerialism is an appropriate way to run any kind of organization. For example, MBAs are a more appropriate choice to run a hospital than doctors and nurses. Or maybe those experienced, professional managers, so skilled at business decisions, are the best choice to run a university or even a public school system.

In his book *Managerialism: The Emergence of a New Ideology*, Willard Enteman stated that capitalism had already ended, that industrial nations were not democratic, and that "managerialism" more accurately describes the world as it is today. (Note: Enteman, Willard F. *Managerialism: The Emergence of a New Ideology*. Madison, WI: University of Wisconsin Press, 1993.) Robert Locke and J.C. Spender, management experts, saw managerialism as an expression of management entrenching itself ruthlessly and systemically in an organization. (Note: Locke, Robert R., and J.-C Spender. *Confronting Managerialism: How the Business Elite and Their Schools Threw Our Lives out of Balance*. London: Zed Books, 2011.) Australian scholar Thomas Klikauer took that a step further when he said: (Note: Klikauer, Thomas. *Managerialism a Critique of an Ideology*. Basingstoke: Palgrave Macmillan, 2013.)

> Managerialism combines management knowledge and ideology to establish itself systemically in organisations and society while depriving owners, employees (organisational-economical) and civil society (social-political) of all decision-making powers. Managerialism justifies the application of managerial techniques to all areas of society on the grounds of superior ideology, expert training, and the exclusive possession of managerial knowledge necessary to efficiently run corporations and societies.

Now, if you feel like you know less about managerialism than when you started, don't feel alone. It's not a well-defined concept and, as Klikauer recognized, it's not deeply studied. So we're going to stop here and take away these two things:

1. Most people feel that managerialism is pejorative.
2. Managerialism deprives individuals with expertise of all decision making powers.

If we understand that basic opinion about managerialism, we'll be able to talk about how it can impact decision making.

So let's take that hospital situation as an example. Now, studies have shown that hospitals that are lead by managers who are not medically trained do as well, from a profit standpoint, as hospitals that are doctor led. That said, those that are making decisions—and those that are putting them into action—are often at odds.

In 2017, the German medical journal *Deutches Artzeblatt* published a study on the commercialization of patient-related decision making. Researchers Weihkamp and Neagler set out to determine if doctors and management at hospitals shared the sentiment that admittance, treatment, and discharge of patients was being affected by economic factors, like ensuring that the hospital made a profit. (Note: Wehkamp, Karl-Heinz, and Heinz Naegler. "The Commercialization of Patient-Related Decision Making in Hospitals." *Deutsches Aerzteblatt Online*, November 24, 2017. doi:10.3238/arztebl.2017.0797.)

They carried out research in the form of interviews and focus groups between 2013 and 2016, and then published these results: (Note: Ibid.)

> Some of the doctors' and CEOs' perceptions of the patient-care situation differed markedly from each other. The CEOs mentioned the need for a profit orientation and stressed that they obeyed the legal requirement not to have any direct influence on medical decision-making, while acknowledging that physicians' actions might be influenced indirectly. The doctors, on the other hand, reported feeling increasing pressure to consider the economic interests of the hospital when making decisions about patient care, leading not only to overtreatment, undertreatment, and incorrect treatment, but also to ethical conflicts, stressful situations, and personal frustration.

Is managerialism having an effect here, because it's taking decision making out of the hands of those who carry out the mission at a hospital and putting it into the hands of a manager who is working to make sure the hospital makes a profit? The report went on to say: (Note: Ibid.)

> The doctors' responses indicate that the current economic framework conditions and the managers of hospitals are currently influencing medical care to the detriment of the patients, physicians, and nurses. It is important to acknowledge that economic pressure on hospitals can undermine the independence of medical decision making. The dilemmas facing doctors and hospital CEOs should be openly discussed.

Can this happen as suggested? Managerialism, by the definition provided to us by Locke, Spender, and Klikauer, would suggest to us that ownership of decision making is not shared. Decision making is entirely owned by managers. Should that situation not change in these hospitals where these studies took place, then patients will continue to suffer the consequences. Such is the impact of managerialism on decision making.

PRACTICE QUESTION

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Managerialism is being redefined and reimagined, with neo-liberal approaches and "new managerialism" approaches that suggest, to some degree, a better decision making process (that even includes the participation of consumers). Certainly, the pejorative version of managerialism defined for us by those scholars cannot continue to provide services and products at the level consumers expect, so this concept is likely to change and grow as we continue to explore the most successful ways decisions are made.

Decision Making Tools

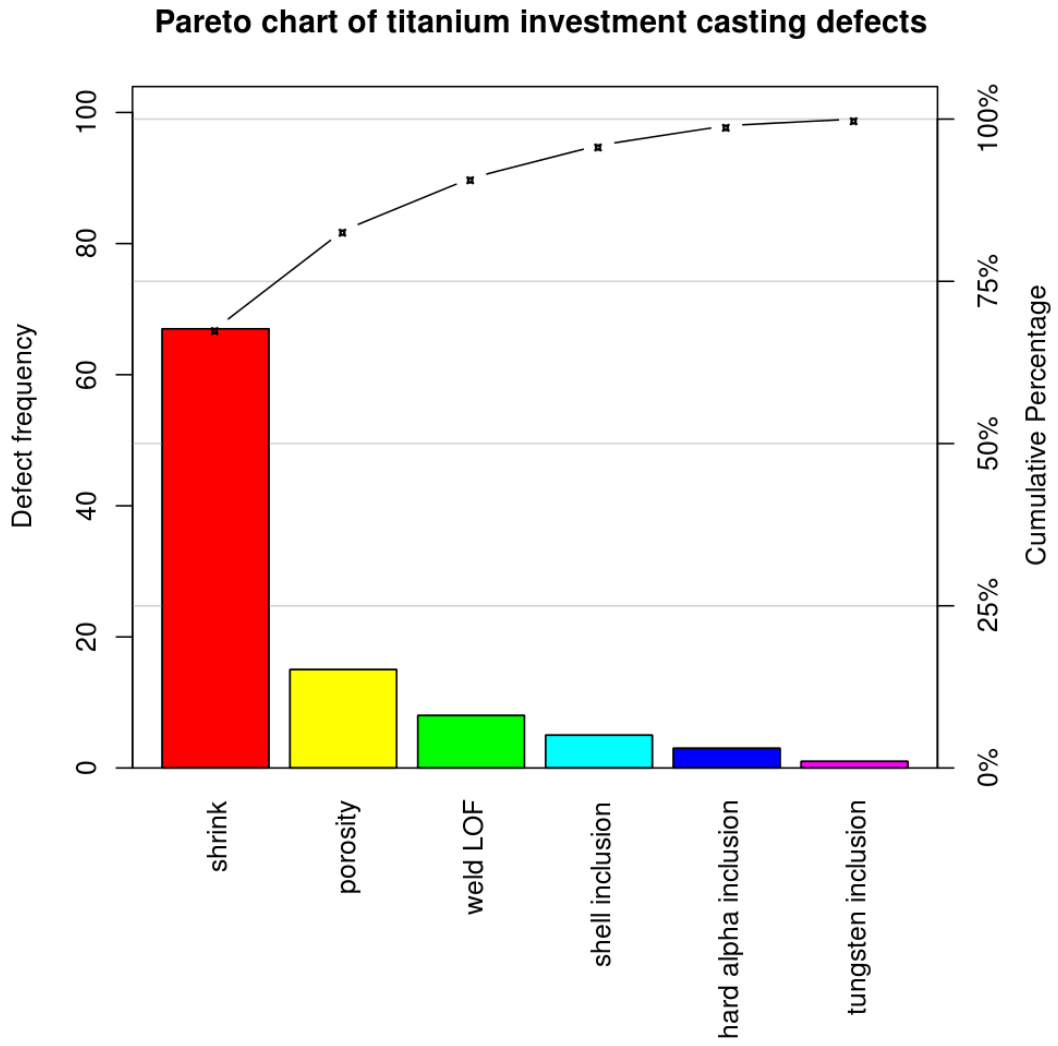
One thing almost everyone has in common is that we all want to make good decisions. That's been the motivation of many a decision making tool. Over time, people have created and refined tools for every type of decision.

Almost all charts, diagrams and reports lend themselves to decision making in one way or another. But here in this section, we're going to take a look at some of the tools that are most specifically devoted to the decision making process.

Pareto Diagram

What it does for you: It identifies beneficial opportunities and issues.

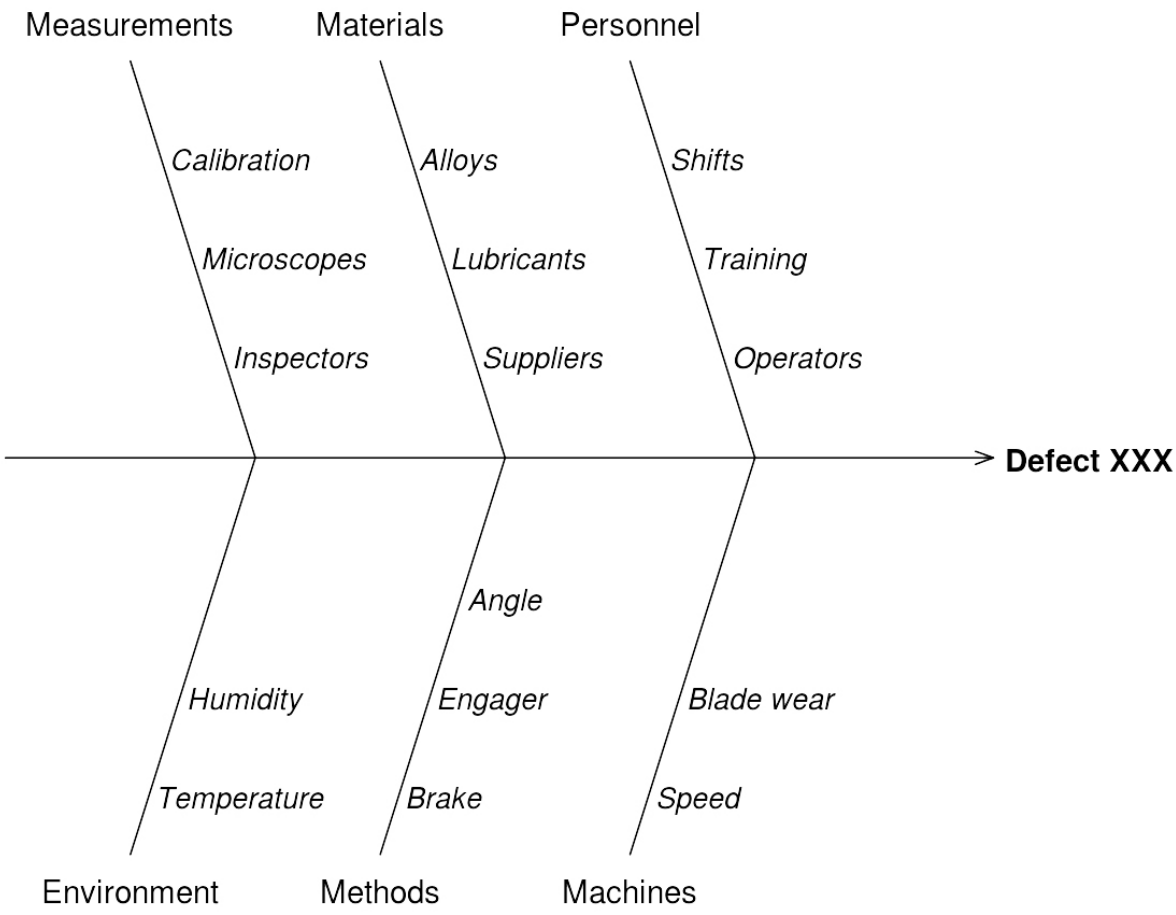
A Pareto chart contains both bars and a line graph, where individual values are represented in descending order by bars, and the cumulative total is represented by the line. The chart below outlines titanium investment casting defects. The chart is meant to highlight the most important among a list of factors. The bar chart is the frequency of occurrence, and the line graph shows the cumulative percentage of time these issues occur. Looking at this bar chart, if we wanted to decrease titanium investment casting defects by 80%, we'd need to tackle the first two issues on the chart. The Pareto chart helps you define and tackle the issues that have the most impact on your problem.



Cause and Effect or Ishikawa Diagram

What It Does For You: Helps you hone in on the exact cause of an issue.

As you can see from the cause and effect diagram below (or fishbone diagram, because it looks very much like the bones of a fish), the user needs to list all the possible causes of a particular issue, by category. Each category is a "bone" of the fish. The issue is listed in the fish's head. In this instance, the group is looking at why so much staff is required for a particular process. The answers are divided into categories, like "policies" and "procedures" below.



This is commonly used with product design and quality issues, and, as a very visual brainstorming tool, can spark many more ideas for cause/effect issues. On the other hand, bigger issues can start to look cluttered, and interrelationships between causes are hard to identify using this method.

Feasibility Reporting

What it does for you: It lets you know the rate of return on the investment of your project.

Now we're doing math! (It was inevitable). Feasibility reporting, packed with things like cost-benefit analysis and payback calculations, allows an organization to see all the details of a particular project: when it will start paying back, what the rate of return is on the investment, and so on.

Benefit cost ratio and payback are just a portion of a feasibility report, but this short video shows you the kind of information you're likely to see and thus, the kinds of decisions it can help you make.

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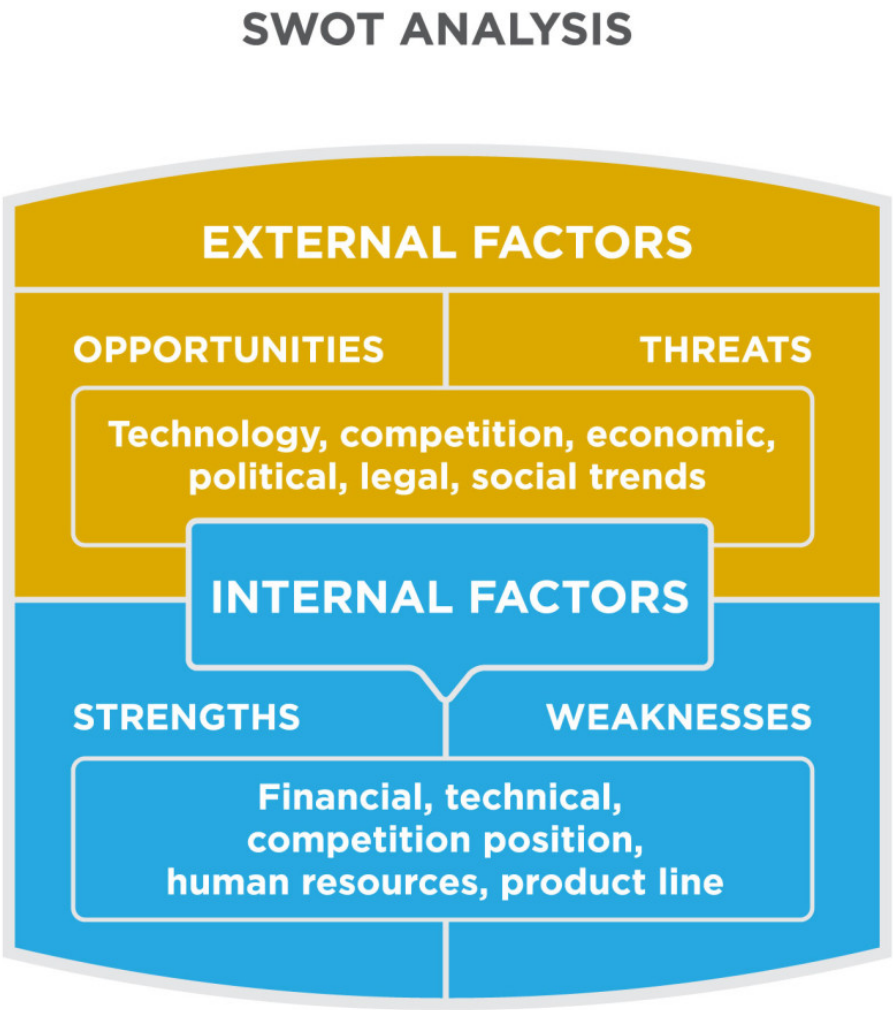
SWOT Analysis

What it does for you: Helps with strategic planning and decision making.

SWOT stands for strengths, weaknesses, opportunities and threats. SWOT analysis helps you identify the internal strengths and weaknesses of your organization that give you an advantage over others of your kind, and reminds you to look for external opportunities and threats at the same time. It helps an organization identify its objectives and determine which environmental and non-environmental factors are favorable to that success.

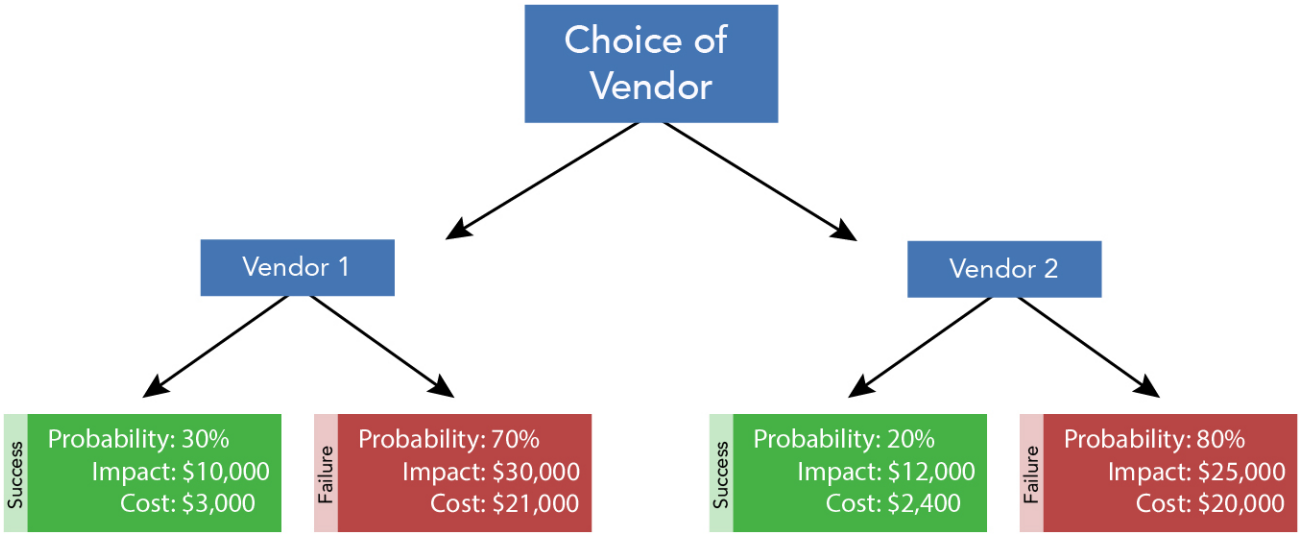
This sample SWOT analysis shows the considerations of a particular organization as they went through their strategic planning process.



A SWOT analysis can be used any time a business or individual wants to determine if a particular objective is achievable. Limitations of the SWOT analysis have also been noted, chief among them that the list weighs heavily on perception rather than actual assessment of strengths and weaknesses.

Decision Making Diagrams

What they do for you: They help you see all the alternatives and the associated costs.



The decision making diagram allows you to map out all the possible alternatives to each decision, their costs and even chances of success or failure. In the diagram above, an individual is trying to decide between Vendor 1 and Vendor 2. As you can see in the diagram, Vendor 2's probability of failure is only 20%, at a cost of $2,400, but would have an impact of $12,000 total, compared with Vendor 1's $10,000 total impact in the case of failure. Looks like Vendor 1 is a bigger risk with a bigger payoff. Which would you choose?

Decision Making Software

What it does for you: Allows for collaborative decision making and parsing large amounts of data.

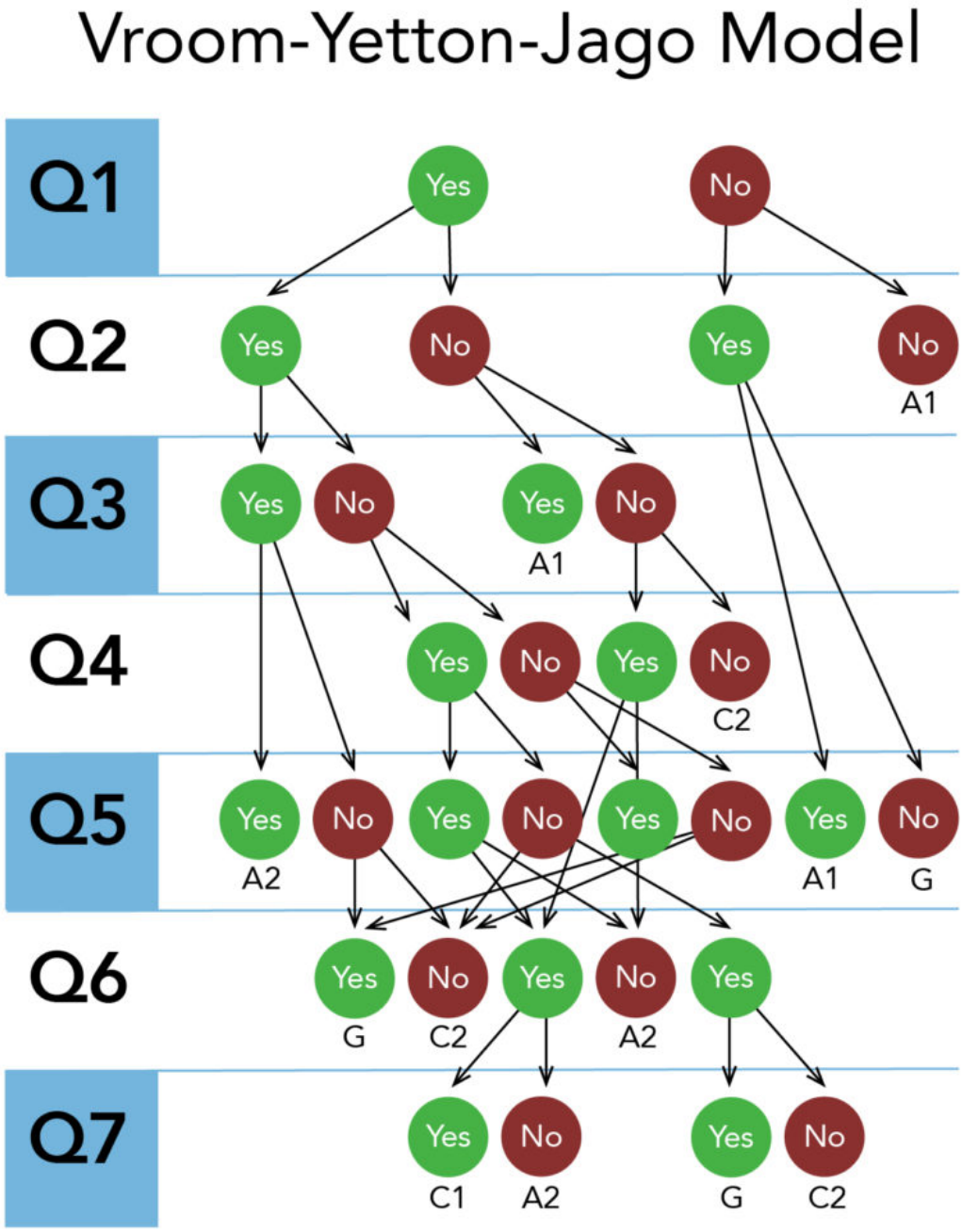
There are a variety of decision making software solutions on the market today to help in any situation you might find yourself in. These software solutions allow for collaborative decision making, analysis, and reporting of substantial amounts of data.

Vroom-Yetton-Jago Decision Making Model (Note: Vroom, Victor H., and Philip W. Yetton. *Leadership and Decision-Making*. Pittsburgh, PA: University of Pittsburgh Press, 1973.)

What it does for you: Helps you figure out the best method to make a decision and who to involve.

Vroom, Yetton, and Jago created a decision model to help you decide how you were going to make a decision. Should you make a decision individually or assemble the group and make a decision together? These are the questions you should ask yourself, according to Victor Vroom and his compatriots:

1. Is the quality of the decision important?
2. Is team commitment important for the decision?
3. Do you have enough information to make the decision on your own?
4. Is the problem well-structured?
5. Would the team support you if you made the decision alone?
6. Does the team share the organizational goals?
7. Is conflict among the team over the decision likely?



Note the significance of the annotations on the chart:

- Autocratic (A1): The leader makes the decision by himself using existing information without any communication with the team.
- Autocratic (A2): The leader consults with team members to get information, but makes the decision by himself or herself without informing the group.
- Consultative (C1): The leader consults the team members to get their opinion about the situation, but he or she makes the decision for themselves.
- Consultative (C2): The leader consults the team members seeking opinions and suggestions, but he or she makes the decision for himself or herself. In this type of leadership style, the leader is open to suggestions and ideas.
- Collaborative (G): The leader shares the decision making process with team members. He or she supports the team in making the decision and finding an answer that everyone agrees on.

The model doesn't allow for the personality characteristics of the leader, allow for large group use, or provide questions that are precise enough. That said, it's very flexible and allows the leader the ability to make a good decision in a variety of different situations. It can also be shared and duplicated.

