9TH EDITION

Organisational Behaviour

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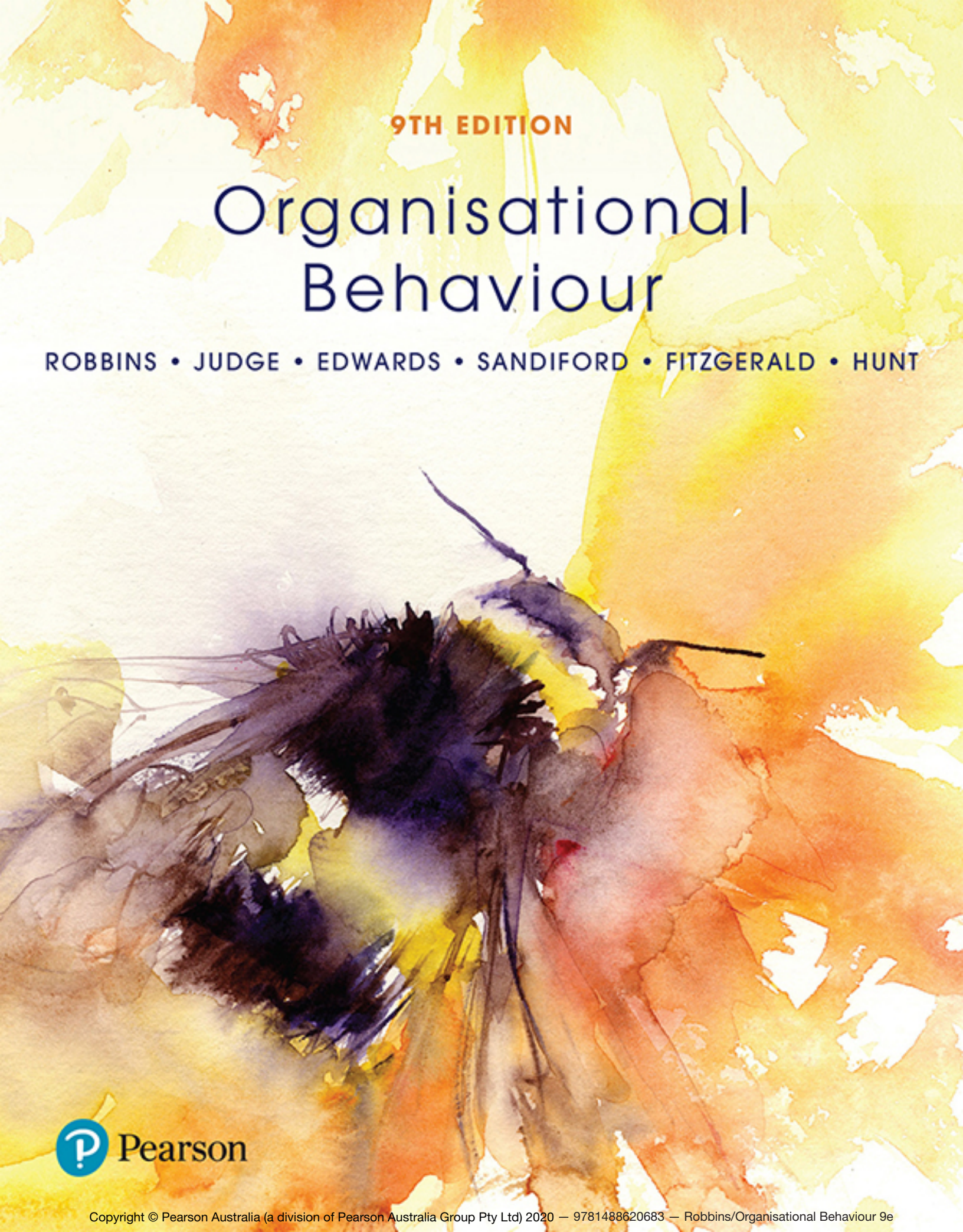

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PREFACE

Welcome to the ninth edition of *Organisational Behaviour*! In the dynamic, fast-paced and diverse 21st-century workplace, managers and their employees are facing more challenges than ever before. In turn, educators must help to prepare their students for the reality of work and it is our hope that this book will help them to achieve this goal. This ninth edition is one of the most contemporary revisions of *Organisational Behaviour* we have undertaken. While we have kept the book's trademark features—clear writing style, solid theoretical underpinnings, cutting-edge content and engaging pedagogy—each chapter has been thoroughly updated to reflect the most recent research within the field of organisational behaviour and the major practical issues facing employees and managers in the contemporary workplace.

What's new in the ninth edition?

- An *Employability Skills Matrix* in every chapter provides students with a visual guide to features that support the development of skills employers are looking for in today's business graduates, helping students to see the relevance of the course to their career goals.
- A *Career OBjectives* feature in every chapter provides advice in a question-and-answer format to help students think through issues they may face in the workforce.
- An *Application and Employability* section at the end of every chapter summarises the relevance of each chapter for students' employability, the skills learned from chapter features and the skills to be learned in the end-of-chapter material.
- A new/updated opening vignette in each chapter brings current business trends and events to the forefront.
- New/updated content in each chapter reflects the most current developments in OB research, including:
    - expatriate readjustment
    - deviance and counterproductive work behaviours
    - customer satisfaction
    - emotional labour
    - ethics of emotion regulation
    - mindfulness
    - invisible illnesses
    - unemployment/job search
    - behavioural ethics
    - abusive supervision
    - executive board composition

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- espoused and enacted climates
- sleep deprivation
- recovery experiences
- job demands
- pro-social and socially aversive leadership
- types of organisational culture
- forces for organisational change
- the nature of organisational change
- planned versus emergent change
- sources and types of resistance to change
- the stress–performance relationship
- a contemporary model of workplace stress.

Educator resources

A suite of resources is provided to assist with delivery of the content, as well as to support teaching and learning.

INSTRUCTOR/SOLUTIONS MANUAL

The Instructor/Solutions Manual provides educators with detailed, accuracy-verified solutions to in-chapter and end-of-chapter problems in the book. It also provides additional group activities for class use.

TEST BANK

The Test Bank provides a wealth of accuracy-verified testing material. Updated for the new edition, each chapter offers a wide variety of question types, arranged by Learning Objective and tagged by AACSB standards.

Questions can be integrated into Blackboard, Canvas or Moodle Learning Management Systems.

LECTURE SLIDES

A comprehensive set of PowerPoint slides can be used by educators for class presentations or by students for lecture preview or review. They include key figures and tables, as well as a summary of key concepts and examples from the course content.

DIGITAL IMAGE POWERPOINT SLIDES

All the diagrams and tables from the course content are available for lecturer use.

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We also acknowledge the contribution of Ron Cacioppe as an author on the first three editions of this text, Terry Waters-Marsh for his contributions up until and including the fifth edition, Maree Boyle for her contribution to the seventh edition and Bruce Millett for his significant contribution to the past five editions.

Regardless of how good the manuscript is, it is only words until our friends at Pearson Australia swing into action. Pearson's outstanding team of editors, production personnel, designers, marketing specialists, artists and sales representatives turn those words into a textbook and see to it that it gets into faculty and students' hands. Our special thanks go to Nina Sharpe and Nicole Le Grand for their support and encouragement during the development of the ninth edition. We would also like to thank Bernadette Chang, Eva Birch and Sandra Balonyi for their skilful handling of the manuscript in production.

Finally, we want to acknowledge with gratitude the hundreds of academics teaching and researching in the OB discipline in Australia and New Zealand. These people demonstrate amazing commitment and dedication, often in the face of severe resource cutbacks and constraints, to teaching and research in OB in their respective countries. They are not afraid to take risks, to experiment, and to share their successes and failures with others in the discipline. They are the true pioneers in the quest to define, refine and communicate the unique aspects of Australian and New Zealand OB for the benefit of our two societies.

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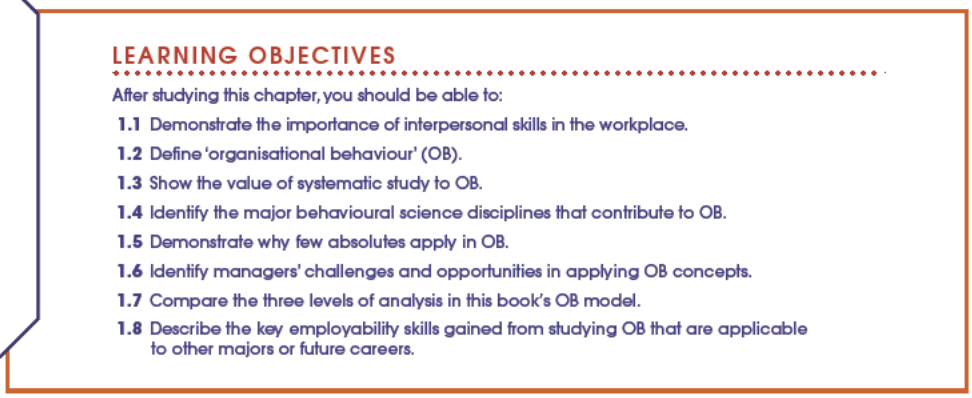
GUIDED TOUR

To help you navigate your way through this ninth edition of *Organisational Behaviour* (OB), we list here the new and updated content contained in every chapter.

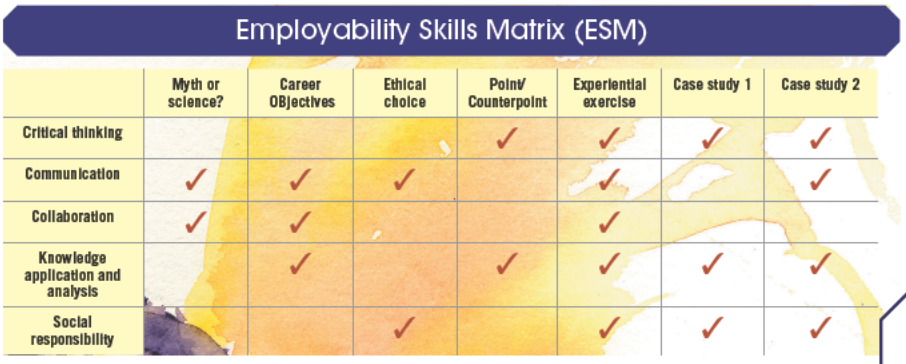
Each chapter begins with a list of **LEARNING OBJECTIVES** that outline what you should be able to do after studying the chapter. These objectives are designed to focus your attention on the major issues detailed in the chapter.



LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- **1.1** Demonstrate the importance of interpersonal skills in the workplace.
- **1.2** Define 'organisational behaviour' (OB).
- **1.3** Show the value of systematic study to OB.
- **1.4** Identify the major behavioural science disciplines that contribute to OB.
- **1.5** Demonstrate why few absolutes apply in OB.
- **1.6** Identify managers' challenges and opportunities in applying OB concepts.
- **1.7** Compare the three levels of analysis in this book's OB model.
- **1.8** Describe the key employability skills gained from studying OB that are applicable to other majors or future careers.



Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking				✓	✓	✓	✓
Communication	✓	✓	✓		✓		✓
Collaboration	✓	✓			✓		
Knowledge application and analysis		✓		✓	✓	✓	✓
Social responsibility			✓		✓	✓	✓

The new **EMPLOYABILITY SKILLS MATRIX** shows how the features in the chapter will support you in developing the skills employers are looking for.



Effective communication as the driver for organisational renewal

When Scott Morgan was invited to apply for the position of CEO at Greater Building Society in 2014, it was an initial reaction was reluctance: for Wall, aware of past over $5 billion, the organisation was nevertheless losing customers. It had developed an insular culture with a limited customer focus and was being held back by inefficiencies due to the prevalence of its divisional silos.

Enticed by the opportunity to introduce better customer service and lasting change, Scott reconsidered the offer and decided to take on the challenge of leading the organisation forward, using transparent communication as his key strategy. Working with the board and his executive team, Scott communicated this strategy by repositioning the organisation from a building society to a customer-owned bank.

Scott realised that this would be a big, investment journey, and that it would require all 750 employees organically embrace the prospect of this transformation. He therefore set aside 18 months to prepare for, develop, refine and manage this change throughout the organisation. 'Being authentic in [a] message was important and being open to feedback along the way is critical,' says Scott.

Scott established a People and Process Transformation Advisory Group to develop a more change-ready culture: one that would adapt quickly to the external environment and respond better to the needs of its customers.

Rather than simply dictating a road map, enabling staff empowered and involved in mapping out their future, it decided to engage employees in the process of change. 'If you're still in bed with the person on offer, it's really hard to say no,' he said. 'If they can't see change is what will bring [staff] to work, they're not going to engage.' And so, rough, engaged by [the] Group [to] discuss its vision.

As the Organisational Change Manager, Vanessa Nirmal played an important role in enabling employees to provide feedback and voice their concerns about the planned changes. Employee feedback identified concerns that customers would feel negative about the change from a building society to a bank. This prompted the development of a closely intertwined internal and external communication strategy that focused on simply explaining the 'why' of the change to customers. The program built awareness and understanding of the merits of a customer-owned bank in delivering superior services and responding to ongoing digital disruption in the financial landscape in Australia and throughout the world. Employee feedback also identified staff reservations about being able to have effective conversations with customers about the value of the change for them. Training material to enable managers to develop their employees' confidence in having those conversations was prepared. This sense of [a] more effective communication between employees and customers Vanessa explains the preparatory changes in this way:

Through [the] two-way ongoing, two-way communication, we [have] learnt how easy it was to work collaboratively to find solutions that both align to organisational strategy and benefit employees and customers'.

An opening **VIGNETTE** provides an example about an individual or an organisation relevant to the content in that chapter. The featured individuals or organisations come from a broad spectrum and each example is selected specifically to help you link OB concepts to OB practice.

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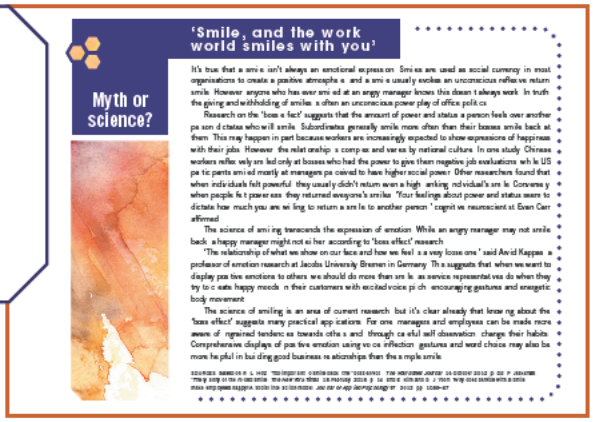
The **MYTH OR SCIENCE?** feature presents a commonly accepted 'fact' about human behaviour, followed by confirming or disproving research evidence. These sections help you to see how the field of OB, built on a large body of research evidence, can provide valuable insights into human behaviour at work.


Myth or science?

'Smile, and the work world smiles with you'

It's true that a smile isn't always an emotional expression. Smiles are used as social currency in most organisations to create a positive atmosphere, and a smile usually evokes an unconscious reflexive return smile. However, anyone who has ever smiled at an angry manager knows this doesn't always work. In truth, the giving and withholding of smiles is often an unconscious power play of office politics.

Research on the "boss effect" suggests that the amount of power and status a person feels over another person's status who will smile. Subordinates generally smile more often than their bosses smile back at them. This may happen in part because workers are increasingly expected to show expressions of happiness with their jobs. However, the relationship is complex and varies by national culture. In one study, Chinese workers reflexively are led only at bosses who had the power to give them negative job evaluations, while US participants smiled mostly at managers perceived to have higher social power. Other researchers found that when individuals felt powerful, they usually didn't return even a high-arching individual's smile. Conversely, when people felt powerless, they returned everyone's smiles. "Your feelings about power and status seem to dictate how much you are willing to return a smile to another person," cognitive neuroscientist Evan Carr affirmed.

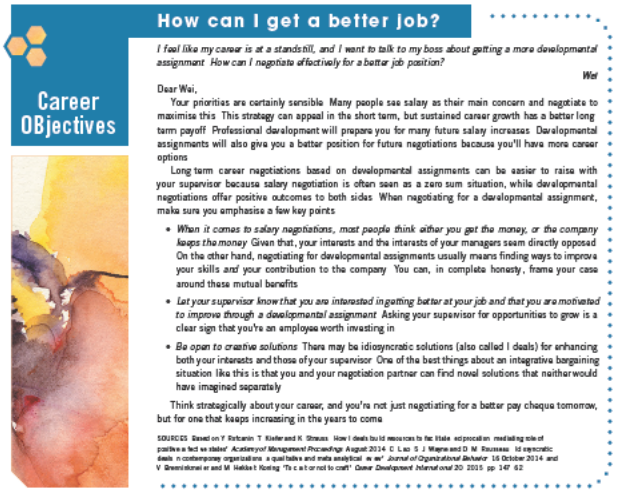
The science of smiling transcends the expression of emotion. While an angry manager may not smile back, a happy manager might not either, according to "boss effect" research.

"The relationship of what we show on our face and how we feel is a very loose one," said Arvid Kappas, a professor of emotion research at Jacobs University Bremen in Germany. This suggests that when we want to display positive emotions to others, we should do more than smile. As service representatives do when they try to create happy moods in their customers with excited voice pitch, encouraging gestures and energetic body movement.

The science of smiling is an area of current research, but it's clear already that knowing about the "boss effect" suggests many practical applications. For one, managers and employees can be made more aware of ingrained tendencies towards either a smile and through cautious self-observation, changes their habits. Comprehensive displays of positive emotion using voice inflection, gestures and word choice may also be more helpful in building good business relationships than the simple smile.

SOURCES: Based on Y. Kim, "The importance of smiling in the workplace," *The Huffington Post*, 12 October 2012, p. 22; P. Jolliffe, "The boss is not smiling: the new work rules," *Personnel Today*, 18 February 2014, p. 14; and C. Wilkins, "Employees engage more with a smile," *Personnel Today*, 20 August 2012, pp. 1089–97.

The new **CAREER OBJECTIVES** feature provides advice, in question-and-answer format, to help you think through how OB concepts can help you address issues you may face in the workforce.


Career OBjectives

How can I get a better job?

I feel like my career is at a standstill, and I want to talk to my boss about getting a more developmental assignment. How can I negotiate effectively for a better job position?

Wei

Dear Wei,

Your priorities are certainly sensible. Many people see salary as their main concern and negotiate to maximise this. This strategy can appeal in the short term, but sustained career growth has a better long-term payoff. Professional development will prepare you for many future salary increases. Developmental assignments will also give you a better position for future negotiations because you'll have more career options.

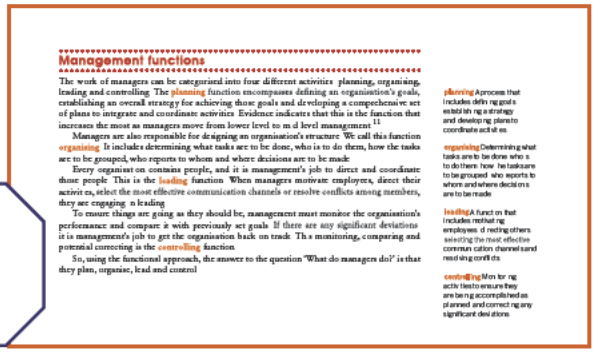
Long-term career negotiations based on developmental assignments can be easier to raise with your supervisor because salary negotiation is often seen as a zero-sum situation, while developmental negotiations offer positive outcomes to both sides. When negotiating for a developmental assignment, make sure you emphasise a few key points:

- *When it comes to salary negotiations, most people think either you get the money, or the company keeps the money.* Given that, your interests and the interests of your managers seem directly opposed. On the other hand, negotiating for developmental assignments usually means finding ways to improve your skills *and* your contribution to the company. You can, in complete honesty, frame your case around these mutual benefits.
- *Let your supervisor know that you are interested in getting better at your job and that you are motivated to improve through a developmental assignment.* Asking your supervisor for opportunities to grow is a clear sign that you're an employee worth investing in.
- *Be open to creative solutions.* There may be idiosyncratic solutions (also called I-deals) for enhancing both your interests and those of your supervisor. One of the best things about an integrative bargaining situation like this is that you and your negotiation partner can find novel solutions that neither would have imagined separately.