PRACTICE QUESTION

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There are many more tools out there, ranging from complex software to back-of-the-napkin "T charts" that help an individual weigh the pros and cons of any given situation. The idea here is to understand that you don't have to go into the decision making process alone and confused – there are tools and processes that can help you make decisions the right way!

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PRACTICE: MAKING DECISIONS

LEARNING OUTCOMES

- Explain the process and techniques of individual and group decision-making

Now that we've learned all about making decisions, let's take a look at two friends and the decisions they have to make in establishing a bakery.

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PUTTING IT TOGETHER: MAKING DECISIONS

Remember what we said at the very beginning: Studies found that a typical organization can more than double their decision making capabilities.

Decision effectiveness and financial results correlated at a 95% confidence level for literally every country, industry, and company size in the sample studied by Marcia Blenko and her associates. (Note: Blenko, Marcia W., Michael Mankins, and Paul Rogers. "The Decision-Driven Organization." Harvard Business Review. June 2010. Accessed April 15, 2019. https://hbr.org/2010/06/the-decision-driven-organization.) Organizations make decisions every day—from who to hire, who to fire, what products to produce, and what services to provide their fellow people. Understanding the decision making process, where you'll encounter its obstacles, and the tools that are available to help make those decisions are key to an organization's success.

You can be creatively talented at solving problems or you can just know the ins and outs of decision making like the back of your hand. Either way, becoming a master at this process will make you invaluable to the organization that relies on you for its success.

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MODULE 13: LEADERSHIP

WHY IT MATTERS: LEADERSHIP

Why learn about good and poor leadership?

Is there someone in particular that pops into your head when someone mentions the term “leader”? Perhaps you think of someone like Jeff Bezos, who founded Amazon and radically changed the way people shop today. Or maybe you think of someone like Oprah Winfrey, who after ending the well-known *Oprah Winfrey Show* moved on to found her own network. Or you might think of someone like Satya Nadella, Microsoft’s third CEO, who has started to move the company toward more cooperative work with its competitors and empowering its customers to achieve more.

Amazing leaders have changed the world by sharing their visions, innovating and taking risks, encouraging and navigating change with their teams. But leaders don’t necessarily have to change the world. Leaders are just as effective when they’re changing an organization, changing a community, or just changing your day for the better.

The world is moving faster, and only the most nimble organizations survive. Those organizations that can provide their employees with motivation and engage them around a vision, innovate in a changing world and manage through that change are more likely to survive. In order to stay ahead of the competition, they need good leaders to make those things happen.

Leaders really make a difference.

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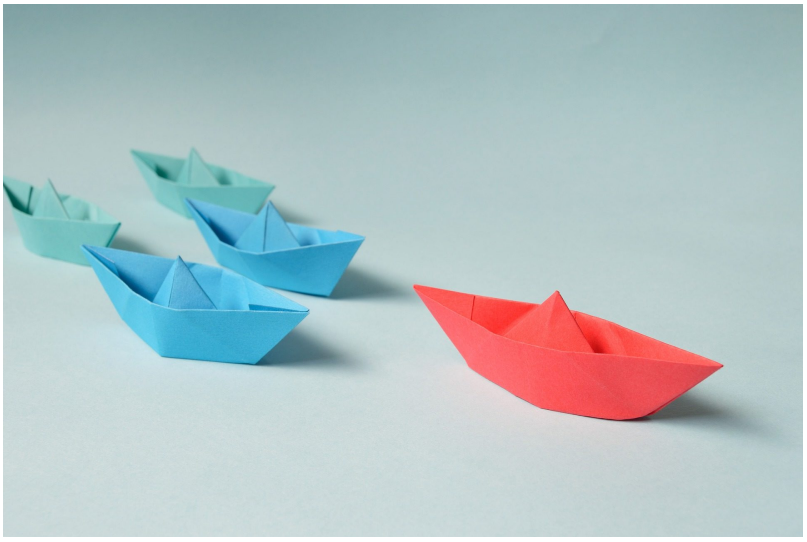
THE HISTORY OF LEADERSHIP THEORIES

What you'll learn to do: Describe the history of leadership as a topic inside organizational behavior

We can all recognize a good leader when we see one, but defining what qualities and practices a good leader has can be difficult. In fact, the one thing that researchers seem to agree on regarding leadership is that they don't always agree.



Are great leader defined by their accomplishments? Are leaders defined by the appraisal of their followers? Is nature or nurture the more important factor in determining leadership? Can leadership be learned, or is there a magical combination of trait, behavior and situation that allows leaders to rise to the occasion? Historically, in western civilization, we've struggled to answer these questions, and in the next few sections we'll give you enough information that you can start contemplating these issues along with us.

LEARNING OUTCOMES

- Discuss our understanding of leadership from the historical perspective
- Describe the early trait approach
- Describe the behavioral approach
- Describe the contingency approach and its variations

The History of Leadership

A leader may be considered a leader because of a formal relationship, provided by the possession of managerial rank in an organization. Or a leader can be informal, someone who steps up and provides that guidance from within a group of people, not necessarily the person who has been given decision making authority. (As we'll discuss later in this module, not every leader is a manager and not every manager is a leader.)

Those are some fairly basic concepts about leaders and leadership. How did we arrive at what we understand about leadership today? Historically speaking, it's been quite a ride. Let's take a trip way back and take a look at how far we've come. (Note: this text will focus on the history of European and North American history, since we're addressing a largely US-based audience. There is of course, a much broader and diverse history of leaders across the world not mentioned here.)

Leadership—Historically Speaking

There are a few different varieties of King Arthur's story, one of the most prominent folklore stories from England. Most versions tell either of how Arthur became king when the Lady of the Lake gave him a sword called Excalibur, or of how he was the only one capable of pulling the sword from a stone. Either way, he was the chosen one, he possessed a certain something, and, by divine right, he became the king of Britain.

There'd be very few leaders among us today if we relied on a pulling-sword-from-stone selection process. Or, more likely, we'd watch the process unfold and then say, "Hey, nice trick, but why should I listen to you?" Concepts in leadership have changed since the sixth century.

Surely, anyone who knew the legend of King Arthur understood that it helped illustrate the concept that those who led were born and not made. Early concepts of monarchy included the element that king was a divine choice and was bound to no earthly rules. The right to rule was derived directly from the will of God. Those that were not kings were instead heroes, possessors of God-given skills that helped them achieve victory in battle. Some of these heroes were mythological, like Odysseus, descendant of the gods and hero of the Trojan War, and others, like Alexander the Great and Hannibal Barca, earned their distinction in battles won against nearly insurmountable odds, immortalized in stories retold over generations.

Plato, Plutarch, Lao-Tzu and even Machiavelli had an impact on how these rulers and heroes were defined in their instruction and shared opinions of what it meant to be a leader. Of course, they didn't use the word "leader." The word "leader" as we use it today didn't come into the English language until the 19th century.

Still, thanks to them, the "leader as hero" concept had been a clear definition for hundreds of years. In 1840, Scottish writer Thomas Carlyle stated that "the history of the world is but the biography of great men." The Great Man Theory took hold—the idea that history can be explained by the impact of great men and the decisions they made. These great men were identified by their charisma, intelligence, and wisdom. Carlyle suggested that these great men shaped history through these personal attributes and, yes, divine inspiration, too. (And since he lived in Scotland in the 1840s, there was no mention of women.)

In Carlyle's book *On Heroes, Hero-Worship and the Heroic in Society* (Carlyle, 1840), the author dove into the lives of several men he deemed "heroes," like Muhammed, Richard Wagner, Shakespeare, Martin Luther, and Napoleon. He believed that history "turned" on the decisions of these men, and encouraged others to study these heroes as a way of discovering one's own true nature.

Studies were conducted on subjects who were already leaders, often members of aristocracy that had inherited their positions. Very few people with lower status had the opportunity to lead, and this contributed to the idea that these leadership qualities were something one was born with.

This Great Man approach was pretty fashionable in the 19th century, particularly with history professors who deferred to biographies of great men to teach their subject, rather than social histories. After all, it seems as if, when we faced some of our most difficult moments in history, a man emerged to lead us successfully through it. The existence of Abraham Lincoln, Theodore Roosevelt, and others like them only seemed to prove the theory.

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The Great Man Theory was a predecessor of the Early Trait Theory stage of leadership research. In the United States, we were well into the experience of our industrial revolution, and it was clear that leaders weren't just heroes and rulers. At the turn of the twentieth century, we were starting to understand the nuances of management and what it meant to be more strategic in leading. Could personality traits predict success in leadership?

Early Trait Approach

From the turn of the century until the 1940s, most leadership studies focused on the personality traits of individuals that made them leaders and not followers. Thomas Carlyle set the stage for the great man theory, and other researchers followed suit, trying to determine what kind of traits made a great leader great.

Francis Galton, an English scientist and researcher, wrote a book *Hereditary Genius* in 1869, which was the first social scientific attempt to study genius and greatness (Galton, 1869). To determine if human ability was hereditary, he chose "eminent" men (men who exhibited extraordinary leadership qualities) and counted the relatives to see how many additional "eminent" men were in their background. Galton hypothesized that there would be a higher percentage of "eminent" men in their lineage than in the general population. His testing (for which he invented methods of historiometry) showed that numbers of eminent relatives dropped off when going from first degree to second degree relatives, and from second to third. He took this as evidence of the inheritance of abilities.

As you might guess, even Galton recognized the limitations of these studies. He went on to study twins and adopted children, testing the "nature vs. nurture" term that he'd coined, but never strayed too far from the idea that qualities were inherited instead of taught.

In the early 1900s, American psychologist (and, like Galton, a eugenicist) Lewis Terman studied gifted children, and he conducted a variety of studies on the children and their parents to reinforce the idea of inheritance of abilities. And in the July, 1928 issue of *The Journal of Abnormal and Social Psychology*, researcher W.H. Cowley wrote,

> The approach to the study of leadership usually has been and perhaps always must be through the study of traits. Leadership obviously is not a simple trait but rather a complex of main traits fashioned together as a unity. An adequate appraisal of leadership would reduce this complex to its individual units, and any study of leadership to be of value should produce a list of traits which go together to make the leader. (Cowley 1928)

In 1948, after years of experiments and studies, researcher Ralph Stogdill determined that leadership exists between persons in a social situation, and that persons who are leaders in one situation may not necessarily be leaders in other situations (Stogdill, 1948). This marked the end of researchers' tenacious ideas that individual differences characterized leadership, or that they'd be able to predict leadership effectiveness. In the next sections, we'll talk about the behavioral and contingency approaches these new theories sparked. But we have to acknowledge here that this wasn't the end of studying traits in leadership. The trait approach wasn't done—it just took a break.

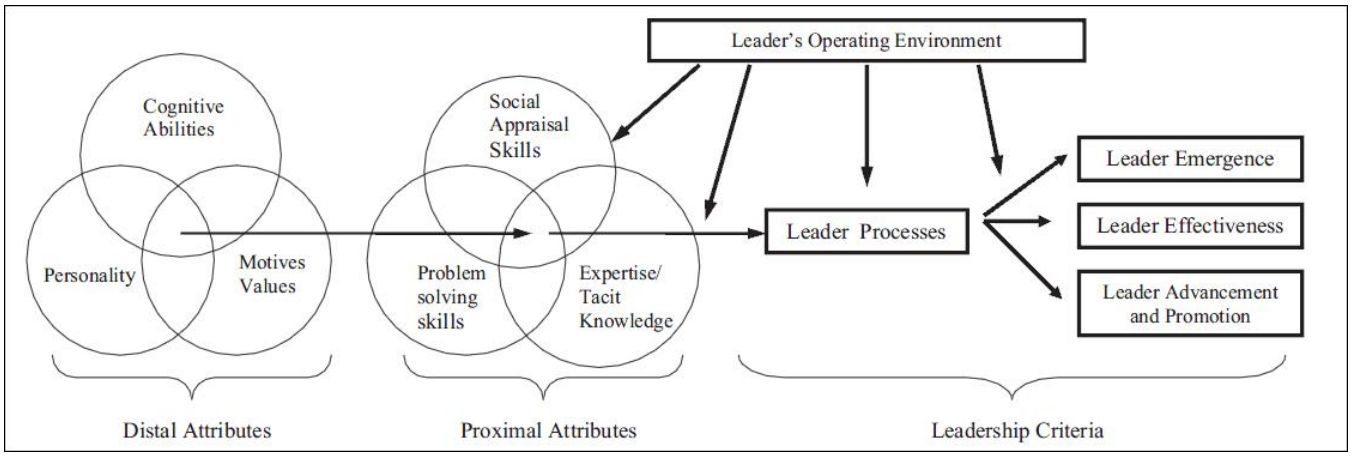
Looking at Trait Theory Today

So, if studying leadership traits isn't useful, why are we talking about it? Well, surprisingly, interest in the topic continues, supported by media and general public opinion. Think about how media describes business leaders like Mary Barra and Bill Gates. They're innovative. They make tough decisions. They're philanthropic. The media is constantly throwing their personality traits out there for us to digest.

Twelve percent of all the research published on the topic of leadership between 1990 and 2004 contains the keywords “personality” and “leadership.” Interest persists, and new information has been uncovered. Researcher Steven J. Zaccaro pointed out that, even in Stogdill’s argument against traits, his studies contained conclusions suggesting that individual differences can still predict leader effectiveness.

Remember that Cowley wrote that traits collectively lent themselves to leadership effectiveness. Taking a page from this book, Zaccaro and colleagues developed the trait-leadership model that attempted to address traits and their influence on a leader’s effectiveness. The premise of the Trait-Leadership Model (Zaccaro, Kemp, Bader, 2004) is that (a) leadership emerges from the combined influence of multiple traits (integrated, rather than individual, traits) and (b) leader traits differ in their proximal influence on leadership.

Zaccaro’s model looks like this:



This model comes with a list of leader traits, which Zaccaro reminds us are always not exhaustive. But traits based on his 2004 model include extraversion, agreeableness, openness, neuroticism, creativity, and others.

Two other models have emerged in recent trait leadership studies. The Leader Trait Emergency Effectiveness Model, created by researcher Timothy Judge and colleagues, combines behavioral genetics and evolutionary psychology theories of how traits are developed and puts them into a model that attempts to explain leader emergence and effectiveness. A second model, the Integrated Model of Leader Traits, Behaviors, and Effectiveness, created by D. S. Derue and colleagues, combines traits and behaviors in predicting leader effectiveness and tested the mediation effect of leader behaviors on the relationship between leader traits and effectiveness.

In spite of the increased focus of researchers on trait theory, it remains among the more criticized theories of leadership. Some argue it’s too simplistic. Others criticize that it studies leadership effectiveness as it’s perceived by followers, rather than actual leadership effectiveness. But we want to leave you with two thoughts on the trait approach before we move on:

- Traits can predict leadership. Years ago the evidence suggested otherwise, but the presence of proper framework for classifying and organizing traits now help us understand this better.
- Traits do a better job of predicting the emergence of leaders and the appearance of leadership than they do distinguishing between effective and ineffective leadership.

Stogdill’s comments encouraged researchers to look in other directions back in the late 1940s. If it’s not the personality traits that predict effective leadership, perhaps it’s the behavior of those leaders we should be studying. Let’s take a look at the behavioral approach to leadership next.

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Behavioral Approach

If the answer isn't in the traits a leader exhibits, perhaps it lies in what a leader does. Behavioral theories of leadership suggest that specific behaviors differentiate leaders from nonleaders. The implications for this idea are pretty big. Think about it. The trait approach can help you pick out a leader, or predict that an individual might step up to leadership. The behavioral approach suggests that leaders can be trained.

Let's head back to the 1940s, around the time that Stogdill sent leadership studies off in a different direction, and look at the emergence of a few different instances of behavioral leadership research.

The Ohio State University Studies

Back in the late 1940s, research began at The Ohio State University to identify independent dimensions of leader behavior. (Note: Stogdill, R and A. E. Coons, Leader Behavior: *Its Description and Measuremen*t, 1951) The team began with a list of over a thousand different dimensions and eventually narrowed the list to two leadership behaviors as they were described by employees. Those behaviors were task focused and people focused.

Those leaders that are concerned with the task are engaging in behaviors called initiation of structure. This doesn't mean that they don't care about people—it means that they approach leadership from the task point of view. They organize and define the task so that followers can achieve the goal. For instance, a CEO might want to acquire a new company for a conglomerate. In the initiation of structure framework, the CEO will bring in his or her senior staff and start to direct them as to how and when he or she believes the work should be done.

Alternatively, consideration is a leadership behavior aimed at creating mutual trust and respect with their followers. An example of consideration might be a leader who, in a time of change and turmoil in an organization, walks the floor of the assembly plant to see how workers are faring, or meets with the his team to determine if they need extra support.

Extensive research showed that leaders who rated high in both initiation of structure and consideration (a "high-high") were more likely to achieve high employee performance and satisfaction more frequently than those that scored high in only one of the two categories, or low in both categories. However, "high-high" scoring did not always result in positive consequences. Those leaders that scored high in initiation of structure often experienced higher levels of grievances, absenteeism and turnover. Others found that high consideration scores for a leader resulted in lower performance evaluation scores from that leader's own manager.

The Ohio State team suggested that "high-high" generally resulted in positive outcomes but there were enough exceptions to indicate that situational factors also needed to be considered.

The University of Michigan Studies

Studies at University of Michigan were conducted around the same time the Ohio State research was going on, and they had similar research objectives. (Note: Kahn, R and D. Katz. "Leadership Practices in Relation to Productivity and Morale," *Group Dynamics: Research and Theory,* 1960) The University of Michigan team wanted to locate behavioral characteristics of leaders that appeared to be related to measures of performance effectiveness.

The University of Michigan team also came up with two dimensions of leadership behavior. They labeled them employee-oriented and production oriented.

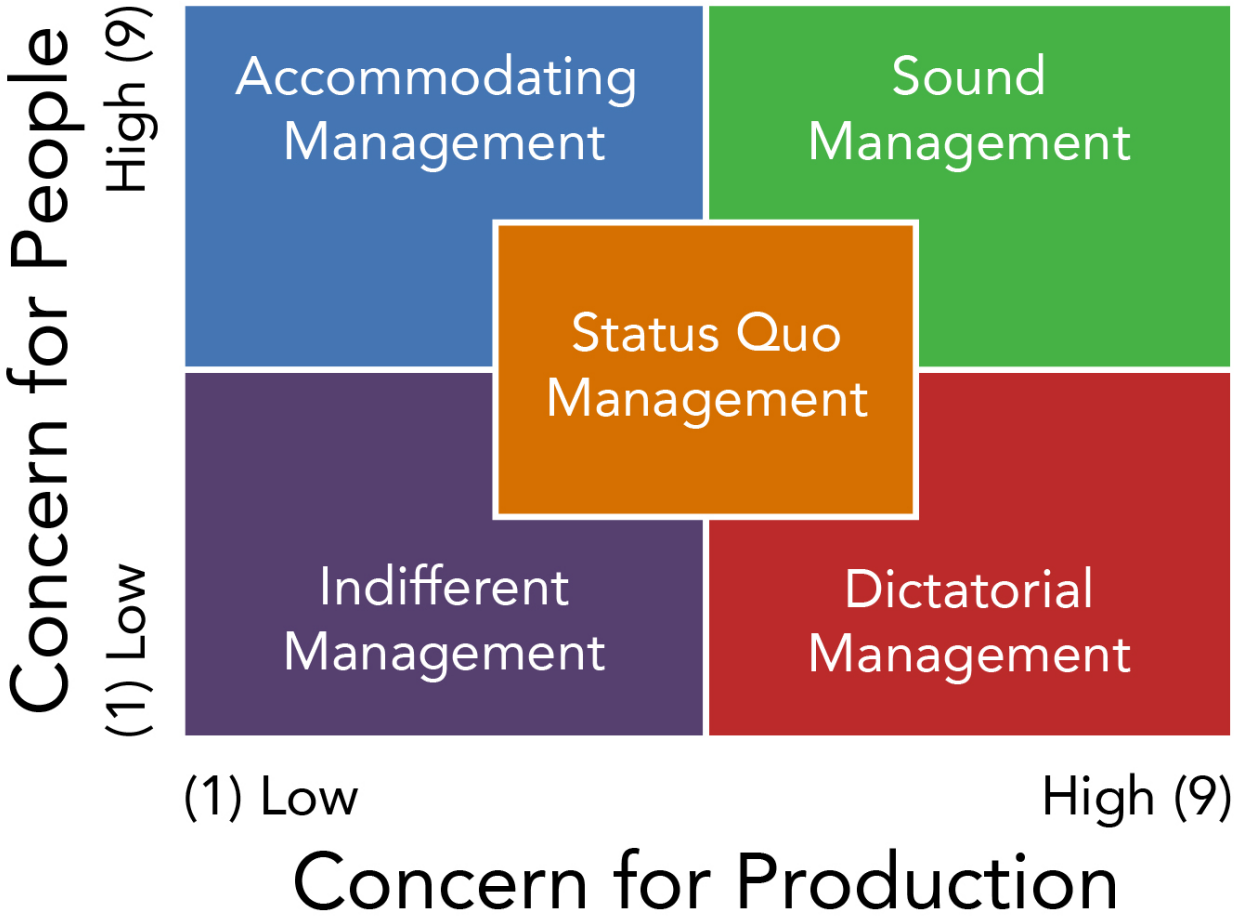
Employee-oriented leaders emphasized interpersonal relations. They took a personal interest in the needs of employees and embraced individual differences among members. The production-oriented leaders tended to emphasize the technical or task aspects of the job. Their main concern was accomplishing objectives and the group members were just a means to reach that goal.

The University of Michigan team concluded that employee-oriented leaders were associated with higher group productivity and higher job satisfaction, and production-oriented leaders tended to score low in both those areas.

Blake and Mouton's Managerial Grid

In 1964, researchers Robert Blake and Jane Moutin introduced their managerial grid as a graphic portrayal of a two-dimensional view of leadership. (Note: Blake, R. R. and J. S. Mouton. *The Managerial Grid*. 1964)

Like the Ohio State and University of Michigan studies, Blake and Mouton concentrated on concern for production and concern for people. They scored each of those areas on a scale of 1 (low) to 9 (high) to create 81 different positions in which the leader's style might fall. The result was five different types of behavioral styles.



- In the **accommodating management style**, leaders yield and comply. They pay attention to the comfort of the employees in hopes that they'll be productive. This style often results in happy employees but is not necessarily productive.
- In the **indifferent management style**, leaders evade and elude. They don't give much consideration to people or production, and try to fly under the radar a bit without getting into trouble.
- In the **sound management style**, leaders contribute and commit. They pay high attention to both people and production and encourage teamwork and commitment. It's very Theory Y!
- In the **dictatorial management style**, leaders control and dominate. They pay attention to production but not to people, and use rules and punishment to achieve goals. It's very Theory X!

- In the **status quo management style**, leaders balance and compromise. They are middle-of-the-road, and as a result, people needs and production needs aren't necessarily met.

Managers performed best when they scored in the "sound" area. But the grid offered better framework for conceptualizing leadership style rather than presenting any new information in clarifying leadership behaviors, because there's very little substantive evidence to support the conclusion that a sound style is most effective in all situations.

The Scandinavian Studies

We're going to fast forward a few years to the 1990s, when Scandinavian researchers Ekvall and Arvonen began to reassess the idea that there were only two dimensions that captured the essence of leadership behavior. (Note: Ekvall, G and J. Arvonen, "Change-Centered Leadership: An Extension of the Two-Dimensional Model," *Scandinavian Journal of Management*, 1991. M. Lindell and G. Rosenqvist, "Is there a Third Management Style?" *Finnish Journal of Business Economics 3*, 1992. M. Lindell and G. Rosenqvist, "Management Behavior Dimensions and Development Orientation," *Leadership Quarterly*, 1992.) In a changing world, they decided, leaders would exhibit development-oriented behavior. By exhibiting development-oriented behavior, these leaders would value experimentation, seek out new ideas and generate and implement change.

In their review of the Ohio State studies, Ekvall and Arvonen found that the researchers had identified behaviors such as "pushes new ways of doing things" and "encourages employees to do new things," but those items didn't explain much about leadership in 1940s, when those behaviors didn't have as great an impact. Their studies indicate that just concentrating on two different dimensions of behavior may not be adequate to capture leadership in the twenty-first century.

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Behavioral theories had modest success in identifying consistent relationships between leadership behavior and group performance. But none of these consider situation as a factor. Would Ralph Nader have been as successful a consumer activist if he'd been in Nicaragua and not the United States? Would Franklin Delano Roosevelt have been as successful leading the nation through the Revolutionary or the Civil Wars? None of these behavioral theories could clarify these situational differences. So, as we continued to grow in our theories of leadership, we started to look at contingency theories—theories that considered the leader *and* the situation.

Contingency Approach

We know that traits and behaviors both have an impact on a leader's success, but what about situation? This is the contingency approach. Circumstances might lead to peers and followers shunning a particular leader, and then seeing him or her in a different way later on. Since the 1960s, the guiding light for research has been the assumption that what makes a leader great depends on the situation.

The failure of researchers to arrive at any consistent results around leadership in the mid-twentieth center led to the study of situational influence. As they started to realize that a certain style and set of skills was appropriate for one situation and failed in another, they sought to determine which conditions matched which styles and skills. This led to several theories on isolating key situational variables, and we'll look at a few of those now.

Fiedler Model

Fred Fiedler developed the first comprehensive contingency model for leadership and proposed that effective group performance depended on a solid match between the leader's style and the degree to which the situation

gives control to the leader. (Note: Fiedler, F. E. (1967) *A Theory of Leadership Effectiveness*, New York: McGraw-Hill.)

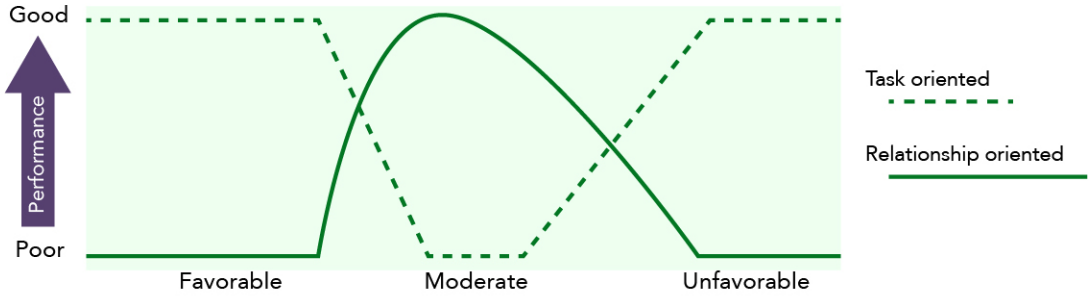
Fiedler started his study by determining whether a leader was more task oriented or relationship oriented in his or her behavioral traits. He determined to measure the leader's propensity to one trait or another by developing the least preferred coworker questionnaire (LPC). The least preferred coworker asked leaders to react to sixteen sets of contrasting adjectives that would describe their least preferred coworker. LPCs respondents that described their least preferred coworker in relatively positive terms, it stood to reason that the leader employed a relationship based approach. Those that described their least favorite coworker unfavorably were deemed to be more task oriented.

It's worth noting that about sixteen percent of those taking the evaluation scored right in the middle and fall outside the predictions of this theory. So the rest of our discussion concentrates on that 84% of respondents that took one side or the other.

At this point, Fiedler sought to define situations by which to compare these results. He did, in fact, identify three contingency dimensions that he was convinced defined the key situation factors that determine leadership effectiveness. Those situations were

- **Leader-member relations:** the degree to which members have confidence and trust in their leader (good or poor).
- **Task structure:** the degree to which job assignments are proceduralized (high or low).
- **Position power**: the degree of influence a leader has over power variables, such as hiring, firing, discipline, promotions and salary increases (strong or weak).

Fiedler then started comparing task-oriented and relationship-oriented leaders and their performances, based on the twenty-four possible combinations of the situations above, and this was the result:



Category	1	2	3	4	5	6	7	8
Leader-member relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task structure	High	High	Low	Low	High	High	Low	Low
Leader position power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Figure 1. Fiedler Model

Fiedler concluded that task oriented leaders tended to perform better when situations were very favorable or very unfavorable to them. Relationship oriented leaders perform better when situations are moderately favorable. Fiedler then modified his conclusions to state that task oriented leaders performed better in situations of high or low control, while relationship oriented leaders performed better in situations of moderate control.

While there are problems with the LPC evaluation and studies show that respondents' scores are not stable, there is considerable evidence to support Fiedler's conclusions. Still, it's often difficult in practice to determine the quality of leader-member relations, the structure of task and how much position power the leader possesses.

Cognitive Resource Theory

More recently, Fiedler and an associate, Joe Garcia, reconceptualized Fiedler's original theory, this time focusing on the role of stress as a form of situational unfavorableness and how a leader's intelligence and experience influence his or her reaction to it. (Note: Fiedler, F. E. and Garcia, J. E. (1987) *New Approaches to Leadership, Cognitive Resources and Organizational Performance*, New York: John Wiley and Sons.)

Essentially, Fiedler and Garcia propose that it's difficult for leaders to think logically or analytically when they're under stress, and how their intelligence and experience impacts their effectiveness in low- and high-stress situations. In other words, bright individuals perform worse in stressful situations, and experienced people perform worse in low-stress situations. This theory is garnering solid research support.

Hersey and Blanchard's Situational Theory

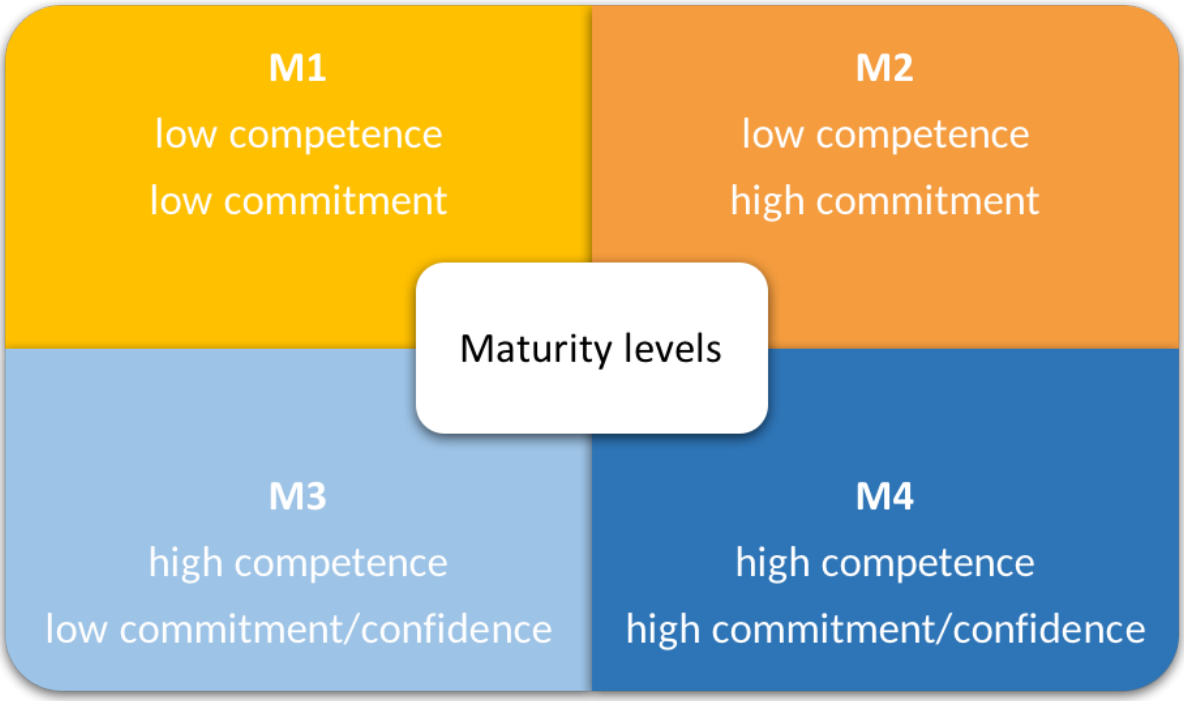
The term "situational leadership" is most commonly derived from and connected with Paul Hersey and Ken Blanchard's **Situational Leadership Theory**. This approach to leadership suggests the need to match two key elements appropriately: the leader's leadership style and the followers' maturity or preparedness levels.

The theory identifies four main leadership approaches:

- **Telling:** Directive and authoritative approach. The leader makes decisions and tells employees what to do.
- **Selling:** The leader is still the decision maker, but he communicates and works to persuade the employees rather than simply directing them.
- **Participating:** The leader works with the team members to make decisions together. He supports and encourages them and is more democratic.
- **Delegating:** The leader assigns decision-making responsibility to team members but oversees their work.

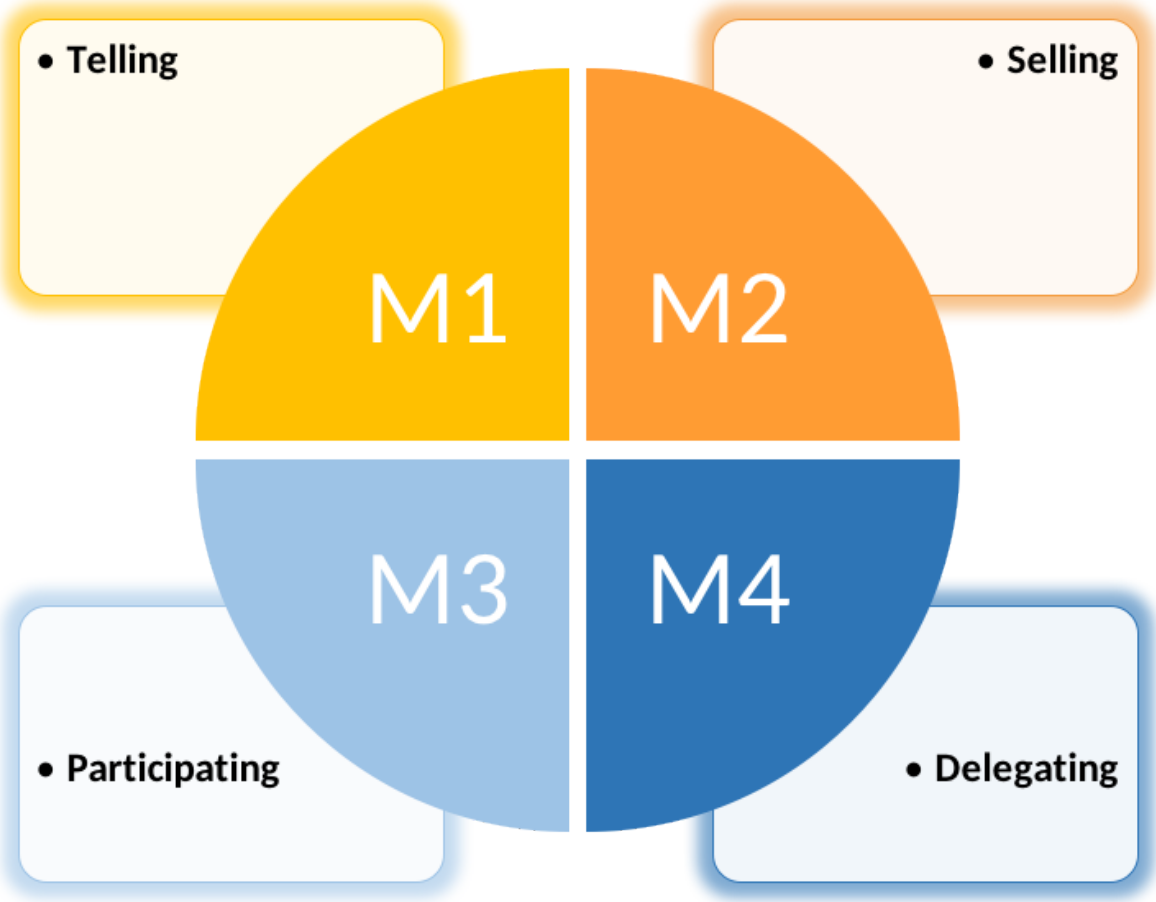
In addition to these four approaches to leadership, there are also four levels of follower maturity:

- **Level M1:** Followers have low competence and low commitment.
- **Level M2:** Followers have low competence, but high commitment.
- **Level M3:** Followers have high competence, but low commitment and confidence.
- **Level M4:** Followers have high competence and high commitment and confidence.



In Hersey and Blanchard's approach, the key to successful leadership is matching the proper leadership style to the corresponding maturity level of the employees. As a general rule, each of the four leadership styles is appropriate for the corresponding employee maturity level:

- Telling style works best for leading employees at the M1 level (low competence, low commitment).
- Selling style works best for leading employees at the M2 level (low competence, high commitment).
- Participating style works best for leading employees at the M3 level (high competence, low commitment/ confidence).
- Delegating style works best for leading employees at the M4 level (high competence, high commitment/ confidence).



Maturity levels and leadership styles

Identifying the employee maturity level becomes a very important part of the process, and the leader must have the willingness and ability to use any of the four leadership styles as needed.

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Leader-Member Exchange Theory

The leader-member exchange theory considers leaders relationships with people, and proposed that, because of time constraints, leaders establish relationships with a small group of their followers. (Note: Dienesch, R.M. and Liden, R.C. (1986) *Leader-Member Exchange Model of Leadership: A Critique and Further Development.* Academy of Management Review, 11, 618-634.) These individuals make up an “in-group” and are more likely to receive attention from the leader. Other followers fall into the “out-group.”

How the leader chooses the “in-group” is somewhat unclear, but it’s assumed that the leader chooses the individuals based on their similarities to his or her own characteristics, or because of their higher competence levels.

Research testing the leader-member exchange theory has been generally supportive and provides evidence that leaders do differentiate among followers, that these disparities aren’t random, and that the individuals in the “in-group” will perform better, have lower turnover, etc.

Path-Goal Theory

In the Path-Goal theory, it’s the leader’s job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure their goals are compatible with the overall objectives of the group or organization. (Note: House, Robert J.; Mitchell, T.R. (1974). "Path-goal theory of leadership". *Journal of Contemporary Business. 3:* l–97.) Developed by Robert House, he determined that there were four types of leaders that played into this theory:

- The supportive leader: is friendly and shows concerns for the followers.
- The participative leader: checks with followers for suggestions before making a decision.
- The directive leader: lets followers know what work is to be done, gives guidance on how to accomplish tasks.
- The achievement-oriented leader: sets challenging goals, expects followers to perform at high levels.

The factors are environmental (task structure, formal authority system, work group) and subordinate (locus of control, experience, perceived ability). The environmental factors are beyond followers’ control, and the subordinate factors are, obviously within their control. Environmental factors dictate which of the leadership behaviors above will be most effective, and the subordinate factors dictate how those leadership behaviors are interpreted.

In other words, if a directive leader is paired with followers who already have a high ability and experience, the leader’s skills are likely to be perceived as redundant. The followers don’t need someone to tell them what to do. They’d be more successful with an achievement-oriented leader.

Research supports this theory. It’s logical that a leader will be successful if he or she is “filling in the blanks” where environmental and subordinate factors are concerned, and giving the team what they don’t already have.

Leader-Participation Model

Victor Vroom, the researcher who developed the expectancy framework by which we compared motivational approaches, also has things to say about leadership. (Note: Vroom, Victor H.; Yetton, Phillip W. (1973). Leadership and Decision-Making. Pittsburgh: University of Pittsburgh) He paired with Phillip Yetton to create a leader-participation model, and then with Arthur Jago to create a revised one. The revised model , the more widely accepted of the two, provides a set of rules to determine the form and amount of participative decision making in different situations.

In fact, there are 12 contingency variables, 8 problem types, and 5 leadership styles to be considered in the process, and that’s part of what makes the model difficult for managers to use. Beyond the complexity of the model, this model doesn’t take stress, intelligence and experience into consideration as important variables.

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All of these contingency models, which have been discussed and contemplated for more than forty years, seem to suggest, above all things, that there is no one right way to lead. But don't worry, that doesn't mean we've wasted our time!

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LEADERSHIP STYLES AND TOPICS

What you'll learn to do: Discuss the pros and cons of leadership styles and topics.

We understand that leadership is a combination of an individual's personality traits, behaviors, and situations. But the topic of leadership goes well beyond those three measures. We have to consider a leader's style of leadership, how he or she builds relationships, and how he or she adapts to the issues and challenges that are presented in today's fast-moving environment.

In fact, is a leader even needed at all?

LEARNING OUTCOMES

- Identify leadership styles
- Understanding trust as an element of successful leadership
- Identify contemporary leadership roles
- Discuss common issues leaders must face
- Identify challenges to the concept of leadership

Leadership Styles

We've already talked about how personality traits, behaviors and situations (and response to those situations) affect leadership. But what about style? Every leader has their own personal approach. In fact, one might assume that there are as many leadership styles as there are leaders.

Traditional Leadership Styles

Leadership style is a leader's approach to providing direction, implementing plans, and motivating people. In 1939, psychologist Kurt Lewin and a team of researchers determined that there were three basic leadership styles: Authoritarian (Autocratic), Participative (Democratic) and Delegative (Laissez-Faire). They put these three leadership styles into action with a group of school children charged with the completion of a craft project to determine responses to the leadership styles.

Authoritarian (Autocratic) Leadership

A leader who adopts the authoritarian style dictates policy and procedure, and directs the work done by the group without looking for any meaningful input from them. The group led by an authoritarian would be expected to complete their tasks under close supervision.

Researchers found there was less creativity under an authoritarian leadership style, but the children were still productive.

While authoritarian leadership sounds stifling, it has its place: it's best applied to situations where there is little time for group decision making, or when the leader has expertise that the rest of the group does not. When authoritarian leadership strays into areas where it's not needed, it can create dysfunctional environments where followers are the "good guys" and domineering leaders the "bad guys."

Participative (Democratic) Leadership

Group members feel engaged in the decision making process when they have a participative leader. Those leaders practicing the participative leadership style offer guidance to the group, as for their input in decision making but retain final say. Participative leaders make their group feel like they're part of a team, which creates commitment within the group.

Lewin's researchers found that the participative style of leadership yielded the most desirable results with the school children and their craft project. They weren't quite as productive as the children in the authoritarian group, but their work was a higher quality.

There are drawbacks to the participative style. If roles within the group are unclear, participative leadership can lead to communication failures. If the group is not skilled in the area in which they're making decisions, poor decisions could be the result.

Delegative (Laissez-Faire) Leadership

Leaders practicing the delegative leadership style are very hands-off. They offer little or no guidance to their group and leave decision making up to the group. A delegative leader will provide the necessary tools and resources to complete a project and will take responsibility for the group's decisions and actions, but power is basically handed over to the group.

Lewin and his team found that the group of children trying to complete the craft project under the delegative leader were the least productive. They also made more demands of their leader, were unable to work independently and showed little cooperation.

The delegative style is particularly appropriate for a group of highly skilled workers, and creative teams often value this kind of freedom. On the other hand, this style does not work well for a group that lacks the needed skills, motivation or adherence to deadlines, and that can lead to poor performance.

As you might have guessed, further research has yielded more leadership styles than the original three that Lewin and his team identified in 1939. Still, Lewin's studies were influential in establishing a starting point for this kind of research. Let's take a look at some additional leadership styles proposed by researchers since Lewin developed his original framework.

Transactional Leadership

Transactional leadership is a set of activities that involve an exchange between followers and leader and deal with daily tasks (Bass, 1990). Transactional leadership deals with those day-to-day tasks that get the job done. The majority of models we talked about in the last section—Fiedler's Contingency Theory, Path-Goal among them—are based on the concept of this exchange between leaders and followers. The leader provides followers with direction, resources and rewards in exchange for productivity and task accomplishment.

Charismatic Leadership

Charismatic leaders don't doubt their own decisions, they move forward unwaveringly and believe that the decisions they make are the correct ones. They move through a crowd of their followers shaking hands and lending an encouraging word. They are undeniably clear on their expectations and where they see the company going. They have mastered the art of developing images for themselves that others want to emulate. Charismatic leaders have four common personality traits (Conger, Kanungo, 1998):

- High degree of confidence and lack of internal conflict
- High energy and enthusiasm
- Good communication skills
- Good image and role model

The relationship between charismatic leader and followers is an emotional one (this can sometimes go awry—just think about the relationship between the leaders and followers in a cult). In order for a charismatic leader to be effective, the situation has to be right. There are four situations required for a charismatic leader to have success:

- Organization is in a time of crisis or stress.
- Organization is in need of change.
- There is opportunity for the organization to have new goals or direction.
- Availability of dramatic symbols (like the CEO taking a pay cut or donating his salary to charity)

Culturally speaking, those cultures with a tradition of prophetic salvation (e.g., Christianity, Islam) are more welcoming of the charismatic leader, while cultures without prophetic tradition are less likely to embrace them.

In spite of a limited amount of scientific study where charismatic leaders are concerned, researchers agree there are applications and lessons to be learned out of this type of leadership. Leaders should have belief in their own actions. They should seek to develop bonds with their followers. And they must be able to communicate their messages clearly.

Transformational Leadership

Transformational leadership takes a chapter out of the book of charismatic leadership. (Bass, 1990) Followers admire and are inspired to act. But the transformational leadership concept takes that one step further and expects intellectual stimulation from a leader, as well as individual consideration, in which a leader singles out followers and provides them with additional motivation.

Transformational leaders motivate and teach with a shared vision of the future. They communicate well. They inspire their group because they expect the best from everyone and hold themselves accountable as well. Transformational leaders usually exhibit the following traits:

- Integrity
- Self-awareness
- Authenticity
- Empathy

Measuring a leader's ability to inspire and enable is a challenge, so researchers rely on anecdotes to supply data. This makes scientific study difficult. And even though this theory emphasize leadership behavior, it's difficult to determine how a leader can learn to be charismatic and transformational.

Servant Leadership

If you've read up on the Southwest Airlines organization, then you already understand the concept of servant leadership – they profess to practice it daily. A "servant leader" is someone, regardless of their level on the corporate hierarchy, who leads by meeting the needs of the team. (Greenleaf, 1970)

Values are important in the world of servant leadership, and those that lead within this network do so with generosity of spirit. Servant leaders can achieve power because of their ideals and ethics.

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There are many more leadership styles out there to be studied. Daniel Goleman, et. al., has written extensively about the concept of emotional intelligence in business, and he and his team review six emotional leadership styles in their book *Primal Leadership*. Flamholtz and Randle proposed a leadership style matrix in 2007 which measures the quality of people on a team versus the quality of the task to determine which leadership style is most appropriate.

By understanding various frameworks of leadership and how they work, those who are stepping up to lead can develop their own approaches to leadership and be more effective.

Trust and Leadership

The leader who does not establish trust will have no followers. Trust is the primary attribute associated with leadership, and trust that is broken can have an adverse effect on a group's performance. People are unlikely to

follow someone they think is dishonest, or someone they think will take advantage of them. Conversely, when followers trust a leader, they're willing to be vulnerable to the leader's actions.

What Is Trust?

What is trust? Trust is a positive expectation that another individual will not act opportunistically at another's expense. Trust is dependent on history, based on relevant but limited samples of experience. Trust involves five key dimensions:

- Integrity: the honesty and integrity of the individual.
- Competence: the knowledge and ability of the individual.
- Consistency: the reliability of the individual.
- Loyalty: the willingness of the individual to protect the interests of another.
- Openness: the individual's willingness to be forthcoming with others.

In today's world of business, there are plenty of reasons for trust to be deteriorating. Wells Fargo took advantage of sales teams and, with them, their own customers, and their predatory behavior was called onto the carpet in front of Congress. Volkswagen's faked emissions testing cost their business customers and international relations. Facebook has been taken to task for lax security measures around users' personal information, and the lack of checks and balances in their advertising policies may have influenced our country's presidential election.

Whether trust is lost between a leader and a follower, or a customer and a company, it costs the organization money.

Types of Trust

There are three types of trust in organizational relationships.

- Deterrence-based trust. Perhaps the most fragile of all the types of trust, deterrence-based trust is based on the fear of reprisal if trust is violated. A new employee might extend deterrence-based trust to his or her new manager, understanding that there is limited experience on which to base any other trust. The potentially harmed party must be willing to introduce harm in return if the trust is violated. "I am willing to speak poorly of you if you do the same to me," is an example of that.
- Knowledge-based trust. This trust is the most common, and it's based on the behavioral predictability that comes from a history of interaction. Even when an individual can predict that another individual will be unpredictable or untrustworthy, knowledge-based trust can still exist. "I know enough to know he won't show up on time and he won't bring the pizza," is what one might say in a knowledge-based trust situation.
- Identification-based trust. This is the highest level of trust achieved between two individuals, because it's an emotional connection between them. This trust is based on a mutual understanding of each other's intentions and appreciation of the other's wants and desires. A happily married couple exercises identification-based trust, as well as two people in an organization who have worked together for a long period of time.

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Principles of Trust

Where an organization is concerned, there are some basic trust principles that leaders should keep in mind:

- **Growth can mask mistrust.** In a time of organizational growth, leaders enjoy rapid promotions and increased power and responsibility. Leaders who don't plan to be with an organization for very long can take shortcuts and leave issues of mistrust for their successors to handle.
- **Decline tests the highest levels of trust.** There's nothing like a string of layoffs or an episode of corporate downsizing to erode even strong levels of trust.
- **Trust increases cohesion.** Group members who display trust in each other will work together and exert high levels of effort to achieve goals. Mistrusting groups should expect the exact opposite.
- **Mistrust generally reduces productivity.** While trust doesn't necessarily increase productivity, mistrust almost always decreases it. Mistrust forces group members to focus on individual differences, which makes it hard to visualize any common goals.

In a 2016 survey done by Price Waterhouse Cooper, they reported that 55% of CEOs think a lack of trust is the biggest threat to their business. Certainly , companies whose employees consider them "high trust" are experiencing a lot of advantages: their employees report 74% less stress, 106% more energy at work, 50% higher productivity, 13% fewer sick days, 76% more engagement, 29% more satisfaction with their lives, 40% less burnout. (Note: Zak, Paul J. "The Neuroscience of Trust." Harvard Business Review. January/February 2017. Accessed April 29, 2019. https://hbr.org/2017/01/the-neuroscience-of-trust.)

Be trustworthy.

Leadership Roles

Leaders are leaders because they're asked to face new challenges and take on new roles all the time. The most successful of them are able to adjust and put their leadership skills to work in these new atmospheres. Let's take a look at some of the demands today's business are asking their leaders to shoulder.