Think strategically about your career, and you're not just negotiating for a better pay cheque tomorrow, but for one that keeps increasing in the years to come.

SOURCES: Based on Y. Kim, T. Kim, and K. Straus, "How I deals but I'd rather not: The role of political skill in I-deal negotiations," *Academy of Management Proceedings*, August 2014; C. Lee, S. J. Wayne, and D. M. Rousseau, "Idiosyncratic deals in contemporary organizations: a qualitative and meta-analytical review," *Journal of Organizational Behavior*, 18 October 2014; and V. Brenninkmeijer and M. Hekkert Koning, "To craft or not to craft," *Career Development International*, 20 (2015), pp. 147–62.

The **KEY TERMS** are highlighted in bold print when they first appear and are defined in the adjoining margin. The terms are also grouped together at the end of the book in the glossary.


Management functions

The work of managers can be categorised into four different activities: planning, organising, leading and controlling. The **planning** function encompasses defining an organisation's goals, establishing an overall strategy for achieving those goals and developing a comprehensive set of plans to integrate and coordinate activities. Evidence indicates that this is the function that increases the most as managers move from lower level to mid-level management.[11]

Managers are also responsible for designing an organisation's structure. We call this function **organising**. It includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

Every organisation contains people, and it is management's job to direct and coordinate those people. This is the **leading** function. When managers motivate employees, direct their activities, select the most effective communication channels or resolve conflicts among members, they are engaging in leading.

To ensure things are going as they should be, management must monitor the organisation's performance and compare it with previously set goals. If there are any significant deviations, it is management's job to get the organisation back on track. This is monitoring, comparing and potential correcting is the **controlling** function.

So, using the functional approach, the answer to the question "What do managers do?" is that they plan, organise, lead and control.

planning A process that includes defining goals, establishing a strategy and developing plans to coordinate activities.

organising Determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

leading A function that includes motivating employees, directing others, selecting the most effective communication channels and resolving conflicts.

controlling Monitoring activities to ensure they are being accomplished as planned and correcting any significant deviations.

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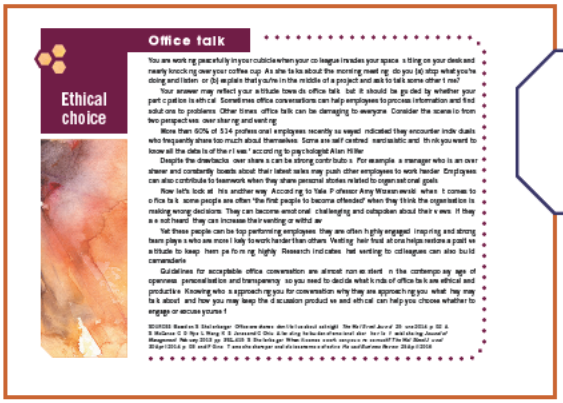


The **ETHICAL CHOICE** features are based on real business scenarios and situations that have posed an ethical dilemma.

Summary

Managers need to develop their interpersonal, or people, skills to be effective in their jobs. Organisational behaviour (OB) investigates the impact that individuals, groups and structure have on behaviour within an organisation, and it applies that knowledge to make organisations work more effectively.

Implications for managers

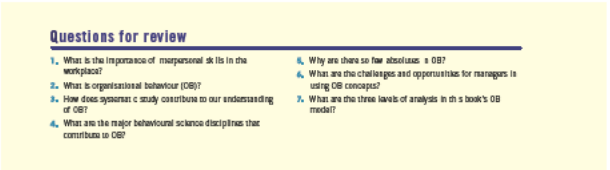
- Resist the inclination to rely on generalisations; some provide valid insights into human behaviour, but many are erroneous.
- Use metrics rather than 'hunches' to explain cause-and-effect relationships.
- Work on your interpersonal skills to increase your leadership potential.
- Improve your technical skills and conceptual skills through training and staying current with organisational behaviour trends such as big data and fast data.
- Organisational behaviour can improve your employees' work quality and productivity by showing you how to empower your employees, design and implement change programs, improve customer service and help your employees balance work–life conflicts.

The **SUMMARY** and **IMPLICATIONS FOR MANAGERS** sections offer a concise summary of the key themes.

The **POINT/COUNTERPOINT** feature presents opposing positions on hot topics in OB to help you learn to think critically.



QUESTIONS FOR REVIEW align with the chapter learning objectives to help you thoroughly revise the content.



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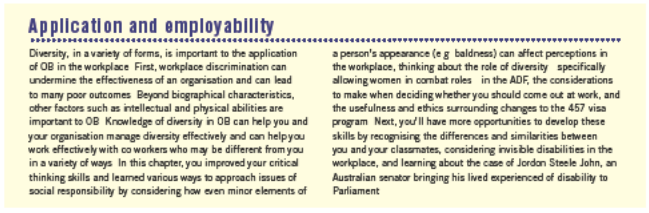
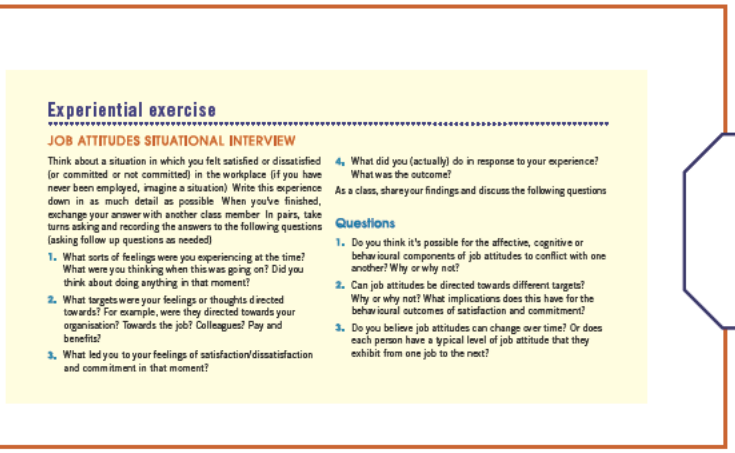
APPLICATION AND EMPLOYABILITY summarises the relevance of the chapter to your employability, the skills you will have learned from chapter features and the skills you will learn by completing the end-of-chapter material.



Application and employability

Diversity, in a variety of forms, is important to the application of OB in the workplace. First, workplace discrimination can undermine the effectiveness of an organisation and can lead to many poor outcomes. Beyond biographical characteristics, other factors such as intellectual and physical abilities are important to OB. Knowledge of diversity in OB can help you and your organisation manage diversity effectively and can help you work effectively with co workers who may be different from you in a variety of ways. In this chapter, you improved your critical thinking skills and learned various ways to approach issues of social responsibility by considering how even minor elements of a person's appearance (e.g. baldness) can affect perceptions in the workplace, thinking about the role of diversity – specifically allowing women in combat roles – in the ADF, the considerations to make when deciding whether you should come out at work, and the usefulness and ethics surrounding changes to the 457 visa program. Next, you'll have more opportunities to develop these skills by recognising the differences and similarities between you and your classmates, considering invisible disabilities in the workplace, and learning about the case of Jordon Steele John, an Australian senator bringing his lived experienced of disability to Parliament.



Experiential exercise

JOB ATTITUDES SITUATIONAL INTERVIEW

Think about a situation in which you felt satisfied or dissatisfied (or committed or not committed) in the workplace (if you have never been employed, imagine a situation). Write this experience down in as much detail as possible. When you've finished, exchange your answer with another class member. In pairs, take turns asking and recording the answers to the following questions (asking follow up questions as needed).

1. What sorts of feelings were you experiencing at the time? What were you thinking when this was going on? Did you think about doing anything in that moment?
2. What targets were your feelings or thoughts directed towards? For example, were they directed towards your organisation? Towards the job? Colleagues? Pay and benefits?
3. What led you to your feelings of satisfaction/dissatisfaction and commitment in that moment?
4. What did you (actually) do in response to your experience? What was the outcome?

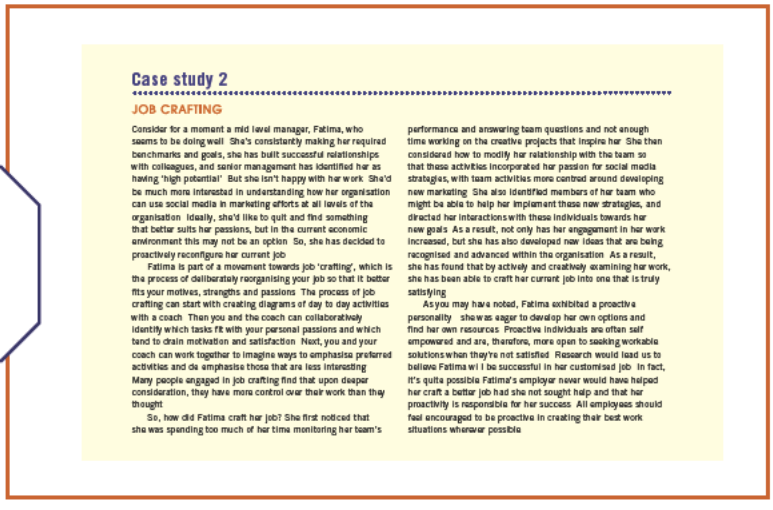
As a class, share your findings and discuss the following questions.