Providing Team Leadership

We discussed teams and team management in an earlier module. But what of the organization that decides to adopt a team approach. Traditional leadership roles are very different from that of a team leader. How do leaders move from a world of individualism to one of teams?

The command-and-control aspects in the world of individualism no longer make sense in the team environment, so this is one reason why some leaders find it impossible to adapt. Those leaders that have a more authoritarian style are likely to struggle and even fail here. But those that have a strong participative leadership style might take to team leadership like an organizational duck to water, and a large percentage of those with other leadership styles can adapt and learn.

Leaders being asked to become effective team leaders are expected to share information, give up authority, trust others and understand when to intervene. They often act more as facilitators than they do leaders. It's often a bit of a balancing act—especially at first—to determine when a team needs more autonomy and when the leader needs to jump in.

Management

Leaders often assume the "management" responsibilities around a team, like coaching, handling disciplinary issues, reviewing performance, training and communication. In addition, team leaders need to take on these four roles:

- **Liaisons with external constituencies.** The team leader represents the team to all external parties, including upper management, customers and suppliers. In this capacity, the team leader can obtain resources for the team, clarify expectations with outside parties and seek out information necessary for the team to do its job.
- **Troubleshooter.** Team leaders are often called upon to solve team problems, whether they're internal or whether they need external intervention, like gaining additional resources.
- **Conflict managers.** When disagreements occur, the team leader helps to manage them in an equitable way and tries to minimize the disruption of the disagreement.
- **Coaches.** Team leaders are looked upon to provide coaching and even some cheerleading, to support and improve the team's performance.

It's with these four roles that team leaders focus on managing the team's external boundary and facilitate the team's process.

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Mentoring

Leaders are often called upon to share their knowledge and skill with less-experienced employees who are new or show potential to hold similar positions one day. Some companies have formal mentor programs that call upon their leaders to share knowledge and spend time with high-potential younger employees, and in other organizations it's informal.

In a typical mentor/mentee relationship, the mentor provides guidance and assesses the skills of the mentee through observation and modeling. He or she would provide advice on handling a particular situation, and then follow up at a later time to understand the outcome of the mentee's issue, guiding him or her through any fallout or feedback that may have occurred. A mentor might act as a sounding board for ideas the mentee has but is reluctant to share with direct supervisors. These actions help the mentee build skills.

Mentors also lobby on behalf of their mentees, helping them gain visibility through special assignments, helping them earn promotions or salary increases, and advocates for him or her in higher circles within the organization.

These are all great situations for the mentee, but what about the mentor? Do they benefit? Absolutely! Mentees provide the mentor, who is presumably at a higher level, unfiltered access to the attitudes and sentiments of the lower echelons of the organization. The mentor/mentee relationship is an important communication channel to identify issues before they become issues. Mentoring can also provide personal satisfaction to senior executives, who get the opportunity to share their knowledge and experience with others.

The organization also sees a benefit from a mentor/mentee relationship. Mentees are often more motivated and less likely to quit, so mentor/mentee programs directly impact innovation, motivation and turnover.

However, there are some drawbacks of the mentor/mentee program: women and minorities are less likely to be chosen, because mentors are, more often than not, white males, and people naturally choose to mentor those they relate to the easiest. However, organizations are creating formal programs to ensure that more women and minorities can benefit from this experience.

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Issues in Leadership

Now that we've talked about the various roles a leader can be called on to fill, what about some of the bigger issues in today's environment?

New Technology

A retail company is testing the use of artificial intelligence for their email marketing. An employee writes an email that lets their customers know about an event or a sale going on in the store that weekend. Artificial intelligence then writes seven more email subject lines for that same email. They send all eight to a test group of their loyal shoppers, and over the course of a couple hours, the company is able to determine which of those eight subject lines entices customers to open the email. That subject line is then put on emails to all the other loyal customers in the retail chain.

The objective of using artificial intelligence to write emails is to attempt to increase email open rates. In fact, this retail company is experiencing a 5% increase in open rates, which translates to approximately eight more transactions per weekend in each of the retail chain's stores across the country.

A leader was once called upon to manage the employee who was clever enough to write a subject line that enticed customers to open emails. Now that leader is tasked with identifying technology that will help them increase the effectiveness of their email marketing programs, but they need to manage that technology, and the employees who are manipulating that technology for results.

Technology will disrupt the workforce (that retail company didn't need to hire a marketer to write emails, after all) and it will provide all the "big data" the leader could ever want to make decisions about how to market to customers. Technology is an ever-changing tide of new information that's difficult to stay on top of and difficult to manage once its within the walls of the organization. Leaders must find a way to provide guidance for employees, reinforce the company's mission and vision, and incorporate these new options into daily operations.

Industry Disruption

Technology is often the fuel for industry disruption. Leaders today are unwittingly forced into change management situations when a new business model pops up and changes all the rules they've been operating under.

NEW COMPETITION

Satellite dish and cable companies were charging outlandish amounts of money per month for their television services having entered most large markets thirty years before, disrupting the broadcast television market. They were getting fat off their profits when a little company called Netflix started sending DVDs by mail . . . and then went online. Netflix was a market disruptor, and other options like Hulu followed soon behind them.

Transactional leaders quickly found themselves smack in the middle of change management situation—trying to determine how their companies could reposition themselves and distinguish them in the market, and then provide that new vision to their employees.

Leaders at the U.S. Postal Service found themselves doing it when faced with FedEx; cab and limousine services all over the country found themselves doing it when Uber and Lyft arrived on people's cell phones.

Has our last hundred years of research prepared us for the choppy waters these digital times have presented to us? Certainly, organizations are not just looking for the leader who can react to the industry disruption being forced upon them, but the leader that can do a little disrupting. According to research done by Forrester, a research and advisory firm, qualities that leader may need to have include: (Note: McQuivey, James L., Michelle

Moorehead, Ryan Trafton, and Kara Hartig. "Leadership In The Age Of The Customer: Customer-Obsessed Leaders Do Five Things Right." Forrester. April 26, 2016. Accessed May 07, 2019. https://www.forrester.com/report/Leadership In The Age Of The Customer/-/E-RES134101.)

- Ability to break barriers
- Liberate talent and free people from “rules”
- Be a model of behavior
- Put innovation on display

If that seems a little vague, it is! As we move to a customer focused business world, industry disruption will continue to raise the bar to new and innovative heights. Leaders will either be leading the charge or responding in kind.

Dispersed Workforces

A 2017 survey showed that 2.9% of all workers in the US worked from home. (Note: Parris, Jennifer. "The State of Telecommuting in the U.S. in 2017." 1 Million for Work Flexibility. June 28, 2017. Accessed May 07, 2019. https://www.workflexibility.org/state-of-telecommuting-us-2017/.) As a leader, it’s challenging to keep employees connected to the company’s vision—and each other—when they’re not physically present in the workplace.

As one leadership assessment concluded, “Leadership is leadership. Being authentic, connecting with others, promoting inclusiveness, networking, and all of the interpersonal skills that build relationships and trust are always important.” The application of those skills, however, is different, and leaders must learn to be deliberate and intentional in executing those skills.

Dispersed workforces require an understanding of culture (as sometimes these virtual teams are global), an effort to include all members, and leadership focus on reinforcing goals, celebrating wins and maintaining a connection to the organization’s vision.

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Leaders assume roles and navigate issues so that their employees can perform at the highest possible level with as few disruptions as possible. Contemporary leaders face new roles and issues every day in this fast-paced world. Real leaders will continue to emerge as new situations present themselves.

Challenges to Leadership

Companies need leaders—or, do they really?

When a company succeeds, people need to give someone credit for that. It's usually that company's leader, the CEO, who takes the credit. If the company fails, people need someone to blame. Trundle out the CEO again! The figurehead of the organization is the figurehead of all successes and failures that come to that organization.

In reality, organizations' successes and failures come from a wide variety of internal and external influences, some in which the CEO played a part, and some in which he or she didn't. But when things go wrong, the people, the media, even the board of directors, don't usually ask, "How is ousting the CEO going to solve our current problems?" Often times, the answer is, "It won't."

So, is leadership more about appearances than reality?

Leadership Attribution Bias

Attribution is the way people make sense out of cause and effect relationships. If a person wakes up with heartburn in the middle of the night, they may attribute it to the pizza they ate for dinner earlier. If a person is offered a promotion at their job, they may attribute it to the successful completion of a high-profile project earlier in the year.

The attribution framework shows that people characterize those with traits such as intelligence, outgoing personalities, aggressiveness, strong verbal skills and the like as leaders, or at least as leadership material. Similarly, individuals who score highly on task performance and relationship performance are seen to be good leaders. Situation doesn't really get calculated into this point of view. They just have these traits and skills, so they are, without question, good leaders.

When an organization has extremely poor (or extremely good) performance, people are going to reach to make a leadership attribution to explain that performance. Humans have a tendency to overvalue a leader's impact on performance. And this is why CEOs are either celebrated or take the fall, regardless of how much they're actually responsible for the results.

When a leader is replaced, a new leader is likely to benefit from a phenomenon called regression to the mean. That is, most teams or people who are underperforming will naturally improve, without intervention, by reverting to their historical average performance. This will lead observers to come to the conclusion that the new leader is responsible for the improved performance.

So, in keeping with this attribution bias and theory, it would seem that having the appearance of being a leader is actually more important than actual accomplishments. People who aspire to leadership roles can attempt to shape the perception that they're intelligent, have outgoing personalities, are aggressive, have strong verbal skills, and so on, and they're likely to increase the probability that their managers, colleagues and employees will view them as an effective leader.

Substitutes and Neutralizers

Just as people can place too much value on the leader's contributions to the success or failure of an organization, in some situations, a leader's contribution can be completely irrelevant.

In 1978, Steven Kerr and John Jamier developed the substitutes for leadership theory suggesting that different situational factors can substitute or neutralize the effects of a leader's efforts. (Note: Kerr, S. and J. M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance.* 1978) While there were methodological issues with their findings, the study has held up and is worth considering here.

Situations that are neutralizers make it impossible for the leader behavior to make any difference to follower outcomes. Substitutes act as a replacement for leader influence. The impact of these different substitutes and neutralizers depends on whether leadership is relationship-based or task-based.

For instance, if an individual is intrinsically satisfied in their job, this can be a substitution for the contributions of a relationship-based leader. If an organization has very explicit formalized goals and rigid rules and procedures, this can be a substitute for task-oriented leadership.

There is some application for this theory. For example, autonomous work groups have been considered a substitution for formal leadership. In autonomous work groups, employees are divided into groups that are responsible for managing their own day-to-day work, including recruiting, hiring, distribution of tasks, etc.

Self-leadership is also an application for this theory. In self-leadership, the individual controls his or her own behavior through a set of processes. The underlying assumptions behind self-leadership are that people are able to exercise initiative without the external constraints of management, rules or regulations.

This concept has increased with the popularity of teams, as empowered, self-managed teams need team members who are, themselves, self-directed.

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LEADERSHIP VS MANAGEMENT

What you'll learn to do: Describe the history, context and utility of the distinction between leadership and management

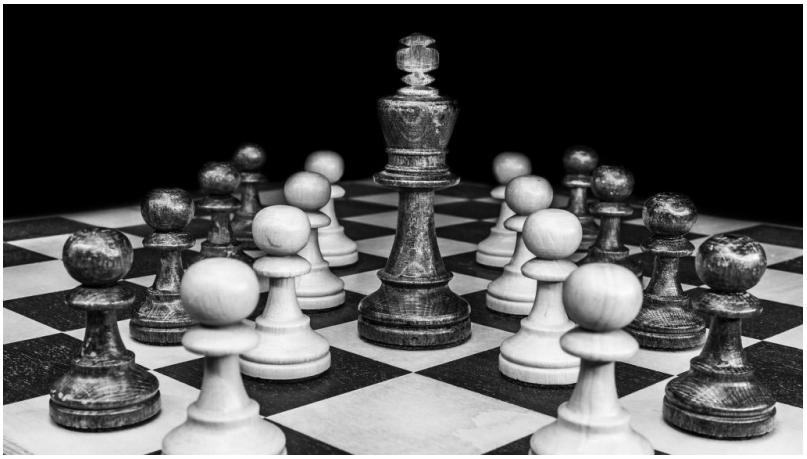
The ideas of leadership and management were developed independently and under vastly different circumstances. The concept of the "great man" was the birth of the idea of leadership, celebrating the qualities and accomplishments of men who changed the world. The idea of "management," which included the study of employee tasks to determine which methods of performance were most productive and profitable, came from a very different, more pedestrian place. Management was a means to an end. Leadership was almost godlike.

Today, there's less of a divide between "leader" and "manager." So much so, that we contemplate and argue the differences between the two functions.

LEARNING OUTCOMES

- Analyze the difference between leaders and managers
- Discuss the hybrid role of leader-managers in contemporary organizations

Leader or Manager?



We've used the word "leader" and we've used the word "manager." You may think they're interchangeable, but they aren't. They are different.

Abraham Zaleznik, Harvard Business School Professor Emeritus, was the first to write about the differences between leaders and managers. His article, "Managers and Leaders: Are They Different?" challenged the traditional view of management, which centered on organizational structure and processes. (Note: Zaleznik, Abraham. "Managers and Leaders: Are They Different?" 1977. Accessed May 08, 2019 from Harvard Business Review. https://hbr.org/2004/01/managers-and-leaders-are-they-different.) Organizations, at the time, developed managers with a focus on process and control. Zaleznik argued that these same organizations were missing the opportunity to develop leaders by concentrating on this, because they were really two different types of people.

Zaleznik charged that the approach of the typical organization was omitting essential leadership elements of inspiration, vision and human passion from their concept and development of people. He went on to define a manager as someone who seeks order, control and rapid resolution of problems. A leader, he went on to say, is more like an artist, and "tolerates chaos and lack of structure." Organizations were too often not creating an environment where leaders could flourish.

In Zaleznik's view, both leaders and managers contribute to the organization. Leaders contribute by advocating change and new approaches, and do so by gaining the commitment of employees. Managers contribute by advocating stability and the status quo, exercising authority, carrying out responsibility and determining how work will get accomplished.

John Kotter, current Harvard Business School Professor Emeritus, had some additional opinions on the differences between leadership and management. In 1990, Kotter proposed that leadership and management were two distinct, yet complementary systems of action in organizations. Specifically, leadership is about coping with change, and management is about coping with complexity.

Kotter's view of the leadership process involves:

- Developing a vision for the organization
- Aligning people with that vision through communication
- Motivating people to action through empowerment and basic needs fulfillment

Conversely, Kotter's view of the management process involves:

- Planning and budgeting
- Organizing and staffing
- Controlling and problem solving

Here's an explanation of Professor Kotter's point of view from the man himself:

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Why is it important for us to understand the difference between leaders and managers? As John Kotter indicated, it comes down to business needs. The video above, which was made in 2013, talked about the importance of leaders in a time when organizations were selecting and rewarding based on management skills. There are not,

Kotter said, enough leaders to take us through these swiftly changing times, and in a time when change is the norm, it's the leader you need.

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Time has gone by, and perhaps we're now putting too much emphasis on the talents of the leader and not the manager. Organizations need managers to lead and leaders to manage—certainly in hiring a manager they are given the authority to lead. Managers today need to ask themselves what kind of guidance their teams need to turn vision into reality, and that's needed at every level in the organization.

- Zaleznik proposed that managers were results driven and leaders were creative artists.
- Kotter proposed that leaders navigated change and managers navigated complexity.
- Researcher Warren Bennis said, "Managers are people who do things right, and leaders are people who do right things."

Organizations need both.

Leader-Managers

To read articles that highlight the differences between leadership and management is to think that leadership is great and management is evil. After all, leaders inspire, and managers control. Leaders evoke passion while managers evoke obedience. Who would want to be a manager after reading things like that?

We understand now that there's a difference between the role of leader and the role of manager in an organization, and that organizations need both to function well. Leaders do provide the vision and get buy-in from employees to believe in it and execute on it. Managers provide instruction and create conformity. Having this understanding allows us to identify organizational needs around both functions, so we can shift gears to provide it.

Furthermore, we understand that people can be leaders and managers all at once. Let's take a look at this hybrid leader-manager role.

The late business management guru Peter Drucker said, "The task is to lead people. And the goal is to make productive the specific strengths and knowledge of every individual." (Note: "What Is the Difference Between Management and Leadership?" The Wall Street Journal. Accessed April 29, 2019. http://guides.wsj.com/management/developing-a-leadership-style/what-is-the-difference-between-management-and-leadership/.) Such is the leader-manager's charge at every level in the organization.

Let's assume that you lead the financial operations of a small portion of the company. You have accounts payable and accounts receivable functions reporting to you. You, in turn, report to the company's comptroller. How do you, from your office without windows on the third floor, put Peter Drucker's advice into motion?

Have a Vision

Create momentum around your vision and the company's vision—and encourage your departments' leaders to do the same

Perhaps your vision for the department is to be the best finance department in the company, outperforming the financial departments that support the company's other areas. Your job as leader is to tie that vision to the goals and beliefs of your employees. And, because leaders create other leaders, you encourage your accounts payable and accounts receivable managers to do the same with their smaller teams.

Explain Your Reasoning

Set examples and explain your reasoning to earn employee respect

Employees often follow the examples of leaders who display integrity and strength in their interactions. The leader-manager often has to make unpopular decisions, and when he or she does, an explanation of the reasoning behind that decision can help the leader earn the respect of employees.

Accomplish Goals

Business people who have subordinates at almost every level will agree that inspiring others is their most important function, but most understand that accomplishing goals is the central concern of the work they're doing. Without accomplish tasks, there is no productivity, no profit. If employees are motivated and excited about the work they're doing, the leader-manager should be well on his or her way to guiding the team's accomplishments. This is where a hybrid of managerial skill and leadership traits really moves into action.

Innovate New Solutions

Obstacles and roadblocks are commonplace in the business world. Leaders embrace risk and understand that they must be taken to grow. Leaders embrace change. Managers, on the other hand, like routine and status quo, if we are to understand the assessments of researchers correctly. As a leader-manager, you will need to assess the roadblocks you see and innovate new solutions to overcome them. Some may work and some may not.

GOOD BOSS, BAD BOSS

Robert Sutton, author of the book *Good Boss, Bad Boss*s and Stanford University professor, noted that Warren Bennis' statement, "The manager does things right; the leader does the right thing" (Note: Ibid.) had some unintended negative effects on how leaders approached their work today.

In his article "True Leaders are Also Managers" for the Harvard Business Review, Sutton stated, "Some leaders now see their job as just coming up with big and vague ideas, and they treat implementing them, or even engaging in conversation and planning about the details of them, as mere 'management' work." (Note: Sutton, Robert I. "True Leaders Are Also Managers." Harvard Business Review. August 11, 2010. Accessed April 29, 2019. https://hbr.org/2010/08/true-leaders-are-also-managers.)

Sutton cited some of the leaders he respected most, like Steve Jobs, Francis Ford Coppola, Anne Mulcahy because they have a remarkable ability to bounce between big picture ideas and the minuscule details that eventually contribute to the fruition of their work. On this, Sutton comments (Note: Ibid.)

> I am not rejecting the distinction between leadership and management, but I am saying that the best leaders do something that might properly be called a mix of leadership and management. At a minimum, they lead in a way that constantly takes into account the importance of management. Meanwhile, the worst senior executives use the distinction between leadership and management as an excuse to avoid the details they really have to master to see the big picture and select the right strategies.

He concluded by modifying Bennis' statement, "To do the right thing, a leader must understand what it takes to do things right." Organizations need leader-managers, people who can empower teams and guide them to their goals.

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PUTTING IT TOGETHER: LEADERSHIP

In this module, we considered all the things that a leader could be made of—the personality traits, the behaviors, and the occasions on which they are called to rise—and tried to determine how inspiring leadership happens. Are leaders born or are they made?

The answer lies in between, in a perfect storm of trait, behavior, situation, followers and style.

Organizations need both leaders and managers, and the person that holds one title will be called upon to adapt to the other. These leader-managers should be found at every level of the organization, from the senior team all the way down to the front line employee.

The organization of tomorrow needs people who do things right and do the right things.

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MODULE 14: ORGANIZATIONAL STRUCTURE

WHY IT MATTERS: ORGANIZATIONAL STRUCTURE

Why learn about common organizational structures?

In March, 2018, Walt Disney Company announced a major restructuring of their business. *The Los Angeles Times* reported the following: (Note: Miller, Daniel, and Jaclyn Cosgrove. "Disney Restructures Its Business as Digital Disruption Shakes up the Media Industry." Los Angeles Times. March 14, 2018. Accessed April 24, 2019. https://www.latimes.com/business/hollywood/la-fi-ct-disney-restructuring-20180314-story.html.)

> The Burbank-based entertainment giant said it would combine its international media business and its content streaming operation into one unit and create another division to house its consumer products business along with Walt Disney Parks and Resorts.
>
> The move—Disney's biggest restructuring in recent years—is the latest effort by a legacy entertainment and media company to adapt to rapid changes in consumer behavior driven by digital technology.
>
> Disney had been expected to make structural changes as it prepares to launch two streaming services and buy film and TV assets owned by 21st Century Fox—a $52.4-billion deal that requires federal regulatory approval.
>
> Disney's new direct-to-consumer and international unit will include the upcoming ESPN+ streaming service, which launches later this year, and a Disney-branded film and TV streaming offering scheduled to debut in 2019.

Disney is a company that has proven they can change with the times. As they near their 100th anniversary, they are preparing to take on some new environmental shifts in the business. People are now demanding streaming as a part of their entertainment. Disney is ready to answer that call.

But do they need to change the way their business is structured—who reports to whom, functional groupings, span of control—to adapt? Does this restructuring support the company's strategy? Ultimately…will the restructure increase their profits?

Organizational structure is an important aspect of the organizational behavior framework, and organizations refer to them time and again as they prepare to take on the changing headwinds of their business environments. Disney feels these structure changes will set them up for success. But don't take the word of a man and his mouse. The many benefits of a solid, appropriate organizational structure will follow. It may surprise you just how much of a difference it can make.

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ORGANIZATIONAL STRUCTURES AND THEIR HISTORY

What you'll learn to do: Describe the various organizational structures and their history

When the US economy went from the general store on the corner to the boom of manufacturing and the industrial revolution, there was a need to look at businesses differently. Suddenly, there were not two or three employees in a business, there were hundreds. There was not just one group of tasks to complete, there were dozens.

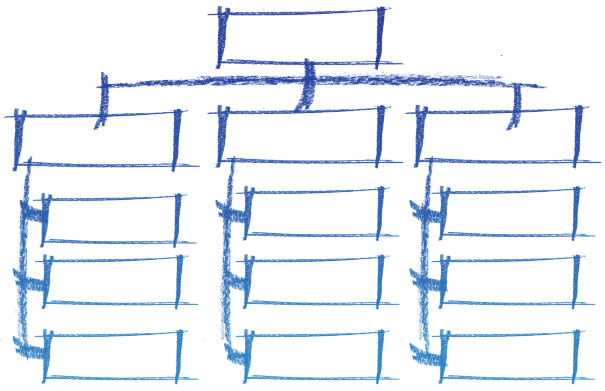
Just as we looked to our team members to decide how to motivate them and make them more productive, we began to study organizational structure to determine how that had an influence. Organizational structure brings together Taylor's ideas of work specialization, Fayol's ideas of chain of command, and Weber's bureaucracy to add to the productivity and efficiency of business.

LEARNING OUTCOMES

- Discuss the elements of organizational structure
- Discuss common organizational structures and their historical origins
- Identify modern organizational design options

What is Organizational Structure?

A worker reports to a manager. A manager reports to a director, a director reports to a vice president, and a vice president reports to a C-level senior leader, like a chief executive officer or a chief administrative officer. If you've ever worked in a corporate setting, you're likely to recognize this as the basic set of layers of an organization's structure.



Organizational structure defines how job tasks are formally divided, grouped, and coordinated. The structure of an organization usually features six different elements:

- Work specialization
- Departmentalization
- Chain of command
- Span of control
- Centralization and decentralization
- Formalization

PRACTICE QUESTION

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Now that we understand just what organizational structure is, let's take a look at each one of its elements, so we can better understand how organizations choose to structure themselves to maximize productivity.

Work Specialization

Earlier, we studied Frederick Winslow Taylor, who researched time and motion and determined the most efficient ways for workers to do their tasks. Taylor's "one right way" was the birth of work specialization. When Henry Ford conceived the assembly line, he tossed aside "one best way" and viewed work specialization with an eye toward continued improvement. Work specialization describes the degree to which activities in the organization are divided, and then subdivided, into separate jobs.

If you put one worker on the task of building an automobile, he might still be building it a month or two later. But if you have one worker that's focused on installing right front tires, and another who is focused on left front fenders, then those tasks become standardized. Employees learn to do them quickly with practice.

By the 1940s, most manufacturers were practicing work specialization, or "division of labor" as it's sometimes called. Work specialization was ideal from a task point of view—easy tasks could be done by unskilled labor, and those tasks that required more skill could be separated out and addressed by employees that possessed those skills. Those skilled employees weren't wasting their time on tasks they didn't have to be doing.