Questions

1. Do you think it's possible for the affective, cognitive or behavioural components of job attitudes to conflict with one another? Why or why not?
2. Can job attitudes be directed towards different targets? Why or why not? What implications does this have for the behavioural outcomes of satisfaction and commitment?
3. Do you believe job attitudes can change over time? Or does each person have a typical level of job attitude that they exhibit from one job to the next?

EXPERIENTIAL EXERCISES provide you with an opportunity to actively engage in your learning of the chapter content either in a group or individually.

CASE STUDIES give you the opportunity to apply the knowledge gained in the chapter to situations in organisations, both real and hypothetical.



Case study 2

JOB CRAFTING

Consider for a moment a mid level manager, Fatima, who seems to be doing well. She's consistently making her required benchmarks and goals, she has built successful relationships with colleagues, and senior management has identified her as having 'high potential'. But she isn't happy with her work. She'd be much more interested in understanding how her organisation can use social media in marketing efforts at all levels of the organisation. Ideally, she'd like to quit and find something that better suits her passions, but in the current economic environment this may not be an option. So, she has decided to proactively reconfigure her current job.

Fatima is part of a movement towards job 'crafting', which is the process of deliberately reorganising your job so that it better fits your motives, strengths and passions. The process of job crafting can start with creating diagrams of day to day activities with a coach. Then you and the coach can collaboratively identify which tasks fit with your personal passions and which tend to drain motivation and satisfaction. Next, you and your coach can work together to imagine ways to emphasise preferred activities and de emphasise those that are less interesting. Many people engaged in job crafting find that upon deeper consideration, they have more control over their work than they thought.

So, how did Fatima craft her job? She first noticed that she was spending too much of her time monitoring her team's performance and answering team questions and not enough time working on the creative projects that inspire her. She then considered how to modify her relationship with the team so that these activities incorporated her passion for social media strategies, with team activities more centred around developing new marketing. She also identified members of her team who might be able to help her implement these new strategies, and directed her interactions with these individuals towards her new goals. As a result, not only has her engagement in her work increased, but she has also developed new ideas that are being recognised and advanced within the organisation. As a result, she has found that by actively and creatively examining her work, she has been able to craft her current job into one that is truly satisfying.

As you may have noted, Fatima exhibited a proactive personality – she was eager to develop her own options and find her own resources. Proactive individuals are often self empowered and are, therefore, more open to seeking workable solutions when they're not satisfied. Research would lead us to believe Fatima will be successful in her customised job. In fact, it's quite possible Fatima's employer never would have helped her craft a better job had she not sought help and that her proactivity is responsible for her success. All employees should feel encouraged to be proactive in creating their best work situations wherever possible.

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CASE MATRIX

Part	Chapter	Case type	Case title	Company or topic
1. Introduction	1. What is organisational behaviour?	Vignette	Creating successful 21st-century graduates: the role of OB	The need for graduates to have strong interpersonal skills
		Case study	Confronting aged care's challenges	The aged care industry
		Case study	Apple goes global	Labour force characteristics
2. The individual	2. Diversity in organisations	Vignette	Diversity and inclusiveness at AccorHotels	AccorHotels
		Case study	Invisible disabilities: mental illness in organisations	Coping with stress and mental illness in the workplace
		Case study	Making Parliament House accessible	The importance of workplaces being accessible for those with physical impairments
	3. Attitudes and job satisfaction	Vignette	Job satisfaction in the beauty industry	Mecca
		Case study	Self-service checkouts: from people to computers	Roll-out of self-service checkouts across the retail section—at what cost?
		Case study	Job crafting	Proactive job customisation
	4. Personality and values	Vignette	Orange Sky Australia: 'The power of conversation'	Orange Sky Australia—mobile laundry service
		Case study	On the costs of being nice	Characteristics of an 'agreeable' personality
		Case study	Success in business consulting: personality does matter!	Optimal personality traits required for consultants
	5. Emotions and moods	Vignette	The highs and lows of entrepreneurship	The impact of emotions in decision making
		Case study	Furry friends in the workplace	The benefits of allowing pets in the workplace
		Case study	When the going gets boring	Overcoming boredom in the workplace
	6. Perception and individual decision making	Vignette	Domino's pizza: creativity key in the kitchen	Creativity at the forefront of competitiveness
		Case study	Warning: collaboration overload	The cult of collaboration
		Case study	Feeling bored again	The link between boredom and unethical behaviours
	7. Motivation: from concept to application	Vignette	Canva: the best place to work	What makes Canva a great place to work?
		Case study	Goodbye to the annual pay rise?	The complexities of pay rise frequency
		Case study	We talk, but they don't listen	The voicing of employee opinions

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Part	Chapter	Case type	Case title	Company or topic
3. The group	8. Foundations of group behaviour	Vignette	Preparing students for the world of work	Working in a group environment
		Case study	Negative aspects of group collaboration	Minimising biases
		Case study	Intragroup trust and survival	Leadership and trust
	9. Understanding work teams	Vignette	Challenging short-term teams	Understanding the complexity of teams
		Case study	Trusting someone you can't see	Building trust in virtual teams
		Case study	Smart teams and dumb teams	What makes a team smart?
	10. Communication	Vignette	Effective communication as the driver for organisational renewal	Scott Morgan and Greater Bank
		Case study	Do men and women speak the same language?	Differences in communication styles
		Case study	Trying to cut the grapevine	The effects of office gossip
	11. Leadership	Vignette	Values-based leadership at Frontline Safety Australia	The traits and capabilities of successful CEOs
		Case study	Leadership, strategy and the management consultancy industry	Strategic leadership
		Case study	Leadership by algorithm	Leadership testing and assessment
	12. Power and politics	Vignette	Workplace bullying in parliament	Defining bullying
		Case study	Barry's peer becomes his boss	Grievances in the workplace
		Case study	Should women have more power?	Gender differences in power
	13. Conflict and negotiation	Vignette	A change of tune	The business of streaming music
		Case study	Disorderly conduct	The culture of organisational conflict
		Case study	Treaty or consultation as conflict resolution	The South Australian Government's treaty negotiations

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Part	Chapter	Case type	Case title	Company or topic
4. The organisation system	14. Foundations of organisational structure	Vignette	Heard but not seen—the evolving virtual assistant	Advantages and disadvantages of office assistants
		Case study	Creative deviance: bucking the hierarchy?	Going against the creative advice of the hierarchy
		Case study	Complex hierarchy in action in the Australian army	Miliary organisational structure
	15. Organisational culture	Vignette	'Culture eats strategy for breakfast'	Yellow Edge and belief in human potential
		Case study	The place makes the people	Open and activity-based workspaces
		Case study	Active cultures	Patagonia and organisational culture
	16. Organisational change and stress management	Vignette	One accounting firm's response to changing client needs	PKF Australia
		Case study	Change at SEE Business Solutions	Employee consultation during times of change
		Case study	Getting active at work	Workplace gains from activity-enhancing initiatives

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Stephen P. Robbins is Professor Emeritus of Management at San Diego State University and the world's bestselling textbook author in the areas of both management and organisational behaviour. His books are used at more than 1000 US colleges and universities, have been translated into 19 languages and have adapted editions for Canada, Australia, South Africa and India. Stephen is also the author of the bestselling books *The Truth about Managing People*, 2nd edition (Financial Times/Prentice Hall, 2008) and *Decide and Conquer* (Financial Times/Prentice Hall, 2004). In his 'other life', Stephen actively participates in masters' track competitions. Since turning 50 in 1993, he's won 18 national championships and 12 world titles, and set numerous US and world age-group records at 60, 100, 200 and 400 metres. In 2005, Stephen was elected into the USA Masters' Track and Field Hall of Fame.



Timothy A. Judge

Timothy A. Judge is currently the Joseph A. Alutto Chair in Leadership Effectiveness at the Department of Management and Human Resources, Fisher College of Business, The Ohio State University. He has held academic positions at the University of Notre Dame, University of Florida, University of Iowa, Cornell University, Charles University in the Czech Republic, Comenius University in Slovakia and University of Illinois at Urbana-Champaign. Timothy's primary research interests are in (1) personality, moods and emotions, (2) job attitudes, (3) leadership and influence behaviours and (4) careers (person–organisation fit, career success). Timothy has published more than 154 articles in these and other major topics in journals such as the *Academy of Management Journal* and the *Journal of Applied Psychology*. He is a fellow of several organisations, including the American Psychological Association and the Academy of Management. Among the many professional acknowledgements of his work, Timothy was awarded the Academy of Management Human Resources Division's Scholarly Achievement Award in 2014.



Marissa Edwards

Dr Marissa Edwards is a lecturer at the UQ Business School, University of Queensland. She has extensive experience teaching leadership, ethics, conflict management and organisational behaviour at undergraduate and postgraduate levels, and is a Fellow of the Higher Education Academy. Marissa's current research is focused on exploring how to reduce mental illness and encourage wellness in academic settings. She has been published in the *e-Journal of Business Education & Scholarship of Teaching*, the *Journal of Management and Organization* and the *Journal of Management Education*. In 2017, Marissa and her colleague Dr Erin Gallagher received the Best Paper Award in the Management Education and Development track at the Australian and New Zealand Academy of Management conference. In 2018, Marissa received an 'Outstanding Reviewer of 2017' citation at the *Journal of Management Education* and was appointed to the editorial board. Beyond the classroom, Marissa is an experienced project manager, seminar presenter and educator, and has worked with government and not-for-profit organisations.

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Peter Sandiford



Dr Peter Sandiford is senior lecturer in organisational behaviour at the University of Adelaide Business School, where he is director of the school's honours program. He has taught undergraduate and postgraduate courses in organisational behaviour, cross-cultural management and research methodology in Australia, the United Kingdom, Hong Kong, China and Singapore. His teaching and learning philosophy is increasingly influenced by the need to *span the silos* of scholarly subjects, seeking relevance and connectedness across topics and disciplines. Peter is an organisational sociologist with a particular interest in workplace emotions, organisational approaches to hospitality and the role of organisations within the wider community. He has conducted a number of ethnographic studies exploring both organisational and neighbourhood communities. Peter has published his work in several leading journals such as *Work, Employment and Society*, the *Human Resource Management Journal* (UK), the *Journal of Travel Research* and the *International Journal of Hospitality Management*.

Martin Fitzgerald



Dr Martin Fitzgerald is Associate Professor in Leadership and Organisational Studies at the University of Newcastle, Australia. He works with students and executives in the areas of leadership, decision making, and organisational behaviour and change and is privileged to be institutionally recognised for his exceptional contributions to teaching and the student learning experience. Martin has more than 20 years' prior career leadership experience across the public and private sectors, including careers as a corporate lawyer, university law academic, university senior executive and as CEO and president of a national non-profit organisation. His research interests are in the area of values-driven leadership, leadership intelligences and the behavioural dimensions of leadership decision making. Martin has published widely across a broad publication base, including books, book chapters, journal articles, government-commissioned reports and international keynote speeches. He recently co-authored *Leadership: Regional and Global Perspectives*, published by Cambridge University Press (2018).

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James Hunt is the MBA Program Director at the University of Newcastle, where he lectures in leadership and organisational behaviour at the postgraduate level. James has lived and worked as an academic in the United Kingdom, Spain, Bahrain, Malaysia, The Philippines, Indonesia, Singapore, Hong Kong and Australia. He has served in academia for more than 28 years and in 2003 was awarded the Centenary Medal of Australia by the Office of the Prime Minister for service to the university sector in Australia. James has authored more than 60 academic publications including books, book chapters and research papers. He remains an active researcher in the areas of emotional intelligence, leadership and personality. Throughout his career, James has received seven awards for excellence in university teaching.

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PART 1

Introduction

CHAPTER 1 What is organisational behaviour? 2

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CHAPTER

1

What is organisational behaviour?

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1.1 Demonstrate the importance of interpersonal skills in the workplace.

1.2 Define 'organisational behaviour' (OB).

1.3 Show the value of systematic study to OB.

1.4 Identify the major behavioural science disciplines that contribute to OB.

1.5 Demonstrate why few absolutes apply in OB.

1.6 Identify managers' challenges and opportunities in applying OB concepts.

1.7 Compare the three levels of analysis in this book's OB model.

1.8 Describe the key employability skills gained from studying OB that are applicable to other majors or future careers.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking				✓	✓	✓	✓
Communication	✓	✓	✓		✓		✓
Collaboration	✓	✓			✓		
Knowledge application and analysis		✓		✓	✓	✓	✓
Social responsibility			✓		✓	✓	✓

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Creating successful 21st-century graduates: the role of OB

Based on her knowledge and experience working in industry and academia for more than two decades, Professor Julie Cogin is quick to acknowledge the importance of Organisational Behaviour (OB) principles in the 21st-century workplace. Named in the top 100 of 'The Australian Financial Review and Westpac 100 Women of Influence' list in 2016, Cogin had a successful corporate career with Qantas and has also consulted to top organisations in Australia, Asia and the United States. She has worked in senior roles at a number of different Australian universities, and also serves as a non-executive director of G8 Education Ltd., Australia's largest publicly listed childcare company.



Corporate leader and scholar Professor Julie Cogin
SOURCE: Attila Csaszar/AFR.

Reflecting on the major changes that organisations have experienced and the current expectations of new graduates, Cogin says, 'when I talk to employers the consistent business requirement they share is that graduates need interpersonal skills. They also speak of the necessity to collaborate with a diverse range of people, different generations, and levels of seniority as well as customers located in Australia or overseas with various cultural backgrounds. Employers also want graduates who will try something, be open to feedback and keep practising to master a skill. If they fail, they expect graduates to ask for help but be prepared to persevere'.

Of course, organisations are looking for more than simply knowledge and skills; Cogin says it's important to try new things and seize opportunities to work with others on external projects while at university. 'I think what is really important is to engage in activities outside of the classroom, and there are so many different ways to be involved.' Cogin suggests that engaging in extra-curricular activities can help students gain valuable experience while at university. 'Just as organisations have to differentiate themselves from competitors, our students and our graduates also have to differentiate themselves from others going for the same job. Distinctiveness can be built in various ways including investing time as a student representative to inform the curriculum, participating on a committee to improve the university experience, being involved in social clubs or a job fair. These extra-curricular activities enhance learning, and inform a potential employer about your ability to put in discretionary effort'.

Reflecting on her own time at university, Cogin emphasises that students learn skills in OB courses that will serve them well in their future careers—meaning that paying attention in class is important! 'OB was the most useful course in my business degree,' she says. 'One of the most valuable learnings was that a primary prerequisite of managing others and working effectively in teams, is being able to manage yourself. You need to understand your strengths and be prepared to address your shortcomings.' She also acknowledges that, sometimes, the importance of aspects of OB doesn't

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become apparent until you're in the workforce: 'I found organisational structure and change were pretty dry during my studies, but those parts have been the most useful in the job that I've got at the moment!'

SOURCES: Conversation with Julie Cogin, 15 January 2018; and 'New leader for UQ Business School', *UQ News*, 10 October 2017, <www.uq.edu.au/news/article/2017/10/new-leader-uq-business-school>.

AS EMPHASISED IN THIS conversation with Professor Julie Cogin, students of organisational behaviour bring critically important knowledge and skills to their workplace. This example further shows that many core concepts and ideas in organisational behaviour remain constant: teamwork, emotions, diversity, effective communication, organisational change and organisational structure, to name a few. Throughout this book, you'll learn how organisational challenges often cut across areas such as these, which is exactly why the systematic approach pursued in this book and in your course is important.

1.1 Demonstrate the importance of interpersonal skills in the workplace.

The importance of interpersonal skills

Until the late 1980s, business school curricula emphasised the technical aspects of management, focusing on economics, accounting, finance and quantitative techniques. Coursework in human behaviour and people skills received less attention. Over the past two to three decades, however, business schools have realised the role that understanding human behaviour plays in determining a manager's effectiveness, and required courses on people skills have been added to many curricula. In fact, a survey of more than 2100 CFOs across 20 industries indicated that a lack of interpersonal skills is the top reason why some employees fail to advance.[1]

Incorporating OB principles into the workplace can yield many important organisational outcomes. Developing managers' interpersonal skills can help organisations to attract and keep high-performing employees. Regardless of labour market conditions, outstanding employees are always in short supply.[2] Companies known as good places to work—such as Mars Australia, Mecca, Salesforce, Birdsnest and SAS Australia—have a big advantage. A recent survey of hundreds of workplaces and more than 200 000 respondents showed that social relationships among colleagues and supervisors were strongly related to overall job satisfaction. Positive social relationships were also associated with lower stress levels at work and fewer people intending to quit.[3] So, having managers with good interpersonal skills is likely to make the workplace more pleasant. Research indicates that employees who know how to relate to their managers well with supportive dialogue and proactivity will also find their ideas are endorsed more often, further improving workplace satisfaction.[4] Creating a pleasant workplace also appears to make good economic sense. Companies with reputations as good places to work (such as the '100 best places to work in Australia') have been found to generate superior financial performance.[5]

Partially for these reasons, universities have begun to incorporate social entrepreneurship education into their curricula in order to train future leaders to address social issues within their organisations using interpersonal skills.[6] This is especially important because there is a growing awareness of the need to understand the means and outcomes of corporate social responsibility.[7] We have come to understand that in today's competitive and demanding workplace, managers can't succeed on their technical skills alone. They also have to have good people skills. This book has been written to help managers and potential managers to develop those people skills and to acquire the knowledge that understanding human behaviour provides.

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Management and organisational behaviour

1.2 Define 'organisational behaviour' (OB).

Let's begin by briefly defining the terms 'manager' and 'organisation', the place where managers work. Then let's look at the manager's job; specifically, what do managers do?

Managers get things done through other people. They make decisions, allocate resources and direct the activities of others to attain goals. Managers do their work in an organisation, which is a consciously coordinated social unit, comprised of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals. By this definition, manufacturing and service firms are organisations, and so are schools, hospitals, churches, military units, retail stores, police departments and local, state and federal government agencies. The people who oversee the activities of others and who are responsible for attaining goals in these organisations are managers (sometimes called administrators, especially in not-for-profit organisations).

managers Individuals who achieve goals through other people.

organisation A consciously coordinated social unit, comprised of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

More than ever, new hires and other employees are placed into management positions without sufficient management training or informed experience. According to a large-scale survey, more than 58% of managers reported that they had not received any training, and 25% admitted that they were not ready to lead others when they were given the role.[8] Added to that challenge, the demands of the job have increased: the average manager has seven direct reports (five was once the norm), and less time than before to spend directly supervising them.[9] Considering that a Gallup poll in the United States found organisations chose the wrong candidate for management positions 82% of the time,[10] it's fair to say that the more you can learn about people and how to manage them, the more likely it is that you'll be prepared for a management role. OB will help you get there. Let's start by identifying a manager's primary activities.

Management functions

The work of managers can be categorised into four different activities: planning, organising, leading and controlling. The planning function encompasses defining an organisation's goals, establishing an overall strategy for achieving those goals and developing a comprehensive set of plans to integrate and coordinate activities. Evidence indicates that this is the function that increases the most as managers move from lower-level to mid-level management.[11]

planning A process that includes defining goals, establishing a strategy and developing plans to coordinate activities.

Managers are also responsible for designing an organisation's structure. We call this function organising. It includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

organising Determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

Every organisation contains people, and it is management's job to direct and coordinate those people. This is the leading function. When managers motivate employees, direct their activities, select the most effective communication channels or resolve conflicts among members, they are engaging in leading.

leading A function that includes motivating employees, directing others, selecting the most effective communication channels and resolving conflicts.

To ensure things are going as they should be, management must monitor the organisation's performance and compare it with previously set goals. If there are any significant deviations, it is management's job to get the organisation back on track. This monitoring, comparing and potential correcting is the controlling function.

controlling Monitoring activities to ensure they are being accomplished as planned, and correcting any significant deviations.