Work specialization was also ideal from a productivity point of view. Installation of brake pads requires different tools than the installation of a tire, and when workers were assigned to one of those tasks instead of both, tools didn't need to be taken out and put away. Employees could cheaply be trained to do one specific task, and many employees, each trained to do their specific task, could assemble highly complex machinery quicker and easier than one highly trained employee that possessed all the skills to complete the assembly.

Manufacturers continued to tinker with and fine-tune worker specialization to increase productivity until the 1960s, when it became clear that a good thing could be taken too far. Boredom, stress, low productivity, increased absenteeism and turnover offset higher productivity. Manufacturers responded by enlarging worker specialization, including more tasks within a position to increase engagement.

Departmentalization

Once jobs are divided up through work specialization, those jobs need to be combined together to coordinate common tasks. Departmentalization is the basis by which jobs are grouped together. Jobs can be grouped in the following ways.

- Function. This is among the most popular way to group activities. Corporations might have a supply chain function, a finance function, a human resources function. All the worker specializations for those areas are grouped together, and people with common skills work in common units.
- Product. A large manufacturing company might group its common tasks together by product. A paper products manufacturer might have a department for office paper, and other department for bathroom tissues, and yet another for cartons. The major advantage of organizing common tasks this way is to increase employee accountability for the success of those products.
- Geography. If an organization's customers are scattered over a geographic region, an organization might choose to group common tasks geographically. A company that has a South, Midwest, and Eastern sales function is organizing around territory, or geography.
- Process. A manufacturing plant might choose to organize common tasks around process. A tubing plant might organize departments around casting, pressing, finishing, packaging, etc. Each department specializes in one particular part of the manufacturing process. The same kind of departmentalization is true of the Department of Motor Vehicles, where you proceed from one area to another to renew your license plates or your driver's license.

- Customer. A business might choose to combine tasks around the type of customer it serves. For instance, a service like Dropbox.com has free file sharing and cloud storage for its individual users, but there is also a department of Dropbox that services business clients.

Large corporations can use any or all of these types of departmentalization to organize themselves. They might have a manufacturing area that organizes itself around process, but then a sales department that is organized geographically and a corporate support center that's organized functionally.

Chain of Command

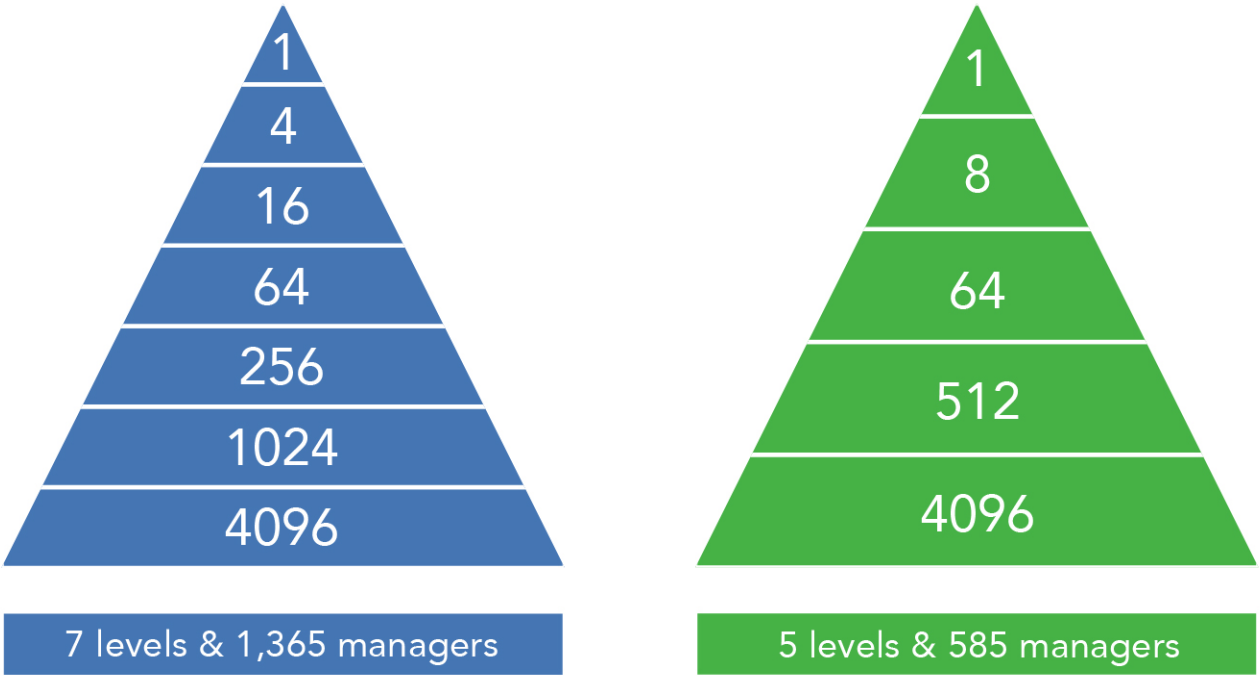
The chain of command is the unbroken line of authority that extends from the top of the organization (e.g., the CEO or the President) to the lowest echelon and clarifies who reports to whom. At the beginning we talked about managers reporting to directors, who reported to vice presidents who reported to C-level leaders. Such is the chain of command.

Two additional concepts go along with the idea of chain of command. The first, authority, describes the rights inherent in a managerial position to give orders and to expect the orders to be obeyed. The second, unity of command, describes the concept that a subordinate should only have one superior to whom he or she is directly responsible. If unity of command doesn't exist, there's a likelihood that a subordinate will be responding to commands from different people and experiencing a dilemma of competing priorities, which isn't productive.

We learned about Henri Fayol and his theories around management, particularly chain of command and unity of command. These principles used to be a cornerstone of organizational structure, but advancements in technology and the trend toward empowering employees makes this less relevant today, but the chain of command element is not going to disappear any time soon.

Span of Control

Span of control deals with the number of subordinates a manager can effectively direct. The wider an organization can make its managers' spans of control the more efficient it will be. Wider spans of control save money.



Consider the span of control of the company represented in the drawing above in blue. The blue company has 5,461 employees and six levels of managers to manage them (all but the bottom layer of 4,096). Let's say those managers make $50,000 apiece. The total payroll for 1,365 managers making $50,000 apiece is $68,250,000.

If we look at the green company, we still have a bottom layer of 4,096, but less managers overall managing them. If the green company's 585 managers each make $50,000, the green company's total payroll for those managers is $29,250,000. That's a huge savings.

Small spans of control are not only expensive, but they tend to complicate communication up and down the organization. The more layers, the more the message has to travel from manager to manager. Narrower spans of control also encourage overly tight supervision and less employee creativity and empowerment. In recent years, the trend has been toward wider spans of control.

Centralization and Decentralization

Centralization refers to the degree to which decision making is concentrated at a single point in the organization.

In a decentralized organization, employees are empowered to make decisions, so action can be taken quickly to solve problems, and employee input is considered. The more lower-level employees have the power to make decisions, the more decentralized an organization is.

In a centralized organization, upper management makes all decisions and lower management is there to carry those decisions out.

Formalization

Formalization refers to the degree to which jobs within the organization are standardized. An employee in a highly formalized job has little input as to how that job is done, when it's done or how it should be done.

A worker on the assembly line is probably in a highly formalized job, where he doesn't have much say in how he does his job. An accounts payable associate also doesn't have a lot of say in how those many invoices are processed, but her job is probably a little less formalized than the assembly line worker. A sales associate, out calling on customers, may have very little formalization in his job.

PRACTICE QUESTION

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Now that we understand the six elements that figure into organizational structure, let's take a look at some common configurations of organizational structure and in what instances they are used.

History of Common Structures

Fayol introduced chain of command, separation of jobs, power, and authority; Weber introduced the bureaucratic approach, and Taylor introduced job specialization. They championed the idea of structure within an organization to support efficiency and effective operations, but they never actually prescribed what an organizational structure should look like. In fact, organizational structure was a matter of choice and could differ from organization to organization. The only criterion for any proposed structure was that it be effective.

It wasn't until the 1930s that organizational structures started becoming a bit more standard. As human relations theory took hold, researchers pondered an organizational structure that would allow for the needs, knowledge and opinions of employees to be better recognized.

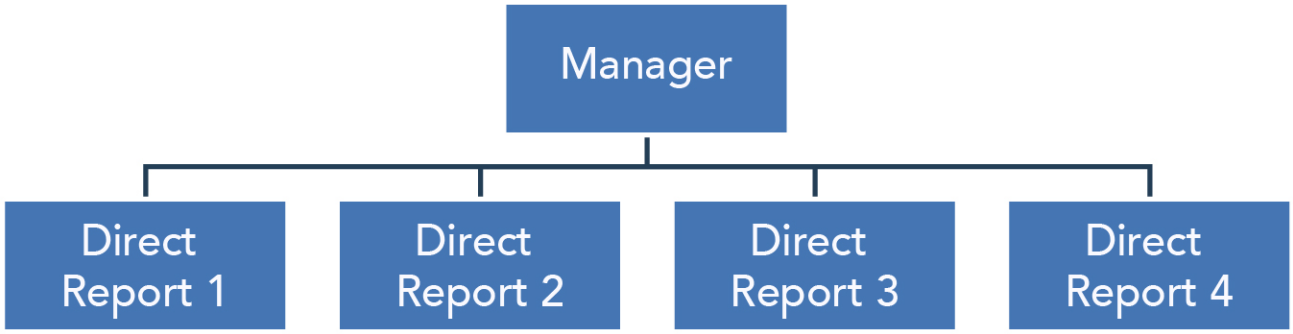
An organization's structure contains the six elements we described, and is laid out in such a way that employees are able to, be productive, make a profit, and accomplish the organization's mission. Let's take a look at some of the older, simpler organizational structures that companies have adopted. They're still very much in use today.

The Simple Structure

The simple structure is aptly named because, well, there's just not much to it. Simple structures have

- A low degree of departmentalization
- Wide spans of control
- Centralized authority
- Little formalization

The typical simple organization structure is flat:



This type of organizational structure is inexpensive to maintain and accountability is very clear. However, it's difficult to maintain this kind of structure in any but a small organization. When this kind of organization structure increases in size, decision making slows down and the manager becomes overly burdened as the go-to decision

maker for 50-100 people. It's also risky – everything depends on one person, and should that person become ill or die, it puts the business in jeopardy.

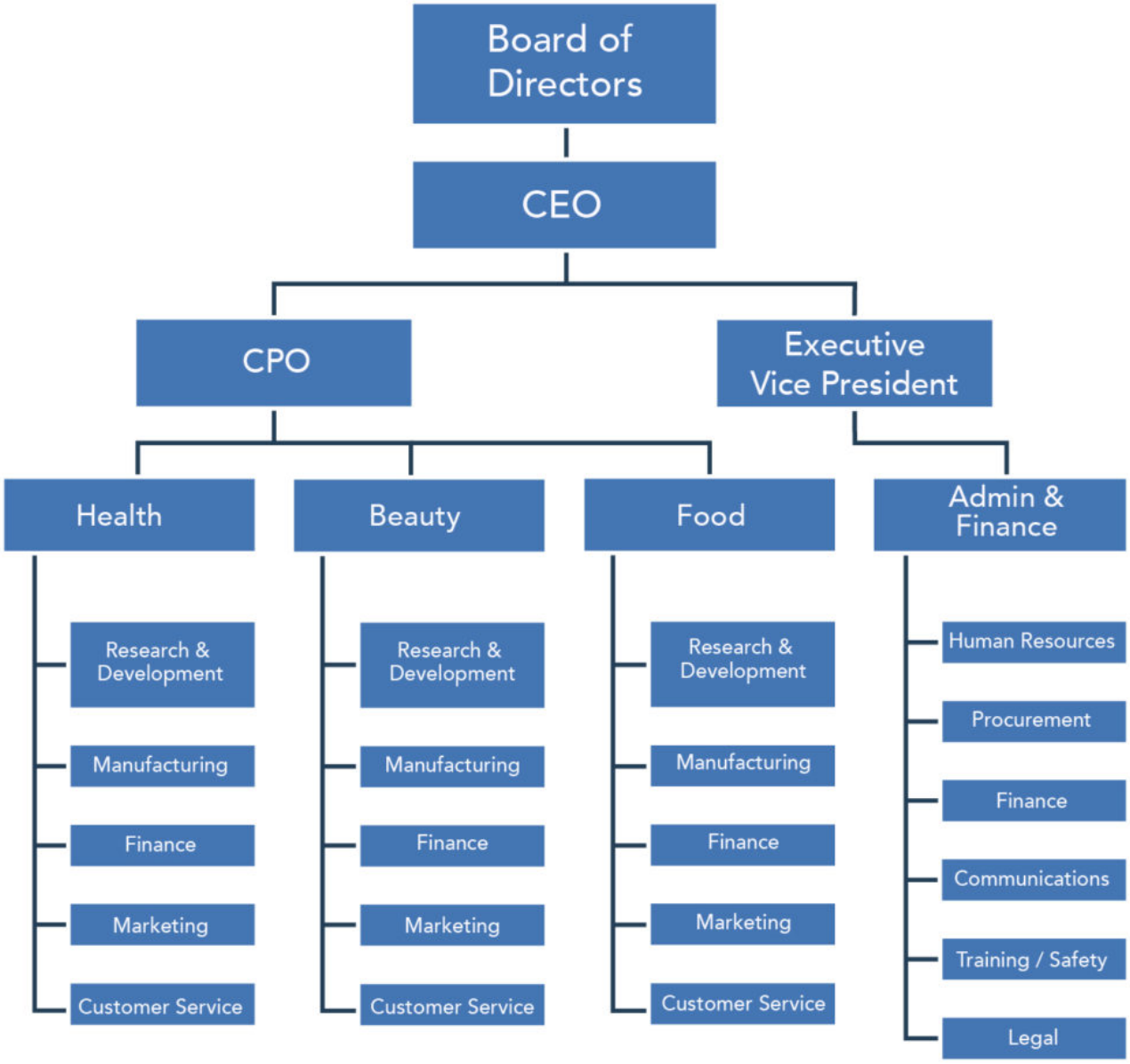
The simple structure is often referred to as "pre-bureaucratic," in that it lacks a standardization of tasks.

Bureaucratic Structure

Bureaucratic organizational structures take a chapter out of researcher Max Weber's book, with clearly defined roles and responsibilities, hierarchical structure and respect for merit. This organizational structure is characterized by

- Highly routine operating tasks achieved through specialization
- Very formalized rules and regulations
- Functional departmentalization
- Centralized authority
- Narrow spans of control
- Decision making that follows the chain of command

Bureaucratic organizational structures are pyramid-like, with a CEO atop the chain of command in the corporate structure and a clear chain of command underneath. A bureaucratic organizational structure might look like this:

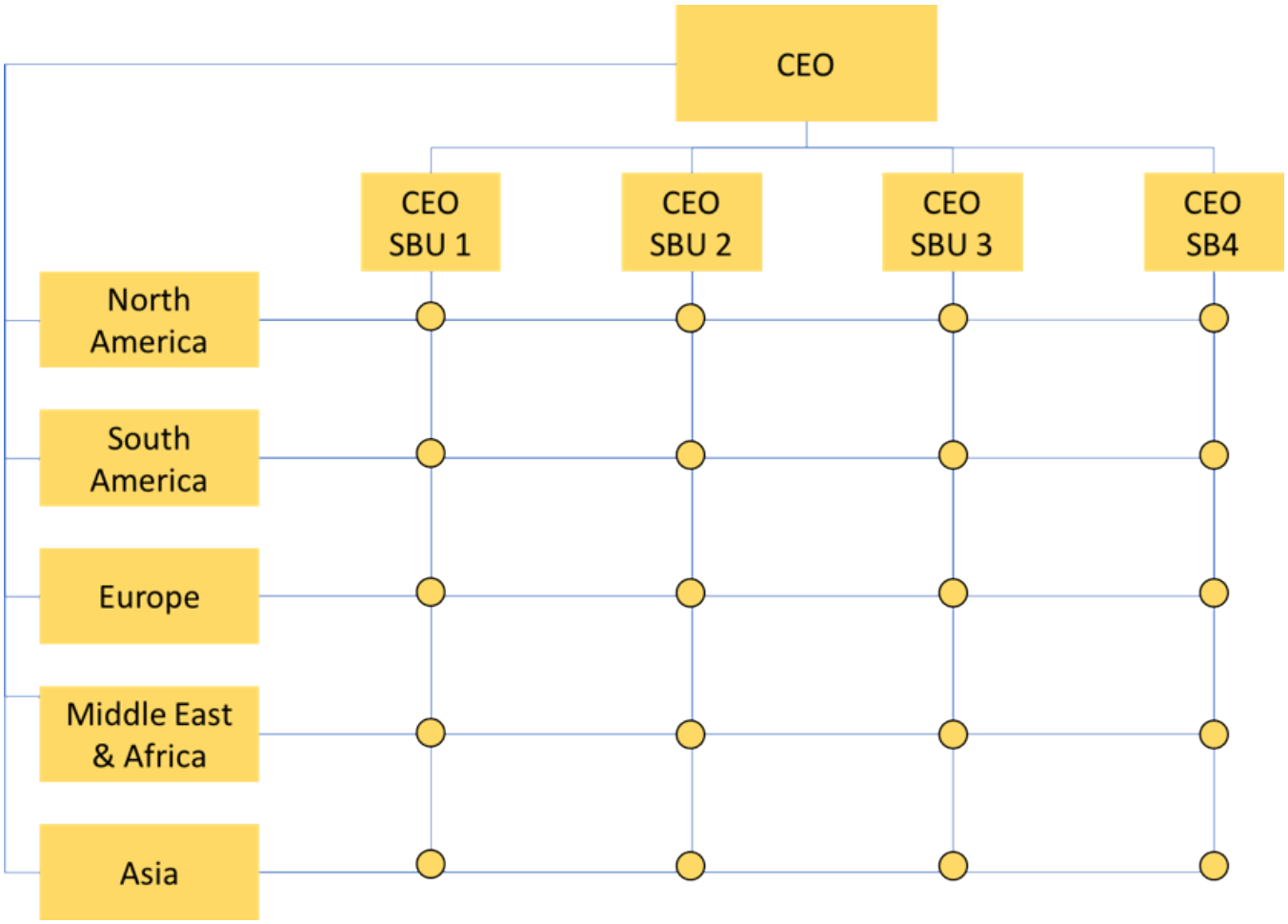


Bureaucratic organizational structures are ideal for organizations that require standardization (think banks, government offices). They're ideal for organizations looking for the ability to perform standard tasks highly efficiently. Organizations with bureaucratic structures can get by with less talented people at lower levels, because decision making almost always falls to senior leaders.

The downfalls of bureaucratic structures are that they create silos – functional areas that often don't talk to each other.

If the bureaucratic organizational structure looks familiar, it's because it's still tremendously popular with organizations today. Even as trends are changing toward teams and other types of structures that help businesses compete, organizations still hold onto the hierarchical structure of the bureaucratic structure as the norm.

The Matrix Structure



Matrix structure with geographic and product (SBU) structure.

A matrix structure creates dual lines of authority and combines functional and product departmentalization.

Ad agencies, hospitals, universities and management consulting firms use the matrix organizational structure. It's easy to see why – by creating a dual reporting situation, a manager who's working with a company on advertising would be able to manage a team that included a representative from each of the needed areas to get a campaign running—a graphic designer, a space planner and so on.

This structure allows for the efficient allocation of specialists. Information is more easily exchanged, as the contact between the different departments is increased.

The major disadvantage is the ability to get all these people moving at the same time, with clear priorities, to deliver a solution that's on time and on budget. It can also create power struggles, because it tosses aside the idea of unity of command.

The matrix structure is among those that are considered "post-bureaucratic," in that it does contrast in some ways with Weber's ideals. That said, the matrix structure doesn't really depart from Weber's in that hierarchy and authority still exist here.

PRACTICE QUESTION

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Organizational structures continue to evolve to meet the globalization and economic demands of today's business world. Let's take a look at some more modern types of structures.

Modern Organizational Design

"Post-bureaucratic" organizational structures continue to be developed to enhance how organizations do business and remain competitive. Let's talk about some of these new options, designed to help organizations do business in today's world.

The Team Structure

In an organizational structure based on teams, the structure breaks down department barriers and decentralizes decision making to the level of the team. Team structures usually require employees to be generalists as well as specialists.

A team structure can define a whole company. Whole Foods Market boasts a team-based organizational structure, with the teams shaped around their departments within the store—there was a produce team, a meat team, and so on. Based on the shape of the organizational chart in Figure 1, you can understand why Whole Foods refers to its mission statement as the "Declaration of Interdependence." Indeed, each of the teams is dependent on and answers to the other members of their own team and the other teams.

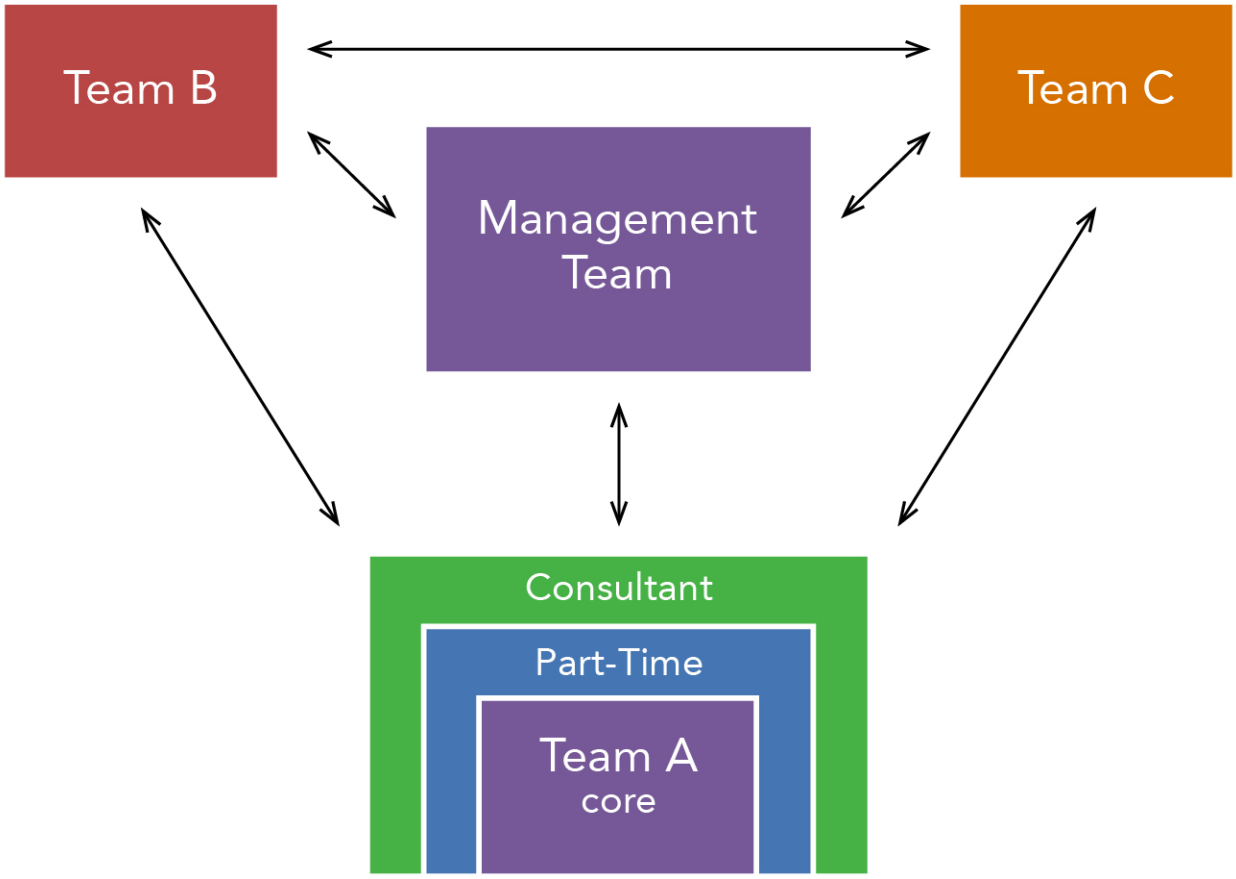


Figure 1. Team-Based Organizational Chart

More often than not, when larger organizations decide to use teams, they do so as a part of a bureaucratic structure rather than a straight team structure. Moving from a bureaucratic to a team structure requires a great deal of change, so larger organizations will assemble teams and add a quasi-team structure into their bureaucratic org chart.

Virtual Organization

A virtual organization is a small, core organization that outsources major business functions. Think of it as "renting" departments rather than owning them.

Back in the early days of Hollywood, movies were made by big studios with large bureaucratic organizational structures and a laundry list of celebrities. Now, when you sit down to watch a movie, you see several different production companies' logos on the screen before the movie even starts. It might begin with "Paramount." And then you see "Bad Robot." And maybe two other companies. Each one of those companies has played a role in making the film. During the credits, you see animation companies and sound editing companies. Paramount may be acting as the central "organization." The businesses to which Paramount sends work would make up the balance of the virtual organization.

The chart in Figure 2 illustrates a typical virtual organization, which includes employees that practice flex-time in a home office, ones that are in satellite offices domestically and internationally, and then a group of independent contractors, telecommuters and vendors.

Paul Newman's food product company, Newman's Own, runs on a virtual organizational structure. Newman's Own employs only 18 people, and outsources almost everything—manufacturing, procurement, shipping and the like.