So, using the functional approach, the answer to the question 'What do managers do?' is that they plan, organise, lead and control.

Management roles

In the late 1960s, Henry Mintzberg, now a prominent management scholar, undertook a careful study of five executives to determine what they did in their jobs. On the basis of his observations, Mintzberg concluded that managers perform ten different, highly interrelated roles, or sets of behaviours.[12] As shown in Exhibit 1.1, these ten roles are primarily (1) interpersonal, (2) informational or (3) decisional.

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EXHIBIT 1.1 Mintzberg's managerial roles

Role	Description
Interpersonal	
Figurehead	Symbolic head; required to perform a number of routine duties of a legal or social nature
Leader	Responsible for the motivation and direction of employees
Liaison	Maintains a network of outside contacts who provide favours and information
Informational	
Monitor	Receives a wide variety of information; serves as the nerve centre of internal and external information of the organisation
Disseminator	Transmits information received from outsiders or from other employees to members of the organisation
Spokesperson	Transmits information to outsiders on the organisation's plans, policies, actions and results; serves as an expert on the organisation's industry
Decisional	
Entrepreneur	Searches the organisation and its environment for opportunities and initiates projects to bring about change
Disturbance handler	Responsible for corrective action when the organisation faces important, unexpected disturbances
Resource allocator	Makes or approves significant organisational decisions
Negotiator	Responsible for representing the organisation at major negotiations

SOURCE: Adapted from H. Mintzberg, *The Nature of Managerial Work*, Upper Saddle River, NJ: Prentice Hall, 1973. Copyright © 1973 by H. Mintzberg. Reprinted by permission of Pearson Education, Inc.

Interpersonal roles

All managers are required to perform duties that are ceremonial and symbolic in nature. For instance, when the vice-chancellor of a university hands out degrees at graduation or a factory supervisor gives a group of high-school students a tour of the plant, they are acting in a figurehead role. All managers also have a leadership role. This role includes hiring, training, motivating and disciplining employees. The third role within the interpersonal grouping is the liaison role, or contacting others who provide the manager with information. The sales manager who obtains information from the quality-control manager in their own company has an internal liaison relationship. When that sales manager has contact with other sales executives through a marketing trade association, they have an outside liaison relationship.

Informational roles

All managers, to some degree, collect information from outside organisations and institutions, typically by scanning the news media (including the Internet) and talking with other people to learn of changes in the public's tastes, what competitors may be planning, and so on. Mintzberg called this the monitor role. Managers also act as a conduit to transmit information to organisational members. This is the disseminator role. In addition, managers perform a spokesperson role when they represent the organisation to outsiders.

Decisional roles

Mintzberg identified four roles that require making choices. In the entrepreneur role, managers initiate and oversee new projects that will improve their organisation's performance. As disturbance handlers, managers take corrective action in response to unforeseen problems. As resource allocators, managers are responsible for allocating human, physical and monetary

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resources. Finally, managers perform a negotiator role, in which they discuss issues and bargain with other units to gain advantages for their own unit.

Management skills

Still another way of considering what managers do is to look at the skills or competencies they need to achieve their goals. Researchers have identified a number of skills that differentiate effective managers from ineffective managers.[13]

Technical skills

Technical skills encompass the ability to apply specialised knowledge or expertise. When you think of the skills of professionals such as civil engineers or oral surgeons, you typically focus on the technical skills they have learned through extensive formal education. Of course, professionals don't have a monopoly on technical skills, and not all technical skills have to be learned in schools or other formal training programs. All jobs require some specialised expertise, and many people develop their technical skills on the job.

technical skills The ability to apply specialised knowledge or expertise.

Human skills

The ability to understand, communicate with, motivate and support other people, both individually and in groups, defines human skills. Many people are technically proficient but may be poor listeners, unable to understand the needs of others or weak at managing conflicts. Because managers get things done through other people, they must have good human skills.

human skills The ability to work with, understand and motivate other people, both individually and in groups.

Conceptual skills

Managers must have the mental ability to analyse and diagnose complex situations. These tasks require conceptual skills. Decision making, for instance, requires managers to identify problems, develop alternative solutions to correct those problems, evaluate the alternative solutions and select the best one. After they have selected a course of action, managers need to be able to organise a plan of action and then execute it. Integrating new ideas with existing processes and innovating on the job are also crucial conceptual skills for today's managers.

conceptual skills The mental ability to analyse and diagnose complex situations.

Effective versus successful managerial activities

Fred Luthans and his associates looked at what managers do from a somewhat different perspective.[14] They asked: 'Do managers who move up the quickest in an organisation do the same activities and with the same emphasis as managers who do the best job?' You might think the answer is 'yes'. But that's not always the case.

Luthans and his associates studied more than 450 managers. All of them engaged in four managerial activities:

1. *Traditional management*—decision making, planning and controlling
2. *Communication*—exchanging routine information and processing paperwork
3. *Human resource management*—motivating, disciplining, managing conflict, staffing and training
4. *Networking*—socialising, politicking and interacting with outsiders.

The 'average' manager spent 32% of their time in traditional management activities, 29% communicating, 20% in human resource management activities and 19% networking. However, the time and effort that different individual managers spent on those activities varied a great deal. As shown in Exhibit 1.2, among managers who were successful (defined in terms of speed of promotion within their organisation), networking made the largest relative contribution to success, and human resource management activities made the least relative contribution. Among effective managers (defined in terms of quantity and quality of their performance and the satisfaction and commitment of employees), communication made the largest relative contribution and networking the smallest.

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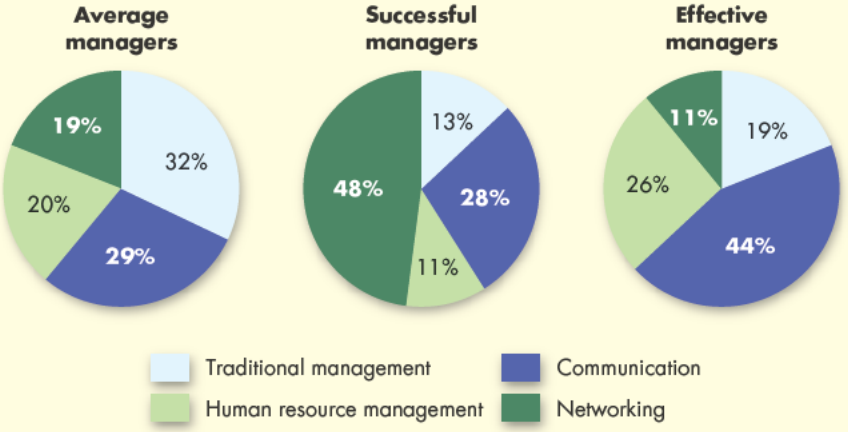
EXHIBIT 1.2 Allocation of activities by time



SOURCE: Based on F. Luthans, R. M. Hodgetts and S. A. Rosenkrantz, *Real Managers*, Cambridge, MA: Ballinger, 1988.

More recent studies in Australia, Israel, Italy, Japan and the United States confirm the link between networking and social relationships and success within an organisation.[15] And the connection between communication and effective managers is also clear. A study of 410 US managers indicates that those who seek information from colleagues and employees (even if it is negative) and who explain their decisions are the most effective.[16]

This research offers important insights. Successful managers give almost the opposite emphases to traditional management, communication, human resource management and networking as do effective managers. This finding challenges the historical assumption that promotions are based on performance, and it illustrates the importance of networking and political skills in getting ahead in organisations.

Organisational behaviour

organisational behaviour (OB) A field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge towards improving an organisation's effectiveness.

Now that we've established what managers do, we need to study how best to do these things. Organisational behaviour (often abbreviated to OB) is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge towards improving an organisation's effectiveness. That's a mouthful, so let's break it down.

Organisational behaviour is a field of study, meaning that it is a distinct area of expertise with a common body of knowledge. It studies three determinants of behaviour in organisations: individuals, groups and structure. In addition, OB applies the knowledge gained about individuals, groups and the effect of structure on behaviour in order to make organisations work more effectively.

To sum up our definition, OB is the study of what people do in an organisation and how their behaviour affects the organisation's performance. And because OB is concerned specifically with employment-related situations, you should not be surprised that it emphasises behaviour as related to concerns such as jobs, work, absenteeism, employment turnover, productivity, human performance and management.

Although there is debate about the relative importance of each, OB includes the core topics of motivation, leader behaviour and power, interpersonal communication, group structure and processes, learning, attitude development and perception, change processes, conflict and negotiation, and work design.[17]

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Complementing intuition with systematic study

1.3 Show the value of systematic study to OB.

Each of us is a student of behaviour. Whether or not you have explicitly thought about it before, you have been 'reading' people almost all your life, watching their actions and trying to interpret what you see or predict what people might do under different conditions. Unfortunately, the casual or common-sense approach to reading others can often lead to erroneous predictions. However, you can improve your predictive ability by supplementing intuition with a more systematic approach.

Following the systematic approach presented in this book will enable you to uncover important facts and relationships, and provide a base from which to make more accurate predictions of behaviour. Underlying this systematic approach is the belief that behaviour is not random. Rather, we can identify fundamental consistencies underlying the behaviour of all individuals and modify them to reflect individual differences.

Myth or science?



'Management by walking around is the most effective management'

This statement is mostly false, but with a caveat. Management by walking around (MBWA) is an organisational principle made famous with the 1982 publication of *In Search of Excellence* and based upon a 1970s' initiative by Hewlett-Packard—in other words, it's a dinosaur. Years of research indicate that effective management practices are not built around MBWA. But the idea of requiring managers at all levels of the organisation to wander around their departments to observe, converse with and hear from employees continues as a common business practice.

Many companies that expect managers and executives to do regular 'floor time' have claimed benefits ranging from employee engagement to deeper management understanding of company issues. A recent three-year study also suggested that a modified form of MBWA may significantly improve safety in organisations because employees become more mindful of following regulatory procedures when supervisors observe and monitor them frequently.

While MBWA sounds helpful, its limitations suggest that modern practices focused on building trust and relationships are more effective for management. Limitations include available hours, focus and application.

1. *Available hours.* Managers are tasked with planning, organising, coordinating and controlling, yet even CEOs—the managers who should be the most in control of their time—report that 53% of their average 55-hour workweek is spent in meetings.
2. *Focus.* MBWA turns management's focus towards the concerns of employees. This is good, but only to a degree. As noted by Jeff Weiner, CEO of LinkedIn, 'Part of the key to time management is carving out time to think, as opposed to constantly reacting. And during that thinking time, you're not only thinking strategically, thinking proactively, thinking longer-term, but you're literally thinking about what is urgent versus important.' Weiner and other CEOs argue that meetings distract them from their purpose.
3. *Application.* The principle behind MBWA is that the more managers know their employees, the more effective those managers will be. This isn't always (or even often) true. As we'll learn in Chapter 6, knowing (or thinking you know) something shouldn't always lead us to act on *only* that information because our internal decision making is subjective. We need objective data to make the most effective management decisions.

Based on the need for managers to dedicate their efforts to administering and growing businesses, and given the proven effectiveness of objective performance measures, it seems the time for MBWA is gone. Yet, there is one caveat. Managers should know their employees well. As Rick Russell, CEO of Greer Laboratories, says, 'Fostering close ties with your lieutenants is the stuff that gets results. You have to rally the troops. You can't do it from a memo.' Management should therefore not substitute walking around for true management.

SOURCES: G. Luria and I. Morag, 'Safety management by walking around (SMBWA): a safety intervention program based on both peer and manager participation', *Accident Analysis and Prevention*, March 2012, pp. 248–57; R. E. Silverman, 'Where's the boss? Trapped in a meeting', *The Wall Street Journal*, 14 February 2012, pp. B1, B9; and J. S. Lublin, 'Managers need to make time for face time', *The Wall Street Journal*, 17 March 2015.

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These fundamental consistencies are very important because they allow predictability. Behaviour is generally predictable, and the systematic study of behaviour is a means to making reasonably accurate predictions. When we use the term systematic study, we mean looking at relationships, attempting to attribute causes and effects, and basing our conclusions on scientific evidence—that is, on data gathered under controlled conditions and measured and interpreted in a reasonably rigorous manner.

systematic study Looking at relationships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

Evidence-based management (EBM) complements systematic study by basing managerial decisions on the best available scientific evidence. We want doctors to make decisions about patient care based on the latest available evidence, and EBM argues that managers should do the equivalent, becoming more scientific in how they think about management problems. For example, a manager might pose a managerial question, search for the best available evidence and apply the relevant information to the question or case at hand. You might think it difficult to argue against this (what manager would say that decisions shouldn't be based on evidence?) but the vast majority of management decisions are still made 'on the fly', with little systematic study of available evidence.[18]

evidence-based management (EBM) Basing managerial decisions on the best available scientific evidence.

Systematic study and EBM add to intuition, or those feelings we have about what makes others (and ourselves) 'tick'. Of course, the things you have come to believe in an unsystematic way are not necessarily incorrect. Jack Welch (former CEO of General Electric) noted, 'The trick, of course, is to know when to go with your gut.' But if we make *all* decisions with intuition or gut instinct, we are probably working with incomplete information—like making an investment decision with only half the data.

intuition A feeling not necessarily supported by research.

Relying on intuition is particularly problematic because we tend to overestimate the accuracy of what we think we know. Surveys of HR managers have shown that many managers hold 'common-sense' opinions regarding effective management that have been flatly refuted by empirical evidence.

We find a similar problem in chasing the business and popular media for management wisdom. The business press tends to be dominated by fads. Although we try to avoid it, we might also fall into this trap. It's not that the business press stories are all wrong; it's that without a systematic approach it's hard to separate the wheat from the chaff.

We aren't advising that you throw away your intuition, or all the business press. Nor are we arguing that research is always right. Researchers make mistakes, too. What we are advising is to use evidence as much as possible to inform your intuition and experience. That is the promise of OB.

1.4 Identify the major behavioural science disciplines that contribute to OB.

Disciplines that contribute to OB

Organisational behaviour is an applied behavioural science built on contributions from a number of behavioural disciplines, mainly psychology and social psychology, sociology and anthropology. Psychology's contributions have been mostly at the individual or micro level of analysis, while the other disciplines have contributed to our understanding of macro concepts such as group processes and organisation. Exhibit 1.3 is an overview of the major contributions to the study of organisational behaviour.

Psychology

Psychology seeks to measure, explain and sometimes change the behaviour of humans and other animals. Those who have contributed and continue to add to the knowledge of OB are learning theorists, personality theorists, counselling psychologists and, most importantly, industrial and organisational psychologists.

psychology The science that seeks to measure, explain and sometimes change the behaviour of humans and other animals.

Early industrial/organisational psychologists studied the problems of fatigue, boredom and other working conditions that could impede efficient work performance. More recently, the contributions of industrial/organisational psychologists have expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee-selection techniques, work design and job stress.

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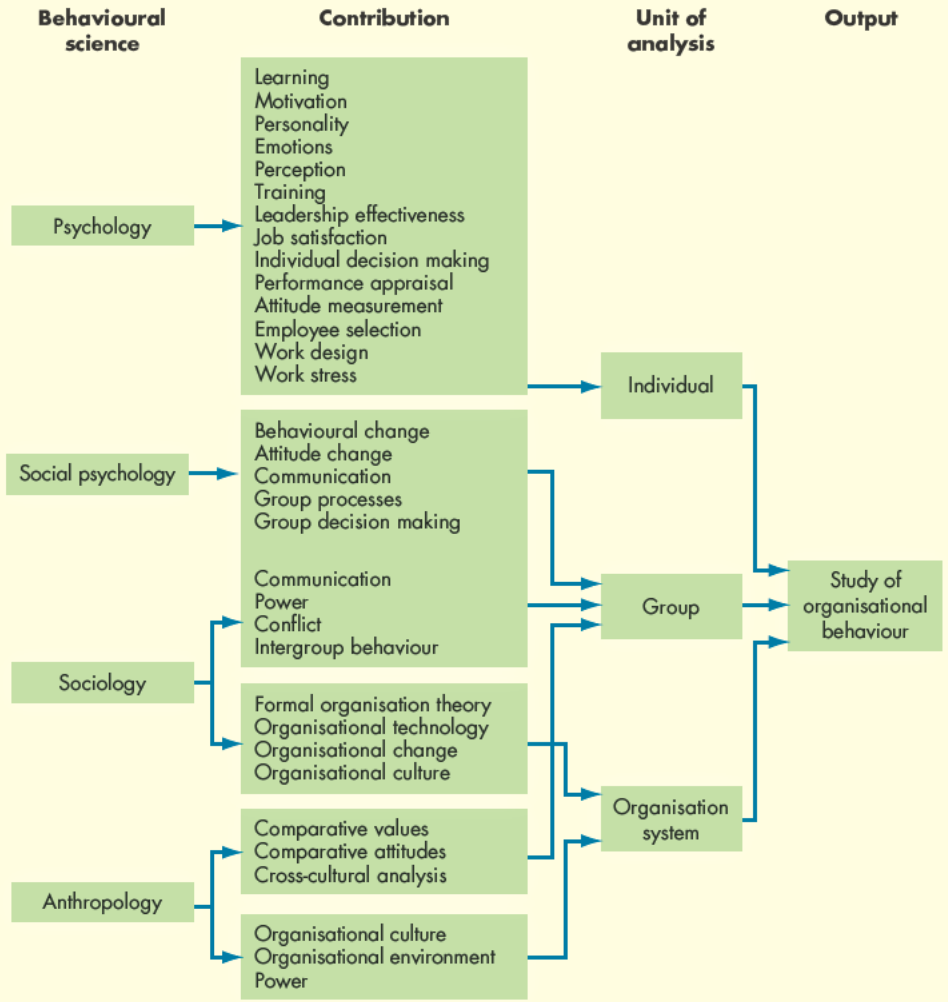
EXHIBIT 1.3 Towards an OB discipline



Social psychology

Social psychology, generally considered to be an area of psychology, blends concepts from both psychology and sociology to focus on people's influence on one another. One major study area is change—how to implement it and how to reduce barriers to its acceptance. Social psychologists also contribute to measuring, understanding and changing attitudes; identifying communication patterns; and building trust. Finally, they have made important contributions to the study of group behaviour, power and conflict.

social psychology An area of psychology that blends concepts from psychology and sociology and focuses on the influence of people on one another.

Sociology

While psychology focuses on the individual, sociology studies people in relation to their social environment or culture. Sociologists have contributed to OB through their study of group behaviour in organisations, particularly formal and complex organisations. Perhaps most importantly, sociologists have studied organisational culture, formal organisation theory and structure, organisational technology, communications, power and conflict.

sociology The study of people in relation to their social environment or culture.

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Anthropology

anthropology The study of societies to learn about human beings and their activities.

Anthropology is the study of societies to learn about human beings and their activities. Anthropologists' work on cultures and environments has helped us understand differences in fundamental values, attitudes and behaviour between people in different countries and within different organisations. Much of our current understanding of organisational culture, organisational environments and differences between national cultures is a result of the work of anthropologists or those using their methods.

1.5 Demonstrate why few absolutes apply in OB.

There are few absolutes in OB

Laws in the physical sciences—chemistry, astronomy, physics—are consistent and apply in a wide range of situations. They allow scientists to generalise about the pull of gravity or to be confident about sending astronauts into space to repair satellites. Human beings are complex, and few, if any, simple and universal principles explain organisational behaviour. Because human beings are not alike, our ability to make simple, accurate and sweeping generalisations is limited. Two people often act very differently in the same situation, and the same person's behaviour changes in different situations. Not everyone is motivated by money, and you may behave differently at a religious service from how you behave at a party.