Large organizations dabbling in the virtual organizational structure usually do so to outsource manufacturing. Thousands of well-known organizations are virtual in one way or another. General Motors, Nike, and Cisco are just a few of them. The flexibility a virtual organization provides is hard for organizations to resist, as it allows them to contract out any function they feel another organization can do more cheaply than them.

The virtual organization is definitely on the other side of the spectrum from bureaucratic organizational structure. The bureaucratic organizational structure seeks control in multiple levels and, if there is a downfall to the virtual organizational structure, it is that there is far less control over the different parts of the business.

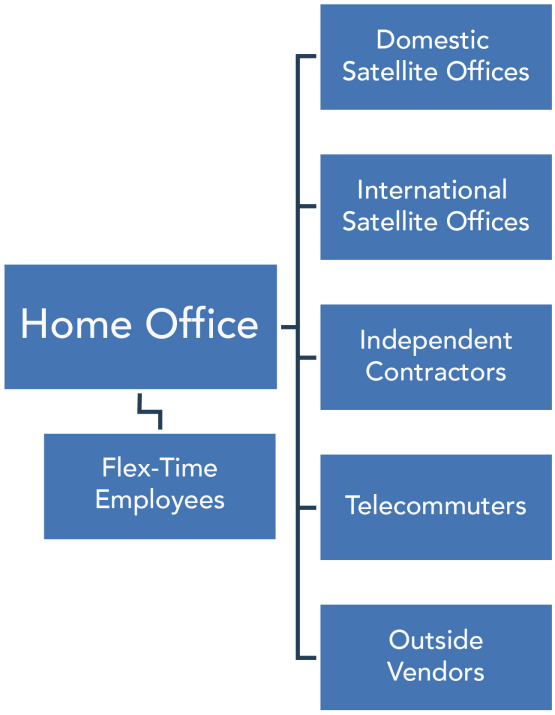


Figure 2. Virtual Organizational Chart

Boundaryless Organizational Structure

American business executive and former CEO of General Electric, Jack Welch, coined the term "boundaryless organization" when he described his ideal General Electric. He wanted to eliminate vertical and horizontal boundaries within GE and break down barriers between the company and its customers and suppliers.

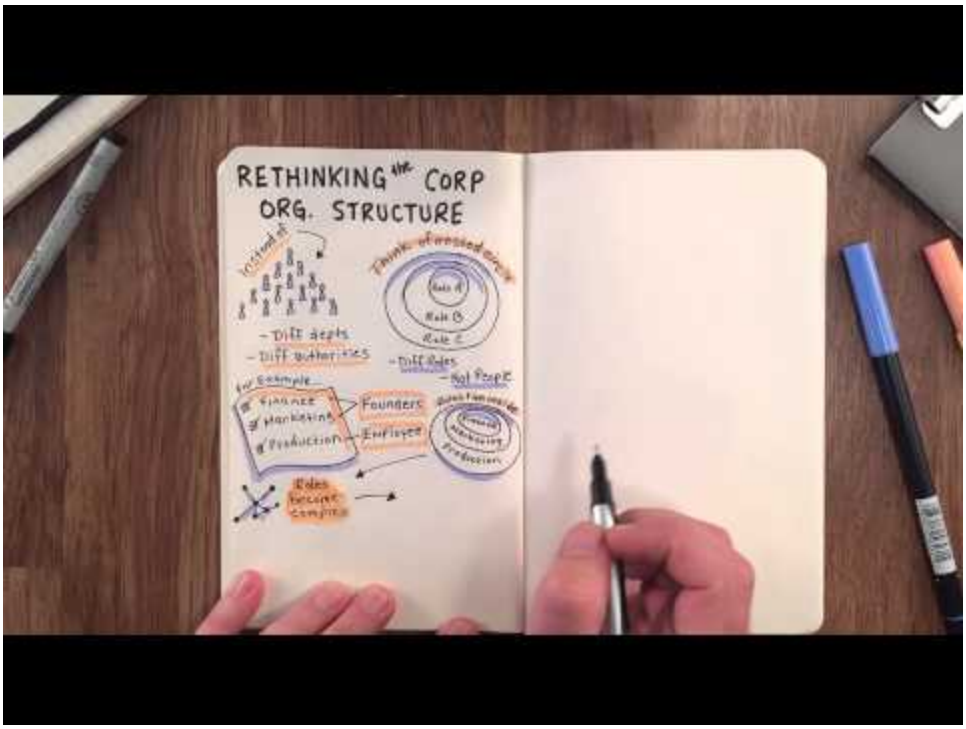
When an organization removes the vertical boundaries, the hierarchy flattens. Status and rank are minimized. Functional departments create horizontal boundaries, and those boundaries can stifle interactions between departments. Functional departments can be replaced with cross-functional teams, and activities can be organized around process.

General Electric used tools like 360 performance appraisals, where peers, subordinates and managers could evaluate an employee's performance. They put together cross-hierarchical teams and employed participative decision making processes.

The boundaryless organizational structure, when fully operational, breaks down barriers to external partners (suppliers, customers, etc.) and barriers created by geography. Telecommuting blurs organizational boundaries as well. In fact, this structure relies heavily on technology to achieve, and so sometimes it's called the T-form structure.

Holacracy

This video explains the concept of holacracy as a method of decentralized management and organizational governance in which decision making and authority are distributed amongst self-organizing teams.



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Brian Robertson of Ternary Software in Exton, Pennsylvania, developed the system of Holacracy by experimenting with more democratic forms of organizational structure. It's a flat organization system, meaning there are few or no levels of middle management between staff and executives. The objective behind a flat organizational system is that employees are more involved in the decision making process rather than being directly and closely supervised by many layers of management.

The essential elements of Holacracy include:

- Roles instead of job descriptions. An individual can hold multiple roles within this construct. Roles are defined by each circle—or team—via a collective governance process.
- Circle structure. Each circle is a team. Circles are organized hierarchically and each circle is assigned a clear purpose and accountabilities by its broader circle. But the employees within that circle need to determine how to best achieve its goals. Each circle has a "lead link" and "rep link," and those people sit in the meetings of both their circle and the broader circle to ensure alignment with the organization's mission and strategy.
- Governance process. Circles use a defined process to create and regularly update its own roles and policies.
- Operational process. Circles align around operational needs and requires that each member of the circle fulfill duties. Members have a lot of autonomy and authority and can decide on their own how to best achieve these goals.

Zappos is famously using the Holacracy model in their work, and they chose to use that model so they could provide excellent customer service. Their theory was that they were able to put customer service decisions into the hands of the employees and eliminate burden on upper management.

It should be noted that the term "Holacracy" is a registered trademark of HolacracyOne, LLC.

PRACTICE QUESTION

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Which modern organizational structure best positions an organization for success? Well, like we mentioned, organizations—especially large ones—are committed to a bureaucratic org chart, and any additional changes in this direction are sometimes incorporated into the bureaucratic structure.

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CHOOSING AN ORGANIZATIONAL STRUCTURE

What you'll learn to do: Identify the best structures for different types of organizations

Not all organizations are created equally. Organizations have different strategic needs, and to facilitate those needs they should have an organizational structure that supports business activities. We've already learned about different kinds of organizational structures, from the rigid bureaucratic type to the loose and free boundaryless organizational structure. What works for one organization won't work for another, and in many cases, organizations will employ more than one structure to get the job done. How do organizations determine how to proceed where structure is concerned?

LEARNING OUTCOMES

- Discuss organic versus mechanistic models for organizational structure
- Identify the factors that determine an organizational structure
- Organizational structure and its impact on success

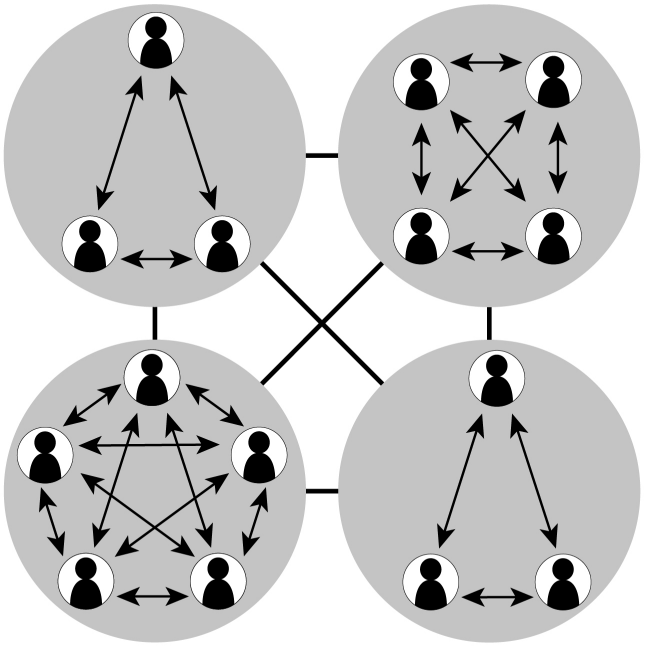
Organic versus Mechanistic Models

We've spent some time now understanding the elements of an organizational structure, and the types of structures an organization might choose to use when organizing their work and employees. Some of those structures are very strict and hierarchal, like the bureaucratic model, and some of the structures, like boundaryless, are pretty loose and free-wheeling. They all have their advantages and disadvantages.

When managers combine the basic components and elements of an organizational structure together, the result has certain characteristics that are best understood by looking at it through the lens of organic and mechanistic organizations.

Organic Organizations

Organic organizations have a low degree of formality, specialization and standardization. Their decision making is decentralized and their activities are well-integrated. The organic model is usually flat, and it usually uses cross-hierarchical and cross-functional teams and possesses a comprehensive information network that features lateral and upward communication in addition to downward communication.



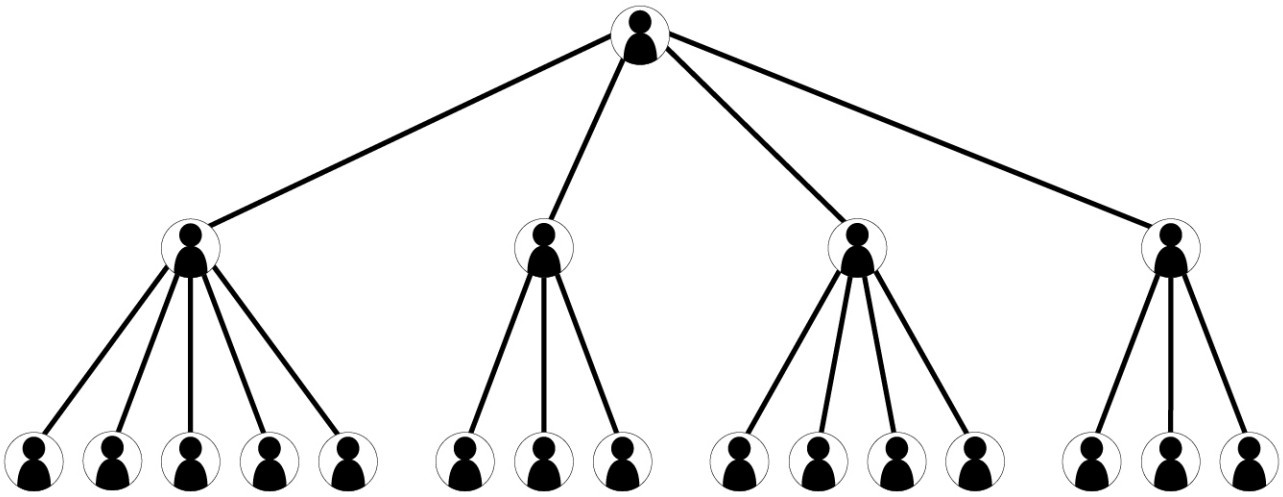
Organic organizations look a lot like boundaryless organizations. They allow for employees to cultivate more ideas and be more creative because the business is not as rigidly structured. Organic structures are used in dynamic, unstable environments where the business needs to quickly adapt to change, as the structure gives the organization the flexibility to deal with fast-paced environmental change and many different elements.

A good example of an organization that uses an organic structure might be a consulting firm. A consulting firm responds to customer issues as they come up, and those issues change with the business environment. Consulting firms want to respond to change quickly, so by choosing an organic structure they're able to be nimble and address their customers' needs.

Mechanistic Organizations

Mechanistic organizations have centralized decision making and formal, standardized control systems. Essentially, they are bureaucracies.

Mechanistic organizations work well in stable, simple environments. Managers integrate the activities of clearly defined departments through formal channels and in formal meetings. Often, they feature many hierarchical layers and a focus on reporting relationships.



GENERAL MOTORS

General Motors is a good example of an organization using the mechanistic model. Why do they use that? For one, they're very large, and when that many people and functions are involved, order is needed. But they're also in a stable, if not somewhat simple, environment. The car market fluctuates with the economy, yes, but the company builds cars and trucks. Across all their divisions, that function is basically the same.

DMV

Another example of a mechanistic model is the Department of Motor Vehicles. When you get your new driver's license, you go from one department to another, taking a written test, taking an eye exam, taking an actual driving test, filling out the paperwork, and then finally, getting your driver's license. The structure for this is very mechanistic—every person looking to get a driver's license has to be treated exactly the same. It's simple and stable.

Here's a table comparing the basic characteristics of both models:

Organic	Mechanistic
General tasks	Specialized tasks
Loosely defined departments and hierarchy	Well-defined departments with clear hierarchy
Decentralized decision making by many individuals	Centralized decision making by a few people
Integration achieved by managers and employees interacting and exchanging information as needed	Integration achieved by formal manager meetings
Flexibility and capability of rapid change	Clear and efficient reporting relationships

Most companies find themselves falling somewhere in between the two extremes of organic and mechanistic. Each organization designs its structure to enable its mission, goals, and strategy. If the structure fits with other contextual elements, it has a better chance of being effective in supporting the organization.

PRACTICE QUESTION

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Now that we fully understand the difference between organic and mechanistic structures, let's use those to gain a better understanding of what kind of organizational structures work best for different organizations—and why.

Factors of an Organizational Structure

What elements influence the design of an organization's structure? Some organizations choose to be mechanistic, others choose to be more organic. Why is that the case?

For the most part, it's about strategy, organization size, technology and environment. Let's take a look at each of these elements and how they influence the organization's structure.

Strategy

Every organization has one (or at least, every organization should). If an organization's structure is a means by which that organization achieves its objectives, then strategy and structure should be closely linked.

An innovation strategy is one that emphasizes the introduction of major new products and services. A company like 3M or Apple could be characterized as organizations who would adopt innovative strategies. Ideally, an organic, loose organizational structure is more appropriate to support an innovative strategy.

An organization that is controlling costs and refrains from unnecessary innovation or marketing expenses is probably practicing a cost-minimization strategy. These companies sell a basic product and keep prices low. Wal-Mart employs this strategy. A mechanistic strategy allows for tight control, extensive work specialization, high formalization and centralization, and so it best fits this strategy.

An imitation strategy is one that seeks to move into new products or new markets after their viability has already been proven. They want to minimize risk and maximize profit, so they take successful ideas and copy them. A company like IBM might be considered one that uses an imitation strategy to its advantage. The best structural option here might be a mix between mechanistic and organic structure, which would allow tight control for current business and looser structures for new pursuits.

Organization Size

There is significant research supporting the idea that organizational structure is impacted by the size of the organization in question. Large organizations tend to have more work specialization, more vertical levels, rules, regulations, and so on. So they tend to be more mechanistic in nature.

Large organizations, those that have 2,000 or more employees, are likely to be more mechanistic, but as they increase in size, they do not become more mechanistic. If the organization increases to 2,500 people, the mechanistic-ness of the organization's structure doesn't necessarily increase. But if you were to add 500 employees to an organization that only had 300 to start, the percentage increase in size is likely to make that smaller organization more mechanistic.

Technology

In this instance, the word technology refers to how the organization transfers its inputs and outputs. Every organization has at least one technology for converting their resources into products or services. For example, the technology Ford Motor Company uses to produce cars is the assembly line.

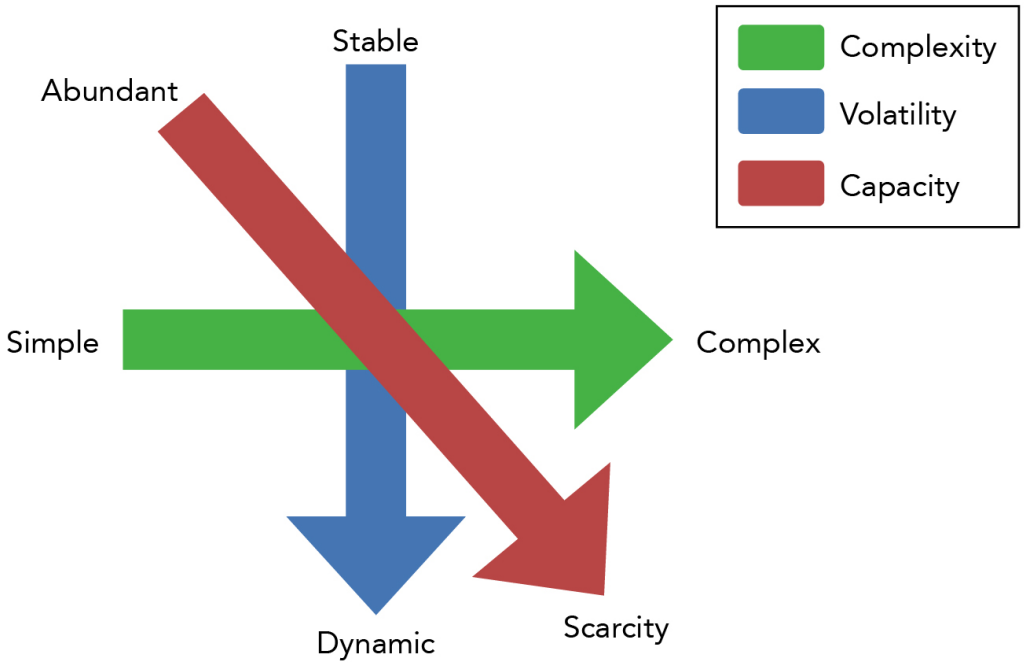
There is not a strong association between technology and organizational structure, but studies have found that there is some correlation between the degrees of routine-ness of the technology the organization employs, and the structure that best supports it. By "degree of routine-ness" we mean that the technology tends either toward routine (automated and standardized) or non-routine (varied operations) activities.

Routine tasks are often supported by organization structures that are taller and more departmentalized. Organizations that relied on routine tasks often had more manuals and formalized documentation, and decisions were more centralized. Non-routine tasks required decentralization of decisions to support the uniqueness of the tasks.

Environment

General Motors, as we noted earlier, doesn't face a lot of environmental change. The car market fluctuates a bit here and there, but they basically make cars and sell them. Other organizations feature all kinds of uncertainty. Organizational structures can assist in helping the business withstand the external issues of environment.

There are three different dimensions to environmental uncertainty: capacity, volatility and complexity.



Capacity refers to the degree in which an environment can support growth. Volatility refers to the level of unpredictable change. Complexity refers to the degree of heterogeneity and concentration among environmental elements.

The higher degree of complexity and volatility in an environment, and the more dynamic the capacity, it stands to reason that the more organic the organizational structure should be. If there is constant change and competition, an organization should be flexible to the changing needs that those dynamics bring with it. A technology or internet-based company would be a good example of one that faces complex, scarce, and dynamic environments.

A tobacco company, though, may be on the other end of that spectrum. Phillip Morris or Brown & Williamson face very few competitors, and their industry is incredibly standardized. The only change they've faced over the years is the decreasing use of their product. These organizations lean toward mechanization.

PRACTICE QUESTION

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So, how do these elements affect an organizational structure, especially when an organization might lean toward one direction where strategy is concerned and in another direction where technology and environment are concerned?

3M'S STRUCTURE

3M is a company that would seem to have an innovative strategy. The company that invented Post-it Notes, masking tape and the first waterproof sandpaper could hardly be anything else. But they're also a very large

company. They have a variety of manufacturing technologies that are probably pretty routine, but their innovation would be far less so. Their environment? They actually feature a variety of departments, from health to office products to construction. Let's say, by averaging those different interests out, that they fall in the middle of the complexity, volatility and capacity scale.

Several of these elements suggest that 3M should lean toward an organic structure, but they are actually a hybrid. At a whopping 91,000+ employees, 3M is almost forced to be mechanistic, and is in fact highly structured in the corporate area. They're otherwise organized by department, and areas where innovation is required often feature a matrix structure, which lends itself to a more organic feel. They keep lines of communication open between the departments with innovative communication methods.

Organizational Structure and Success

Organizations grow and change all the time, and the organizational structure that worked for a company once upon a time doesn't always work for a company as it grows. We've talked about how smaller companies in uncertain environments can have organic organizational structures and be very flexible about how they respond to customer needs. But as they grow larger, there's a need for a more mechanistic approach. After all, a company can't have 2,000 employees with decision making power, all doing business the way they think is right.

We're going to take a look at a couple of organizations that went through some organizational structure changes, so we can see where the original organizational structure was going wrong and how changes to that structure once again set that organization up for success.

GOOGLE

Google is an excellent example of how a couple of guys in a garage changed the world. They started out with a single focus—to develop the world's best internet search engine.

That was about the last time that Google had a single focus.

Google grew up fast, and in 20 years they've accumulated dozens of locations, over 90,000 "Googler" employees, and many, many different interests. Among their offerings are Google Docs, Google Translate, Google Maps, Waze, Android, YouTube, Blogger, Google Fiber, Google Home and self-driving vehicles. Just to name a few. Google's single umbrella, with its relatively "flat" organizational structure, was growing monstrously diverse.

How does a single, relatively flat organizational structure support "monstrously diverse"? The short answer is, it doesn't.

CEO and founder Larry Page created a holding company for all of Google's projects and called it Alphabet. Then, each of those Google interests (26 in all, as you might have guessed) became its own company, with its own CEO. The CEO of each of those companies is now able to concentrate on the goals of that company without worrying about the mission of Google overall. It allowed greater autonomy to those smaller companies under the Alphabet umbrella.

Larry Page explained in a blog post: "Fundamentally, we believe this allows us more management scale, as we can run things independently that aren't very related. Alphabet is about businesses prospering through strong leaders and independence."

Page admitted the reorg was radical in the same post, saying, "in the technology industry, where revolutionary ideas drive the next big growth areas, you need to be a bit uncomfortable to stay relevant."

The reorganization of Alphabet as a holding company for the 26 Google subsidiaries has been going strong since 2015. Employees are able to concentrate on the mission of their own company and, with each company accountable for its own expenditures and income, Page expected that they'd find innovating more meaningful.

This is an example of how a very large company, forced into mechanistic structure by its sheer size and scope, made an organizational move to allow its smaller divisions to innovate and adopt more organic structures if that better fit their needs. Alphabet's 2018 revenue was $136.82 billion last year, and that's a good indication that it's working.

MICROSOFT

Microsoft had established themselves as the world's go-to in personal computer operating systems and Office suites. But suddenly the behemoth technology company was struggling. Departments that had been established to innovate were now in competition with one another, creating a toxic environment that threatened the company's future success.

While Google was the dominant online provider and Apple was the ruler of the world of mobile products, Microsoft was struggling to invent, and then losing interest in their own products when they did. Zune is a great example. Does anyone remember what a Zune is? Me neither.

In 2014, a new CEO, Satya Nadella, started his tenure with a major restructuring of the company. His first order of business was to do away with the damaging internal competition that posed so much of a threat, but he also wanted to reinvent productivity and business processes, build an intelligent cloud platform and create more personal computing. With a restructure plan and this three-pronged mission in hand, he went to work.

Nadella waited two years before he merged Microsoft Research Group with the Bing, Cortana, and Information Platform group teams to create a new artificial intelligence and research group, whose goal it is to innovate artificial intelligence across Microsoft's product lines.

Restructuring this organization was a success in that it refocused Microsoft's people. The company was suffering from low employee engagement, and manipulating the organizational structure to eliminate harmful competition and create new team focus was a huge win. Nadella helped Microsoft's employees find a new sense of meaning in their work.

In both of these instances, CEOs reviewed current operations and decided it was time for a new organizational structure that would better impact the company's success. Whether it's a change in functional strategy, as was the case for Google, or in people strategy, in the case of Microsoft, both CEOs chose to redo the structure to support the new strategy. The new structures then set the companies up for future success.

What should every good organizational structure do for a company? The list includes, but is not limited to, the following:

- Aids effective communication
- Aids in performance evaluation
- Increases efficiency
- Unburdens employees from excess or redundant work
- Provides faster and better decision making
- Provides clear reporting and working relationships

A company should always be reviewing its strategy, size, technology and environment to decide if the organization's structure still supports the business. If it's in need of a change, then change should occur. We'll talk about how to manage these kinds of changes in the next module.

PRACTICE QUESTION

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PUTTING IT TOGETHER: ORGANIZATIONAL STRUCTURE

At the beginning of this module, we talked about the executives of Disney undertaking a large-scale organizational restructuring to adapt to and support their serious and significant entry into the digital media business.

They've invested a lot of money into the tools to be competitive with the likes of digital behemoths like Netflix and Hulu. So it makes sense that they want to reorganize a piece of their organizational structure to focus directly on the task of managing that new business.

Organizations review elements like work specialization, span of control, centralization, and the like, and then arrange them to enable productivity. By doing so, organizations can support their strategies, deliver products and services to companies, and make money.

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MODULE 15: ORGANIZATIONAL CHANGE

WHY IT MATTERS: ORGANIZATIONAL CHANGE

Why learn about the impact organizational change has on individuals and the workplace?

In January, 2018, the Money Talks Newsletter posted a story called “22 Iconic Brands that Could Disappear in 2018.” It highlighted the likes of Sears, Toys R Us, and Payless Shoe Source, as well as Harley Davidson, Old Country Buffet, and Vitamin World. The reason was not just lackluster profits. In its summary story, business writer Donna Friedman said: (Note: Freedman, Donna. "22 Iconic Brands That Could Disappear in 2018." Money Talks News. January 19, 2018. Accessed April 26, 2019. https://www.moneytalksnews.com/slideshows/22-iconic-brands-that-could-disappear-in-2018/.)

> Some of these companies are victims of the e-commerce age: Why drive somewhere and maybe pay to park when you can stay home and order online instead? Or they’re facing too much competition from similar retailers chasing the same consumer dollars.
>
> Still others fall prey to changing tastes: What worked for the baby boomers, or even for Gen X, won’t appeal to millennials and Generation Z.

Over 2018, these businesses each made changes trying to stay in business. Some stores have moved away from brick-and-mortar stores, relying solely on online retail, others changed names or strategies, and some filed for bankruptcy. While Toys R Us’s last store closed on June 29, 2018, they will reportedly be back for the holiday season of 2019. (Note: McIntyre, Douglas A. "Toys 'R' Us to Be Back for The Holidays." 247wallst.com. April 26, 2019. Accessed April 26, 2019. https://247wallst.com/retail/2019/04/26/toys-r-us-to-be-back-for-the-holidays/.) Other stores are still waiting to see if their changes have paid off.

The constant behind all of them is change. Companies who don’t anticipate change, don’t manage it well or, in the worst case, ignore it, are opt to show up on this list. In order to stay competitive, companies have to be able to respond to the ever-changing environment and external changes—like economic changes, technology changes, consumer taste changes—and continually respond in order to produce the products and services their customers want. The best companies will even innovate and drive change, providing the industry disruptors that put them ahead of competitors and in a class all their own.

Why does change matter? Most would argue that it’s about the only thing that matters. Everything you’ve learned about organizational behavior up to this point is preparing you for this.

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CHANGE MANAGEMENT

What you'll learn to do: Discuss change management as it functions in organizational behavior

Why is change management a topic in organizational behavior? Organizations need to be able to adapt to different market conditions and customer needs—and it seems as though those kinds of changes are happening every day. When an organization isn't flexible, another business will swoop in and take those customers—and those profits—away.

But change management is definitely a behavior. Organizations don't have to change—people have to change. And that's what change management is all about.

Managers at an organization need to recognize problems as they occur and adjust their processes accordingly to solve for them. Good change management skills make this an easier process.

LEARNING OUTCOMES

- Describe forces of change
- Describe types of change
- Discuss ways an organization can be resistant to change
- Analyze models and process for change management

Forces of Change

> The art of progress is to preserve order amid change and to preserve change amid order.
>
> —Alfred North Whitehead

Alfred North Whitehead was a philosopher and mathematician, but, with that kind of insight on the subject of change, he could have been a CEO. Today's business leaders have to worry about addressing customer needs in a fast-paced environment impacted by social, economic, political and cultural shifts. In today's business environment, the ever-looming presence of change is pretty much the only thing that stays the same.

The problem is, no one likes change.

Organizations and their managers have to learn how to anticipate and implement change effectively. Managers need to find ways to overcome their employees' natural aversion to change, because managing change effectively can mean the difference between staying in business and becoming irrelevant to their customers. The first step in managing change effectively is to understand what change is and where it comes from.

Organizational change is the transformation or adjustment to the way an organization functions. Organizations adjust to small changes all the time, possibly looking to improve productivity, responding to a new regulation, hiring a new employee, or something similar. But on top of these little adjustments we make at work all the time, there are larger pressures that loom over us, like competition, technology, or customer demands. Those larger pressures sometimes require larger responses.

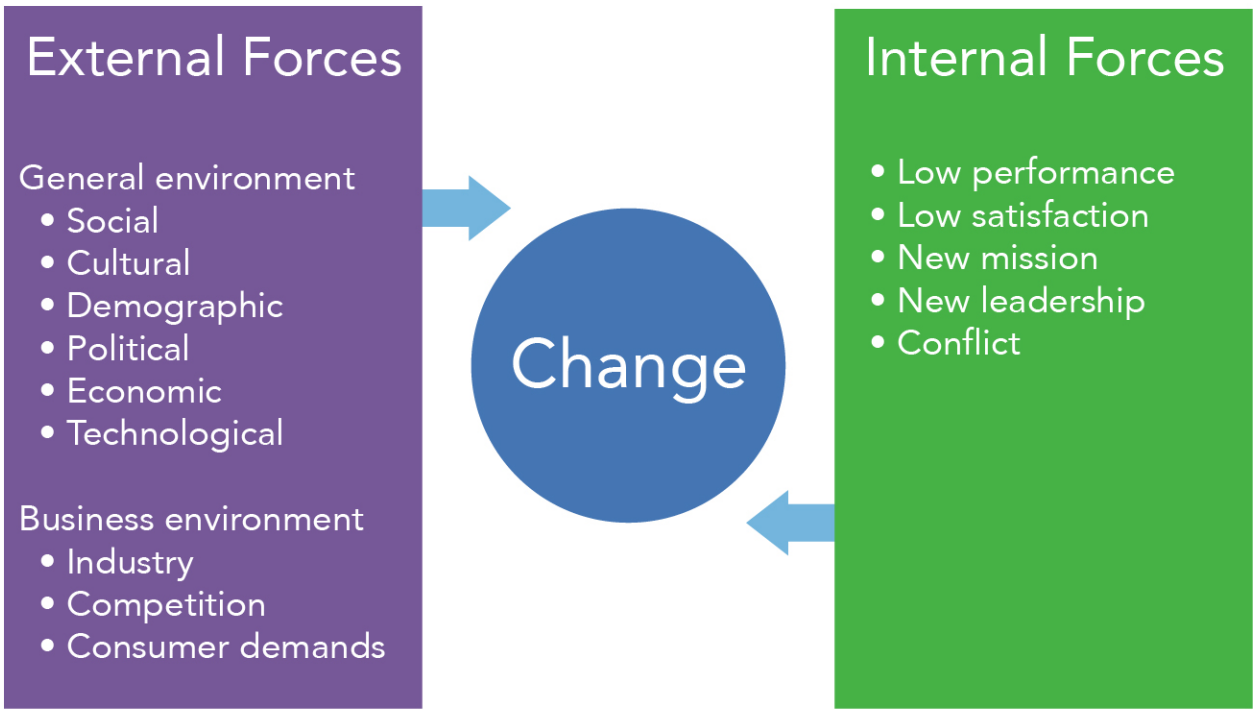
Change, like the passing of time, is unavoidable

What forces create these changes?

External forces are those changes that are part of an organization's general and business environment. There are several kinds of external forces an organization might face:

- Demographic. A changing work demographic might require an organizational change in culture. For instance, Avon built and grew their business around door-to-door cosmetic sales, with the stay-at-home wife and mother as their primary front line employee. When more women entered the workforce in 9-to-5 jobs, Avon had to shift gears and find new ways to get their products in front of their customers.
- Social. Changing social trends can pressure organizations into making changes. Consumers are becoming more environmentally conscious, a trend which has pushed fast food restaurants to replace Styrofoam containers with paper. Manufacturers of cleaning products changed product formulas to omit phosphorus and other environmentally threatening chemicals. Tobacco companies have buckled under the changing image of smokers, the dangers of their products, and some have started looking into eCigarettes and other smoking alternatives to stay in business.
- Political. Government restrictions often force change onto organizations. This can be something as simple as a change in minimum wage for employees, or as complex as rules and restrictions governing fair competition in business. For instance, when the Affordable Health Care act was put into place, businesses had to change their operations and put steps into place to confirm that all employees had healthcare coverage to comply with the new law.
- Technology. Still have your VHS player? The founder of Blockbuster wishes you did. Technological changes can make or break a business. Whether new technology is introduced industry-wide, as when the laser was introduced to modern medicine, making surgeries easier and safer; or when it's introduced to end users, as when consumers stopped renting videos to enjoy the cheaper, more convenient streaming services like Netflix, organizations must change to accommodate new technologies or suffer the consequences.
- Economic. During the 2008 recession, consumers lost their jobs and cut back on their spending. These economic downturns had a major impact on businesses. Banks failed. General Motors and Chrysler filed for bankruptcy. Survival meant adapting to change. Companies like Lego, who experienced stagnant U.S. sales during this time, took the opportunity to build their markets in Europe and Asia. Netflix realized the potential of providing in-home entertainment to families that had cut back their entertainment budgets and grew their subscriptions by 3 million subscribers in 2009 alone. Meanwhile, in the midst of spiking fuel prices, gas guzzling Hummers were no longer en vogue and quietly went out of business.

Companies can also experience internal forces of change, which can often be related to external forces, but are significant enough to be considered separately. Internal forces of change arise from inside the organization and relate to the internal functioning of the organization. They might include low performance, low satisfaction, conflict, or the introduction of a new mission, new leadership.



PRACTICE QUESTION

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Low performance within an organization must obviously be addressed with change that facilitates higher performance. When low performance yields low quality or inefficiencies, customers complain and organizations need to change.

HARLEY-DAVISON'S BEGINNINGS (NOTE: TEERLINK, RICH. "HARLEY'S LEADERSHIP U-TURN." HARVARD BUSINESS REVIEW. JULY/AUGUST 2000. ACCESSED APRIL 26, 2019. HTTPS://HBR.ORG/2000/07/HARLEYS-LEADERSHIP-U-TURN.)

Perhaps one of the most famous examples of a company that overcame this situation is Harley-Davison. In 1980, no one wanted a Harley. They were a poor quality bike that even leaked oil on the showroom floor. Their parent company, AMF, couldn't find a buyer for them, and thirteen Harley managers ended up buying the company.

Dramatic changes were needed, and the new CEO approached them with top-down authority. First, they laid off 40% of the workforce—salaried and hourly alike—and the remaining employees took a 9% pay cut. Their design team built the Evolution Engine and, coupled with the sleek design of their new Softail product line, sales started to improve. Perhaps most significantly, they developed the HOG (the Harley Owners Group) as a

way to communicate with their customers. Operating improvements were made, and dealers started looking at Harley as a dependable partner. When they went public in 1986, underwriters were shocked that their IPO raised $25 million more than expected.

FACEBOOK'S MISSION STATEMENT (NOTE: STATT, NICK. "MARK ZUCKERBERG JUST UNVEILED FACEBOOK'S NEW MISSION STATEMENT." THE VERGE. JUNE 22, 2017. ACCESSED APRIL 26, 2019. HTTPS://WWW.THEVERGE.COM/2017/6/22/15855202/FACEBOOK-CEO-MARK-ZUCKERBERG-NEW-MISSION-STATEMENT-GROUPS.)

Companies often respond to external forces by taking on new missions and new leaders. Facebook's original mission statement was "Making the world more open and connected." CEO Mark Zuckerberg spent much of 2017 coming under fire for scandals (including accusations of data breaches and the potential of Facebook influencing the 2016 US election).

As the world continued to divide, he led the company in unveiling a new mission statement. That statement, "Give people the power to build community and bring the world closer together," was accompanied by the release of new group management tools within the application and a goal to help a billion people join new communities. Zuckerberg also acknowledged that Facebook is no longer a simple platform that connects friends and families, but instead a powerhouse that can have significant influence on individuals and how they interact with the world.

LOWE'S NEW CEO (NOTE: TOWNSEND, MATTHEW. "LOWE'S CEO TAKES MEDICINE NOW TO GET RETAILER ON FIRMER FOOTING." BLOOMBERG. AUGUST 22, 2018. ACCESSED APRIL 26, 2019. HTTPS://WWW.BLOOMBERG.COM/NEWS/ARTICLES/2018-08-22/LOWE-S-CEO-TAKES-MEDICINE-NOW-TO-GET-RETAILER-ON-FIRMER-FOOTING.)

When a company brings on a new CEO, that's often an internal force for change. In July of 2018, Home Depot veteran Marvin Ellison became the CEO of the faltering Lowe's, a competing big box home improvement retailer. In his first months as CEO, he set out to improve store productivity and customer service in the stores, closed a division of smaller Lowe's stores and eliminated $500 million in capital projects to free up cash to return to shareholders. He also let go the company's Chief Financial Officer and Chief Operations Officer. No doubt, the company was reeling over the changes, but it might prove just what they need to get back on track. Time will tell.

More often than not, these forces of change are outside of an organization's control, but, without exception, they all must be managed if an organization is going to be successful. In the next section, we'll take these forces of change and dissect them a little bit more, so we can get a better understanding of how we can successfully manage them.

Types of Change

Now that we understand the internal and external forces for change, we can look a little deeper into those changes and define them by type in order to get a better understanding of them.

Planned and Unplanned Change

To start, there are planned changes and unplanned changes. That might not sound very significant or overwhelmingly important, but the distinction is definitely worth pondering. Planned change is a change that occurs when managers or employees make a conscious effort to change in response to a specific problem. An unplanned change occurs randomly and spontaneously without any specific intention on the part of managers or employees of addressing a problem.

Obviously, when change is planned, like a new information management system or a different accounts payable procedure, change management can also be planned to minimize employee resistance. When an unplanned change occurs, like a sudden economic downturn or a shortage of resources, managers are taken by surprise and adaptation may not be as organized.

Evolutionary and Revolutionary Change

Evolutionary change is gradual and incremental. The stages of change are often so small that those affected don't even recognize the shift, or they do and they're able to adjust their work and processes a little at a time. Evolutionary change can be planned or unplanned. An example of unplanned evolutionary change might be the example we used earlier of Avon adapting to women entering the 9-to-5 workforce. It didn't happen overnight, just a little at a time, until Avon realized they had a shortage of "Avon ladies" and needed to find new ways to reach consumers.

Planned evolutionary change, or convergent change, is the result of specific and conscious action to make changes in an organization. For instance, an organization might decide that their customer service department could operate more efficiently with 10 percent less staff. They may opt to arrive at that smaller number of customer service representatives by attrition rather than by layoff, knowing that turnover in the department is relatively high and they'll be at their desired staffing levels within 18 months.

Convergent change happens all the time within organizations, as managers tweak and adjust processes to make their departments and the company more profitable. Often during convergent change, managers look to ensure employees continue to follow the existing mission and core values of the organization. This, unfortunately, can lead to complacency. For example, IBM fell victim to complacency as their managers dictated the norms of competition. They found out quickly that their fine tuning couldn't keep them competitive when personal computing started to take off and other organizations had a better handle on the consumer and the market.

Revolutionary change, or frame-breaking change, is rapid and dramatic. It, too, can be planned or unplanned. A planned revolutionary change might mean dramatic changes to an organization's staffing, structure, or procedures.

LOWE'S CEO (NOTE: TOWNSEND, MATTHEW. "LOWE'S CEO TAKES MEDICINE NOW TO GET RETAILER ON FIRMER FOOTING." BLOOMBERG. AUGUST 22, 2018. ACCESSED APRIL 26, 2019. HTTPS://WWW.BLOOMBERG.COM/NEWS/ARTICLES/2018-08-22/LOWE-S-CEO-TAKES-MEDICINE-NOW-TO-GET-RETAILER-ON-FIRMER-FOOTING.)

Remember that whenMarvin Ellison was appointed as Lowe's CEO in 2018, he made drastic changes in his first weeks. He immediately set out to eliminate capital projects, divest the company of multiple smaller locations, and he showed his chief financial officer and chief operations officer the door.

This, no doubt, led to an organizational restructuring in the finance and operations department, as well as the reassignment or layoffs of people working on the capital projects and supporting the smaller locations. The change was revolutionary because it was needed to improve Lowe's lackluster performance and keep them competitive with Home Depot and other competitors.

Innovation can often lead to revolutionary change inside or outside an organization. Innovations like the cell phone have created revolutionary change within the industry, both for those that produce the products (like Apple and Samsung) and for those that are struggling a little bit more now that they've arrived (like long distance providers).

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What Changes?

These changes can affect four elements within an organization:

- **Technology.** Changes in the way inputs are transformed into outputs, such as machinery, work processes, delivery of goods and services to clients.
- **Product or service.** Changes in the product or services delivered to customers, such as new product, improved products, customized products.
- **Administration and management.** Changes in how companies are organized and managed, including changes in mission, structure, policies, etc.
- **People or human resources.** Changes in employee behaviors, skills, and attitudes, as well as personnel changes.

A change in one of these elements might be significant, but that change in one area will often affect other elements. For instance, if a company develops new features for the phone app that controls your thermostat, employees may have to be trained on that technology, and a new area of focus may have to be created on the organizational structure to support the new focus.

No matter how you define it, change is almost always met by some resistance. It's human nature to want things to remain status quo, because change often means the stress of new, uncharted territory, more work, and less confidence. Let's take a look at different types of employee resistance and how that resistance can be managed.

Resistance to Change

There's no chance that the iPhone is going to get any significant market share.

— Steve Ballmer, Microsoft CEO, 2007

Contemplate that quote for a moment, and then decide for yourself how much resistance to change can cost an organization.

There are similar examples that are equally as hilarious. Henry Ford's lawyer told him that the automobile was a fad but the horse was here to stay. Movie mogul Darryl Zanuck tossed aside the idea of television, sharing his opinion that the world would tire of "staring at a plywood box." Their resistance to change may have proven a bit short-sighted.

Ultimately, change is stressful, and people avoid it because they want to avoid the pain, anguish, frustration and lack of confidence that goes along with it. Even a positive change, like a promotion, can be met with stress as the employee marches into their own new and uncharted territory. Even minor changes can require a brief adjustment period, but large-scale changes can take a long time to adjust to.

Resistance to change is as much an organizational and group issue as it is an individual issue.

Organizational Resistance

Organizational inertia is the tendency for an organization as a whole to resist change and want to maintain the status quo. Companies that suffer from inertia become inflexible and can't adapt to environmental or internal demands for change. Some of the signs that organizational inertia is in play are through internal power struggles, poor decision-making processes and bureaucratic organizational structures.

Organizational cultures and reward systems can foster resistance or acceptance of change. A culture that promotes high levels of trust and cooperation lays the foundation for employees and their acceptance and instigation of change. If employees are punished for honest mistakes, if new ideas aren't rewarded, and managers aren't prepared for daily issues with proper training, then that organization is ripe for change resistance.

Timing of change can also play a role in organizational inertia. If the organization is still recovering from a large-scale change in organizational structure, that would not be the time to introduce a new information management system. Employees will be likely to resist the change and turmoil that goes along with a second change. Thinking about the order and timing of a planned change can help managers avoid employee resistance.

Group Resistance

We talked about groups in an earlier module, and we learned that when groups start to work well together, it's because they've established norms and cohesion. Central norms in a group can be difficult to change, because they involve the group's identity. Any change to them is likely to be resisted, as group members will work to protect each other and preserve the group. If a group is used to practicing centralized decision making and suddenly they've been told to use a decentralized style of decision making, they're likely to resist, because it goes against their norm.

Group cohesion can affect the acceptance of change. If a cohesive group has been disbanded in favor of a different kind of team structure, the group's desire to stick together may make them resistant to change. But just as group cohesion can work against change, it can also work for change. A cohesive group looking to implement change can typically overcome any one individual member's resistance to it.

Individual Resistance

People resist change because they fear the consequences. Change means learning new habits and facing new situations. Learning new skills comes with the uncertainty of being able to master those skills. It's easy to see why change can seem threatening. Furthermore, if individuals sense that there will be economic insecurity or risk regarding the change, or if they don't trust management, this could further add to the resistance.

Sometimes, individual traits can make one change resistant. Culture, personality and prior experiences can contribute to one's level of acceptance where change is concerned.

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How to Encourage Change

That's a lot of resistance to change. If organizational inertia, group resistance and individual resistance can get in the way of initiating positive or necessary change, how can managers make sure that they minimize change resistance and do the right thing for the organization?

Here are some ideas and tactics that can help:

- Education and communication. If there is fear of the unknown, organizations shouldn't compound that with a lack of information. Face-to-face meetings, newsletters, and updates can often help reduce those fears. A disadvantage of this, though, is the ability to communicate to manage change effectively to large numbers of people.

- **Participation and involvement.** People who participate in change are less likely to resist it. Managers can involve employees in the change process, creating an ownership around it that minimizes resistance. The disadvantage of this approach is that it's somewhat time consuming and managers do have to relinquish some control over change implementation.
- **Facilitation and support.** Facilitation and support requires active listening and counseling. These methods can be highly effective when dealing with individual resistance, but are time consuming and run a high risk of failure.
- **Negotiation and agreement.** This approach recognizes the role and power of others in the success of the change effort. Trade-offs and incentives are offered in exchange for acceptance. This is a relatively easy way to deal with resistance but can be expensive and lead to more negotiation.
- **Manipulation and cooperation.** Changing employees focus and attention to other issues can be a quick and easy way to minimize resistance to change, but it can lead to mistrust and resentment on behalf of those manipulated.
- **Explicit and implicit coercion.** If there's no time and no choice, managers can rely on force to push past change. This method is quick and effective, but it doesn't build commitment.

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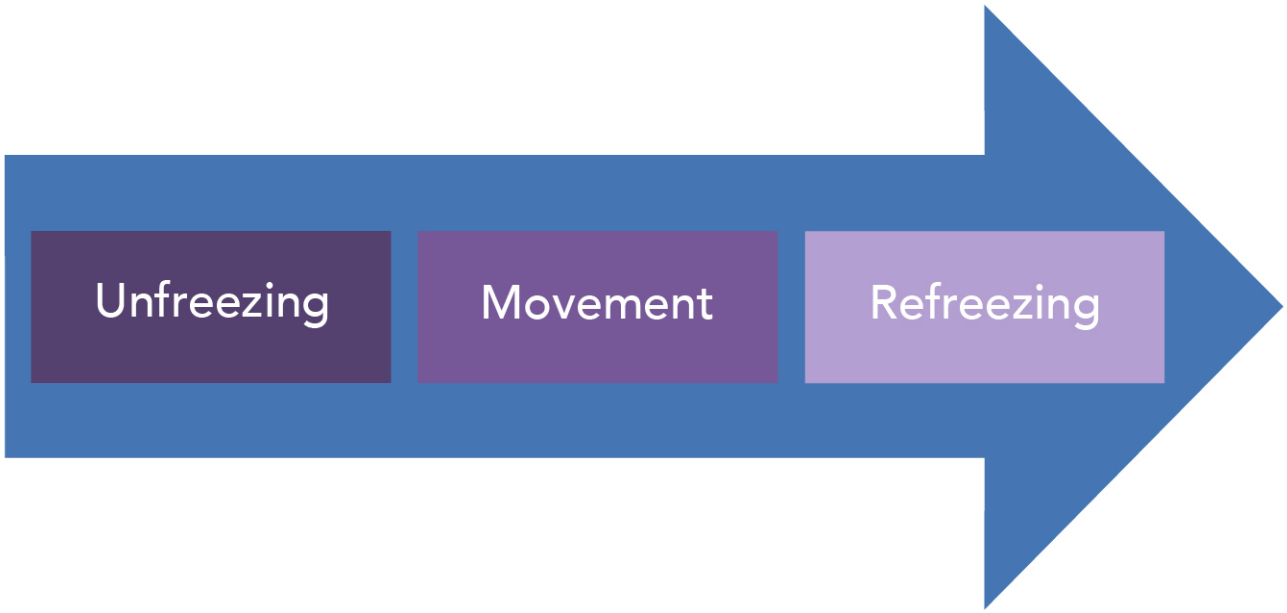
Managers can implement change successfully by using a combination of these methods. Understanding the source of resistance is helpful. But none of the solutions above deal with organizational inertia, which requires a broader set of organizational activities. We'll talk about that, but first, let's focus on models and processes for introducing planned change.

Models of Change Management

Navigating change is a constant organizational issue, whether it's on a small or large level. When it's planned change, managers can stay ahead of change resistance and create a calculated plan to put change in place. There are several models and processes for managing organizational change. Let's take a look at them now.

Lewin's Three-Step Model

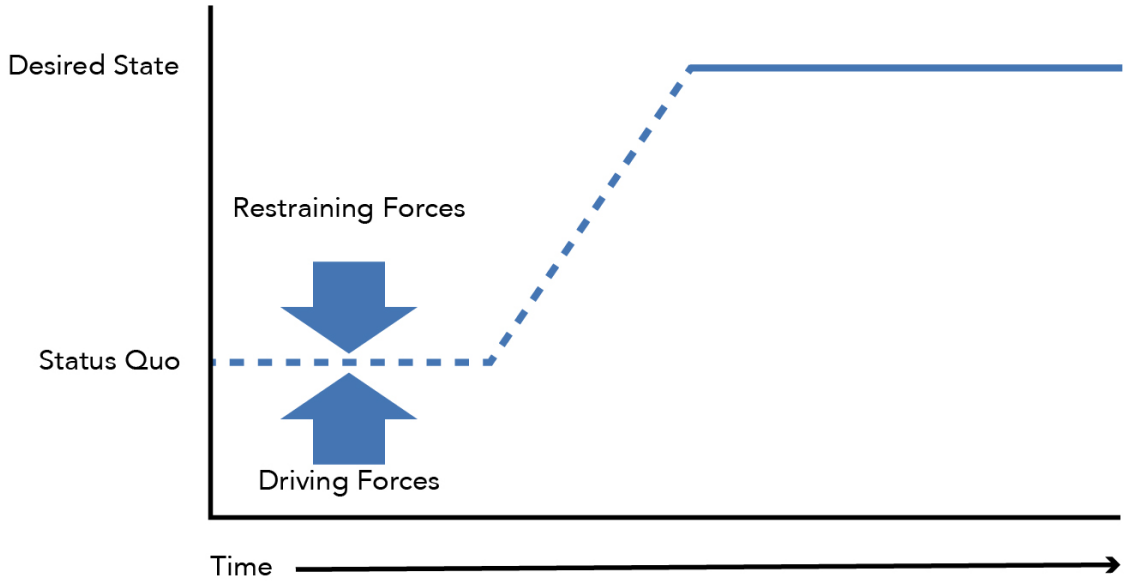
Kurt Lewin, a researcher and psychologist we studied earlier when we talked about leadership styles, proposed that successful change in an organization should be conducted in three steps: unfreezing, movement, and refreezing.



In the “unfreezing” process, the equilibrium state can be unfrozen in one of three ways. The driving forces, which direct behavior away from the status quo, can be increase. The restraining forces, which hinder movement from the existing equilibrium, can be decreased. Or, managers can put a combination of the two to use.

The second part of the process, “movement,” is the actual implementation of change. New practices and policies are implemented.

In the third step, “refreezing,” the newly adopted behaviors and processes are encouraged and supported to become a part of the employees’ routine activities. Coaching, training and an appropriate awards system help to reinforce.



Lewin’s model of change has four characteristics:

- It emphasizes the importance of recognizing the need for change and being motivated to implement it.
- It acknowledges that resistance to change is inevitable.

- It focuses on people as the source of change and learning.
- It highlights the need to support new behaviors.

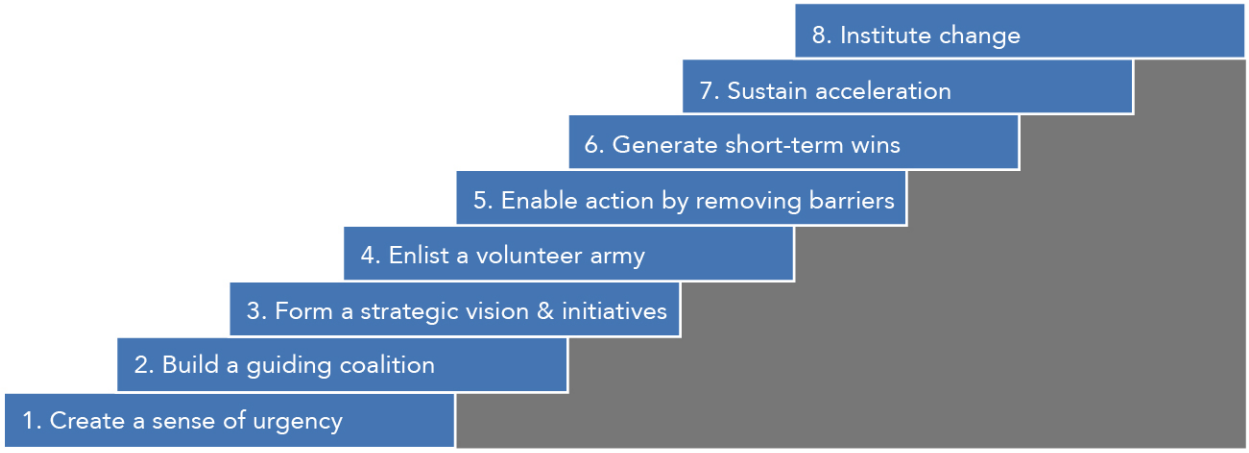
Kotter's Eight Step Plan for Implementing Change

John Kotter, whom we studied earlier when we talked about the difference between managers and leaders, embellished Lewin's three step model into a more detailed eight step model.

Kotter studied all of the places where failures could occur in Lewin's model. Kotter recognized that several things needed to be added in:

- a sense of urgency around change
- a coalition for managing the change
- a communicated vision for the change
- the removal of obstacles to accomplishing change
- the continued pursuit of change in spite of apparent victory
- an anchoring of the changes into the organization's culture

His revised eight steps of change are as follows:



Source: https://www.kotterinc.com/8-steps-process-for-leading-change/

Kotter expanded Lewin's "unfreezing" step with his first four recommendations. His steps five, six, and seven correspond with Lewin's "movement" stage and step eight is parallel with the "refreezing" process.

Nadler's System Model

David Nadler, an American organizational theorist, proposed a system model that suggests that any change within an organization has a ripple effect on all the other areas of the organization. He suggests that, to implement change successfully, a manager must consider four elements:

- Informal organizational elements: communication patterns, leadership, power
- Formal organizational elements: formal organizational structures and work processes
- Individuals: employees and managers, and their abilities, weaknesses, characteristics, etc.
- Tasks: assignments given to employees and managers

In accordance with a systems view, if a change impacts one area, it will have a domino effect on the other areas.

As an example, a company may put out a new travel and entertainment policy. That policy, a formal organizational element, has an impact on information organizational elements, individuals and tasks. A new CEO joins and creates changes throughout the organization, impacting items at every level.

Ultimately, though, outputs are positively impacted. The travel and entertainment policy minimizes work processes and saves the company money. The CEO increases shareholder value.

Action Research

Action research is a change process based on systematic collection of data and then selection of a change action based on what the analyzed data indicate. The process of action research consists of five steps, very similar to the scientific method:

In the diagnosis stage, information is gathered about the problem or concerns. During analysis, the change agent determines what information is of primary concern and develops a plan of action, often involving those that will be impacted by the change. Feedback includes sharing with employees what has been discovered during diagnosis and analysis with the intent of getting their thoughts and developing action plans.

Finally, there is action. Employees and the change agent (this is a person who champions and sees change management from start to successful finish) carry out the actions required to solve the problem. Then, the final step is evaluation, where the action plan's effectiveness is reviewed and, if necessary, tweaked for better performance.

This approach is very problem focused, where many people approach a problem with a more solution-centered outlook. It also minimizes resistance to change because it involves affected employees all along the process.

Organizational Development

Remember earlier when we said that these models for change don't usually solve for organizational inertia? To a certain extent, organizational development addresses that. Organizational development is a collection of planned-change interventions, built on humanistic-democratic values, that seeks to improve organizational effectiveness and employee well-being.

The guiding principles of organizational development are:

- Commitment to long-lasting change
- Humanistic approach
- Action research tools
- Focus on process

Organizational development requires the organization to invest a good deal of time and research and it isn't as much a fix for organizational inertia as it is a prevention of it. Some of the techniques and interventions employed by organizational development departments include the following:

- **Sensitivity training.** This is training that seeks to change behavior through unstructured group interaction. The objective is to provide subjects with increased awareness of their own behavior and how others perceive them, to facilitate better integration between individuals and organization.
- **Survey feedback.** The use of questionnaires to identify discrepancies among member perceptions, with discussion and remedies following.
- **Team building.** High interaction among team members to increase trust and openness.
- **Intergroup development.** These are efforts to change the attitudes, stereotypes and perceptions that groups have of each other.
- **Appreciative inquiry.** This process seeks to identify the qualities and strengths of an organization, on which performance improvement can be built. The inquiry usually involves strategizing with employees on performance improvement and "future state" ideals.

Crisis Management

Crisis management is really just the management of unplanned change. When managers unsuccessfully anticipate their competitor's next move or don't accurately read the environment, a crisis can occur. It can also occur as the result of organizational inertia.

Crisis management can be avoided by keeping the organization healthy. That is, not allowing it to become inflexible, infusing a certain amount of conflict in order to stave off complacency, and keeping innovation fresh by encouraging experimentation and bringing in new people with new ideas.

Please note that this is not referring in any way to a public relations crisis. "Crises" like Volkswagen's issue covering up their vehicles' excessive emissions, or Les Moonves' poor judgement with the opposite gender at CBS, are a different kind of animal altogether and not what we're talking about here.

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Organizations that can anticipate change, minimize resistance and come out on the other side are far more likely to be successful. Almost always, those companies that suffer from poor change management suffer the consequences financially, often leading to the organization closing its doors. In the next section, we'll take a look at a few companies that faced change, the decisions they made, and how it worked out for them.

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SUCCESS AND FAILURE IN CHANGE

What you'll learn to do: Discuss various ways change has succeeded and failed in contemporary examples and organizations

We've said repeatedly that change is perhaps the only constant that a business can count on. That said, the change management techniques we've talked about have all been in response to change. And there's nothing wrong with that! Businesses should be able to respond well to change. But what about the steps that businesses take to make sure they're ready for change.

Businesses either conquer change or fall. We're going to take a look at three different examples of businesses facing change management situations and how they fared. Then, we're going to take a look at some of the prophylactic measures businesses use to prepare themselves for the changes being thrown at them in today's environment.

LEARNING OUTCOMES

- Discuss crisis management and process improvement
- Discuss external change management and stimulating innovation
- Discuss internal change management and learning organizations

Crisis Management

If you were paying attention to the news in 2015 (or even if you weren't!), you likely heard about Volkswagen and the scandal surrounding emissions testing. In 1999 the United States announced plans to raise emission standards starting in 2004, setting a new limit of 0.7g/mi, versus 1.0 g/mi of nitrous oxides, which contribute to smog, acid rain and the destruction of the ozone layer. German automaker Volkswagen responded by removing their diesel powered vehicles from US markets in 2007 while it awaited technology that would bring their engines up to these standards.

In 2008, the company introduced Clean Diesel Cars in the United States. And, wow, were they efficient! So efficient, in fact, that the International Council on Clean Transportation asks the people at VW to help demonstrate the values of US diesel technology, hoping to get Europe to adopt these same regulations. In the process of inviting VW to do this, the International Council on Clean Transportation took a closer look at their Clean Diesel Cars, and what they found wasn't a high performing, low-emissions engine.

If you read the news, you know this didn't turn out well for Germany's largest automaker. Complicated and elaborate "defeat" software, rigged to cheat when it detected emissions testing in progress, had been masking damaging levels of emissions from the company's diesel engines. The Environmental Protection Agency, on the cue of the International Council's findings, did their own testing on VW's engines in 2014 and 2015, and when they told the automaker that their 2016 models would not be welcome on U.S. soil, company leaders confessed to the company's transgression.

Vehicle recalls, customer restitution and class action lawsuits were just the beginning of Volkswagen's emissions nightmare. After "Dieselgate" hit newspapers in September of 2015, Volkswagen sales slipped, stocks plunged, and company leaders indicated that the 6.5 billion dollars they'd set aside to deal with the issue would not likely be enough.

Volkswagen found themselves in the midst of crisis management—responding and managing unexpected change.

Two CEOs and three years later, Volkswagen, determined to leave the crisis behind them, invited in a new breed of leader: one that believed in sweeping change company-wide. Dr. Herbert Diess was invited to usher in a new era for Volkswagen and set the company on a more ethical, trustworthy path.

In one of his first tasks as leader of the company, Diess addressed shareholders in Berlin: "Volkswagen has to become more honest, more open and more truthful. Besides abiding by the rules and obeying the law, the key here is always ethics—a clear moral compass." But how had Volkswagen gone so wrong as to get to the point where leaders determined it was okay to break the law? And what kind of changes needed to be made to get Germany's largest automaker back on track again?

Process Reengineering and Continuous Process Improvement

Three years post-crisis, Volkswagen is looking to infuse their company culture with honesty and ethics, and simplify processes so decision making comes from those "in the know." Process reengineering was among the first things Volkswagen leaders considered. And, moving forward, this process reengineering should become a part of their change management strategy.

The idea behind process engineering is that management starts with a clean sheet of paper and rethinks and redesigns the processes by which an organization does work and creates value. Overall, the process reengineering should look at three different areas:

- Distinctive competencies. These define what the organization does better than its competition: better products, a more efficient distribution system, and so on. Volkswagen leaders needed to review its distinctive competencies to remind themselves of where they wanted to be. In fact, leaders chose to look in another direction for success when they did this—that of electric cars. That's a far cry from diesel. But this new navigation was definitely going to separate them from past transgressions.
- Core processes. These are the processes that transform materials, information, and labor into products and services for the customer. Volkswagen immediately began making moves that strengthened their goals for electric cars and recognized a need to put decision making back in the hands of the engineers and managers who run their processes. This resulted in an effort to . . .
- Reorganize around horizontal processes. Companies in this stage of the process employ cross-functional and self-managed teams, and focus on process rather than on function. Volkswagen made sweeping changes to their organizational structure to put experts in charge of decisions. By doing away with its rigid organizational structure and its top-down hierarchy, it introduced a new corporate culture—one that could uphold the levels of honesty and ethics that VW promised to its customers by introducing better checks and balances.

This leads us to continued process improvement.

Businesses look to achieve customer satisfaction via the continuous improvement of all organizational processes, recognizing that good is never good enough. Even excellent processes can be improved upon. In Volkswagen's case, they recognized that their top-down decision making impaired their ability to keep executives honest and processes transparent.

Manufacturing uses continuous improvement processes to increase the uniformity of their products or services. Management often looks to employees for improvement ideas, and this might be an area that Volkswagen could also benefit from, as it enhances trust between employer and employee, a bond that is likely still fragile after these events.

Process reengineering and continuous process improvement aren't change management solutions, but rather initiatives that companies put into place so they don't find themselves in the same position as Volkswagen. Volkswagen can take steps with these measures today to prevent another crisis management issue in the future.

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External Change Management

> We believe that Web-based retailing will continue to increase in popularity and market share as a distribution method for physical book, music, and movie merchandise. . . . The shift toward digital formats represents an opportunity for us as we continue to strengthen our Web-based capabilities.
>
> —The second-to-last annual report filed by Borders for the fiscal year ending in January 2009.

Tom and Louis Borders were University of Michigan graduates who developed an inventory management system that was second to none in the world of bookstores. It allowed them to expand their one little bookstore on State Street in Ann Arbor into 21 stores that were ultimately sold to Kmart Corporation in 1991 for $125 million. Kmart combined them with a group of mall stores they had in their arsenal called Waldenbooks and then spun them off with an IPO in 1995.

That’s the story of how the country’s second biggest big-box bookstore was born . . . in a quick four years, with a proud history of a management system that could manage physical inventories like nothing else could. Maybe, when you look at it that way, it doesn’t seem so strange that they never saw the internet coming.

This is how they didn’t see the future effects of technology:

- In the 1990s, Borders executives chose to invest heavily in music sales, morphing themselves into a multipurpose entertainment retailer. It was around that time that Apple hit the scene with iTunes and iPods. Music was changing, but Borders didn’t see it coming. In fact, Borders developed and tested in-store machines where customers could build their own mix CDs, for a little less than the cost of a pre-recorded album. It was a feeble and misguided attempt to appeal to iTunes users, which included youngsters who were reveling in the notion that buying “singles” was once again an option in a post-CD, post-album-loving world.
- In 2001, after an unsuccessful attempt to launch an online store, Borders opted to outsource their online sales to an up-and-coming company called Amazon. (You’ve heard of them?) Borders-dot-com redirected all their customers to a co-branded site and they invited their customers to shop with Amazon to fulfill all their online shopping needs. What they didn’t anticipate was that Amazon would become the go-to for book shoppers, and that people would literally begin shopping at Borders for a book, and then turn around and buy it online at Amazon for cheaper. Even going through Borders.com, Borders only received a commission on that book purchase. When Borders finally decided to take back their ecommerce business, it was too little too late.
- E-readers became the new way that Amazon built its unwavering customer base. Amazon customers could now have a new book with the click of a button, without going out to the store at all. Sleek, lightweight e-readers allowed reader to hold War and Peace in front of them for hours and their arms wouldn’t get tired. What was not to love? Competitor Barnes & Noble came onto the scene with the Nook e-reader, but it took even longer for Borders to respond with the Kobo.

- Finally, Borders was invested in expanding their global footprint on a national scale. They were opening stores in the UK, Singapore, and Australia. Unfortunately, they were neglectful in responding to new marketing techniques and even providing their domestic stores with the tools to do their jobs correctly. In an article for The Atlantic, business writer and one-time Borders consultant Pete Osnos wrote, “I was startled to find, on a visit to Borders in Madison, Wisconsin, in 2007, that the store still had no Internet access, instead channeling all communications through Ann Arbor.” (Note: Osnos, Peter. "What Went Wrong at Borders." The Atlantic. January 11, 2011. Accessed May 08, 2019. https://www.theatlantic.com/business/archive/2011/01/what-went-wrong-at-borders/69310/.)

External forces for change—this time technological—had turned the book and entertainment industry on its ear during the time that Borders was most vulnerable. The company had become too big too quickly, and couldn’t answer to these changes in time to make a difference. Their customers went elsewhere.

There were internal challenges for Borders that further hurt their ability to respond. Executive turnover at the C-level was steep and unmanageable. Store leases left little room for flexibility. And the company had acquired a suffocating amount of debt. Barnes and Noble fared a little better responding to these technological challenges because they did not have the same turnover and debt to deal with.

What could Borders have done to survive from a change management perspective? Perhaps they could have pulled back on international development and restructured their budget and organizational structure to support their own innovation. Brett Clay, author of Selling Change suggests that those “other external challenges” such as inflexible store leases and debt lessened their agility and led to their demise. While managers have traditionally budgeted for return on investment, Clay suggests their focus should be agility instead. “If you are adapting to a change, you are already in a follower position. As the Borders case demonstrates, that position can be fatal,” says Clay. Borders is an example of what happens to those who do not lead.

PRACTICE QUESTION

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Stimulating Innovation

Among the contemporary change issues that managers face is the challenge of stimulating innovation. Borders may not have realized that they were in a business that needed innovation (libraries and books had been on shelves for users since Alexandria, for goodness sake!) but Brett Clay may have been right that agility and leading change may have produced a very different result for them. And in fact, managers look to stimulating innovation as a change management technique meant to stay ahead of, rather than respond to, environmental changes.

Innovation is a new idea applied to initiating or improving a product, process or service. Jeff Bezos was innovating when he created an online bookstore in 1994. New innovations can be products, services, new production technologies, new structures, new administrative systems . . . pretty much a new anything.

- **Structural variables** have been the most studied source of innovation. If you recall from our organizational structure module, organic structures produce the most innovation. But it’s been shown that managerial tenure provides legitimacy and knowledge of how to accomplish tasks and create desired outcomes. And having a lack of resources can also nurture innovation.
- Organizations with cultures that encourage **experimentation**—that award successes and failures and don’t punish mistakes—also foster innovation.
- Finally, **idea champions**—individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance, and ensure that ideas are implemented—are also of benefit to organizations that need innovation to stay fresh.

Borders didn’t have any of that. A relatively small company in 1991 with 21 stores, they might have been able to achieve an organic structure, but they got big very quickly, and their hierarchical structure didn’t support

innovation. Their C-level managers changed with the seasons, so no one manager could step in and provide the innovative support needed. And Borders' culture didn't support innovation either. There was no room for a mistake—their increasing debt did not allow for the time or expense of that kind of culture.

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Internal Change Management

Amazon always seems to be among those companies that we talk about when we want to cite a good example of how to do business. But change looms like a threat in the background even when a company is setting standards for others, and Amazon is no exception.

In August of 2017, Amazon purchased Whole Foods Market, and it immediately became a player in the $840 billion grocery industry. Amazon made the move to compete with players like Walmart, who did business both in the ecommerce and brick-and-mortar space. Grocery and retail stocks saw a downward tumble as investors immediately saw Amazon becoming the big fish in this industry. But everyone was surprised, and now, more than a year later, we still don't hear anything worthwhile coming out of the merger.

What we do hear, however, are stories about Whole Foods employees crying in the aisles of their stores, responding emotionally and unfavorably to the new rules and regulations imposed upon them by the online giant. Scorecards are used to measure—and even terminate—employees and customers are screaming at the sight of their poorly stocked shelves. A merger that would allow Amazon to grow outside of the ecommerce arena and create additional buying power (and selling power) for Whole Foods looks to be stumbling, if not faltering entirely. What's the issue?

The issue is culture—or, more specifically, the lack of a successful blend of the cultures of two very different companies.

As we mentioned earlier, Whole Foods' organizational structure was team-based, with teams answering to themselves and to each other. Amazon, on the other hand, has a structure that's rooted in manufacturing bureaucracy, functioning with military-like precision and not leaving much room for autonomy. It should not have come as a surprise that the two cultures would clash.

Whole Foods is a small part of Amazon's business but a large part of their future strategy and a lot is riding on their ability to make this merger work. Still, the odds are against them: between 70 and 90 percent of mergers fail and it's easy to see why considering amount of change has to be managed by the companies involved.

If Amazon were to adopt some of the habits of a learning organization and incorporate those behaviors into their change management strategy overall, some of these merger issues could have been avoided, or at least anticipated. Let's take a look at how learning organizations prepare themselves for change.

PRACTICE QUESTION

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Learning Organizations

Learning organizations are the result of looking for new ways to successfully respond to a world of interdependence and change, and the ideal learning organization has developed the continuous capacity to adapt and change. The characteristics of a learning organization:

- There exists a shared vision which everyone agrees on
- People discard old ways of thinking and standard routines
- Members think of all organizational processes, activities, functions and interactions with the environment as part of a system with interrelationships
- People openly communicate with each other across vertical and horizontal boundaries without fear of criticism or punishment
- Personal self-interests and fragmented departmental interests are sublimated to the organization's shared vision

This is easier to say than it is to do, but I think we can agree that most of these aspects of a learning organization are not in place where Amazon and Whole Foods are concerned.

Typical organizations address problems with single-loop learning, where errors are corrected using past routines and present policies. Learning organizations, however, have adopted double-loop learning¸ where errors are corrected by modifying the organization's objectives, policies, and standard routines.

Furthermore, learning organizations are meant to be a remedy for three fundamental problems inherent in traditional organizations: fragmentation, competition, and reactiveness.

Fragmentation refers to the specialization within an organization that creates walls and silos. This fragmentation separates different functions into independent areas that often bicker with one another. Amazon is, in itself, a silo, with a rigid culture based on discipline and prescribed rules and regulations. Rather than reviewing and negotiating Whole Foods' culture, they went about operating the grocery chain with Amazon rules – including scorecards and regulations. Amazon has inadvertently created an "us" and "they" with their actions.

Competition in an organization undermines collaboration. Managers compete to show who is right, who knows more, who is the most powerful. Whole Foods workers were used to having a lot of autonomy in their actions, negotiating face-to-face with customers and making educated decisions about how to go about their work. Amazon's new rules and regulations will spike competition by presenting these new measurements and regulations by which Whole Food employees are evaluated.

Finally, reactiveness misdirects management's attention to problem solving rather than creation. It remains to be seen how Amazon will respond to their faltering relationship with their adopted child. Experts agree that performance in 2019 will be key to Amazon's future success in the grocery space, but will they be able to get this unstable ship moving in the right direction to do so? The managers of both companies have the opportunity to create something new, but if they're addressing problems at every turn rather than innovating, reactiveness will thwart their efforts.

Organizations can make an effort to become a learning organization. Changing an organization to be a continual learner includes:

- **Establishing a strategy**: a commitment to change, innovation and continuous improvement
- **Redesign the organization's structure**: formal structures can impede learning, so flattening the structure and putting teams into place increase cross-functional communication and eliminate boundaries
- **Reshape the organization's culture**: management must change its behavior as well as its strategy to embrace risk and change

Amazon isn't going to wake up one morning, look at their faltering brick-and-mortar grocery sales, and say, "Hey, let's become a learning organization and make this work." Becoming a learning organization isn't the solution to their problem—skillful change management is what's needed. But organizations have thought about how to avoid what's happening with the Amazon/Whole Foods merger and concepts like learning organizations are what results from it.

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PUTTING IT TOGETHER: ORGANIZATIONAL CHANGE

Now we understand everything we can about change – the forces that push for it, like technology and consumer demand; the types of changes we can face, like evolutionary or revolutionary; the ways we can avoid resistance to it and put it in place with the least amount of pain.

The thing about change is…it changes. In the 1800s, technological change was certainly an issue, as the steam engine and the cotton gin were among technologies introduced that had us looking at the ways we can do things differently. But change today in that realm is so much quicker. New technologies and apps are being invented daily, and industry disruptors have organizations holding their breath and taking risks at speeds they never thought possible.

Change has changed over the years in that it's a global issue. Companies like Daimler Chrysler or Anheuser Busch and Belgium's InBev have presented challenges on a cultural level. It wasn't too long ago that mergers like this were less common, but technology has made the world a smaller place.

Organizations must manage and stay ahead of change every day if they're going to be competitive. But they also need to anticipate change, and what it's going to look like in years to come. They can push to innovate and drive change. Lee Iaccoca was prophetic when he spoke on behalf of Chrysler, telling us:

> "Lead, follow, or get the hell out of the way."

Perhaps that's how change will change. We can only wait and see. But businesses really can't, can they?

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