That doesn't mean, of course, that we can't offer reasonably accurate explanations of human behaviour or make valid predictions. It does mean that OB concepts must reflect situational, or contingency, conditions. We can say x leads to y, but only under conditions specified in z—the contingency variables. The science of OB was developed by applying general concepts to a particular situation, person or group. For example, OB scholars would avoid stating that everyone likes complex and challenging work (the general concept) because not everyone wants a challenging job. Some people prefer routine over varied, or simple over complex. A job attractive to one person may not be attractive to another; its appeal is contingent on the person who holds it. Often, we'll find both general effects (money does have some ability to motivate most of us) and contingencies (some of us are more motivated by money than others, and some situations are more about money than others). We'll best understand OB when we realise how both (general effects, and the contingencies that affect them) often guide behaviour.

contingency variables Situational factors or variables that moderate the relationship between two or more variables.

As you proceed through this book, you'll encounter a wealth of research-based theories about how people behave in organisations. But don't expect to find a lot of straightforward cause-and-effect relationships because there aren't many! Organisational behaviour theories mirror the subject matter with which they deal, and people are complex and complicated.

1.6 Identify managers' challenges and opportunities in applying OB concepts.

Challenges and opportunities

Understanding organisational behaviour has never been more important for managers. As noted in the opening discussion with Professor Julie Cogin, employers expect that graduates will have the skills to deal with multiple challenges in organisations today. The typical employee is getting older; more women have joined the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that tied many employees to their employers; and global competition is requiring employees to become more flexible and to cope with rapid change.

As a result of these changes and others, employment options have adapted to include new opportunities for workers. Exhibit 1.4 details some of the types of options individuals may find offered to them by organisations or for which they would like to negotiate. Under each heading in the exhibit, you will find a grouping of options from which to choose—or combine. For instance, at one point in your career, you may find yourself employed full-time in an office in a localised, non-union setting with a salary and bonus compensation package, while at another point you may wish to negotiate for a flexitime, virtual position and choose to work from overseas for a combination of salary and extra paid time off.

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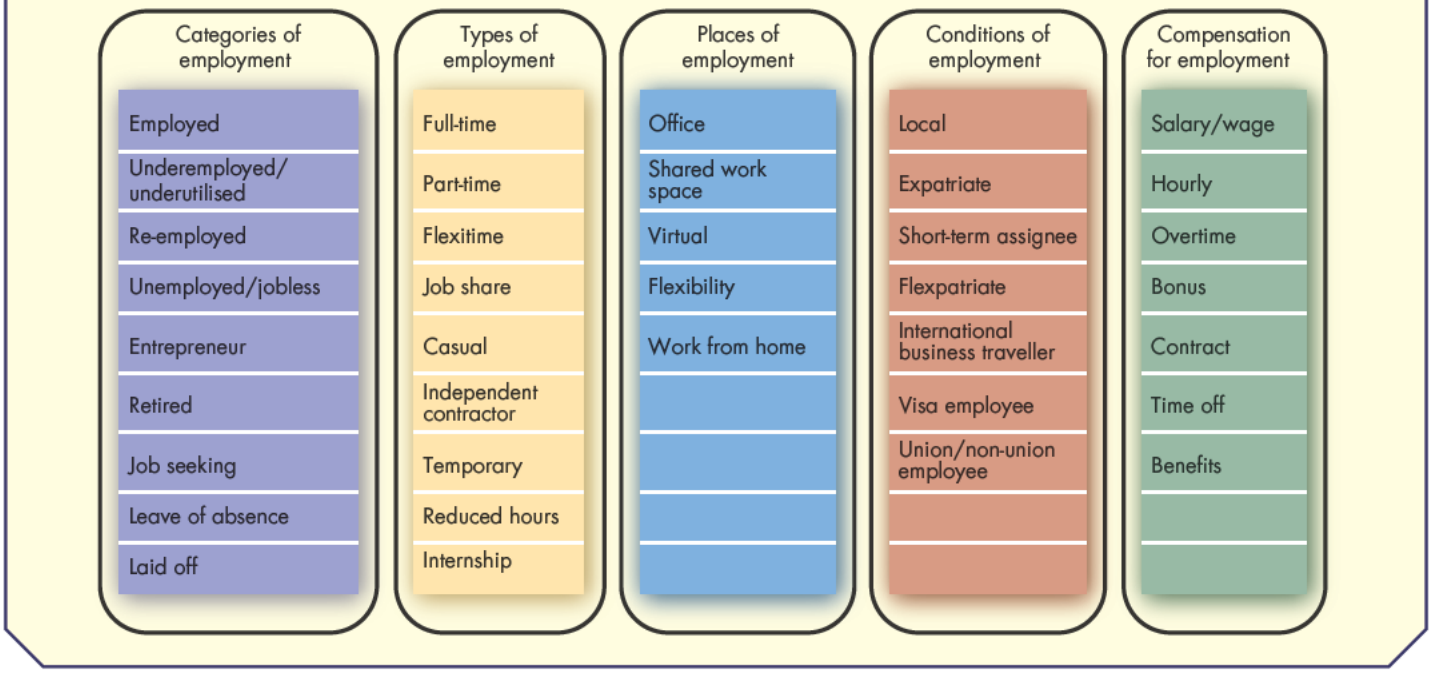
EXHIBIT 1.4 Employment options



SOURCES: Based on J. R. Anderson, E. Binney, N. M. Davis, G. Kraft, S. Miller, T. Minton-Eversole … and A. Wright, 'Action items: 42 trends affecting benefits, compensation, training, staffing and technology', *HR Magazine*, January 2013, p. 33; M. Dewhurst, B. Hancock and D. Ellsworth, 'Redesigning knowledge work', *Harvard Business Review*, January–February 2013, pp. 58–64; E. Frauenheim, 'Creating a new contingent culture', *Workforce Management*, August 2012, pp. 34–9; N. Koeppen, 'State job aid takes pressure off Germany', *The Wall Street Journal*, 1 February 2013, p. A8; and M. A. Shaffer, M. L. Kraimer, Y.-P. Chen and M. C. Bolino, 'Choices, challenges, and career consequences of global work experiences: a review and future agenda', *Journal of Management*, July 2012, pp. 1282–327.

In short, today's challenges bring opportunities for managers to use OB concepts. In this section, we review some of the most critical issues confronting managers for which OB offers solutions—or at least meaningful insights towards solutions.

Economic pressures

When the US economy plunged into a deep and prolonged recession in 2008, virtually all other large economies around the world followed suit. Redundancies and sackings were widespread, and those who survived the axe were often asked to accept pay cuts. In Australia, while the impact of the global financial crisis has not been as severe as in other developed countries, it has been the catalyst for many organisations to make significant changes to their employee profiles and company structures.

During difficult economic times, effective management is often at a premium. Anyone can run a company when business is booming, because the difference between good and bad management reflects the difference between making a lot of money and making a lot more money. When times are bad, though, managers are on the front line, with employees who must be fired, who are asked to make do with less and who worry about their futures. The difference between good and bad management can be the difference between profit and loss or, ultimately, between survival and failure.

Managing employees well is equally difficult whether times are tough or good, but the OB approaches sometimes differ. In good times, understanding how to reward, satisfy and retain employees is at a premium; in bad times, issues such as stress, decision making and coping come to the fore.

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Continuing globalisation

Organisations are no longer constrained by national borders. Samsung, the largest South Korean business conglomerate, sells most of its products to organisations in other countries, Burger King is owned by a Canadian firm and McDonald's sells hamburgers in more than 118 countries on six continents.

Even Apple—the company with, arguably, the strongest US identity—employs twice as many workers outside of the United States as within. And all major car makers now manufacture cars outside their borders: Honda builds cars in the United States, Ford in Brazil, Volkswagen in Mexico, and Mercedes and BMW in South Africa.

The world has become a global village. In the process, the manager's job has changed in many ways. For example, a manager is now more likely to be involved in assignments outside of the home country and to work with people from different cultures. In a global economy, jobs tend to flow where lower costs give businesses a comparative advantage, though labour groups, politicians and local community leaders see the exporting of jobs as undermining the job market at home. Managers face the difficult task of balancing the interests of their organisation with their responsibilities to the communities in which they operate.

Workforce demographics

The workforce has always adapted to variations in economies, longevity and birth rates, socioeconomic conditions and other changes that have widespread impact. People adapt to survive, and OB studies the way those adaptations affect individuals' behaviour. For instance, even though the 2008 global recession ended years ago, some trends from those years are continuing: some people who had long been unemployed left the workforce altogether,[19] while others have cobbled together several part-time jobs[20] or settled for on-demand work.[21] Additional options that have been particularly popular for younger educated workers have included obtaining specialised industry training after school,[22] accepting full-time jobs that are lower-level,[23] and starting their own companies.[24] As students of OB, we can investigate what factors lead employees to make various choices and how their experiences affect their perceptions of their workplaces. This understanding can help us predict organisational outcomes.

Longevity and birth rates have also changed the dynamics in organisations. Global longevity rates have increased by six years in a very short time (since 1990),[25] while birth rates are decreasing for many developed countries, trends that together indicate a lasting shift towards an older workforce. OB research can help explain what this means for attitudes, organisational culture, leadership, structure and communication. Socioeconomic shifts have a profound effect on workforce demographics. The days when women stayed home because it was expected are just a memory in some cultures, while in others, women face significant barriers to entry into the workforce. We are interested in how these women fare in the workplace and how their conditions can be improved. This is just one illustration of how cultural and socioeconomic changes affect the workplace, and it is one of many. We will discuss how OB can provide understanding and insight on workforce issues throughout this book.

Workforce diversity

workforce diversity The concept that organisations are becoming more heterogeneous in terms of employees' gender, age, race, ethnicity, sexual orientation and other characteristics.

One of the most important challenges for organisations is workforce diversity, a trend whereby organisations are becoming more heterogeneous in terms of employees' gender, age, race, ethnicity, sexual orientation and other characteristics. Managing this diversity is a global concern. Although we have more to say about diversity in Chapter 2, we start here by saying that diversity presents great opportunities and poses challenging questions for managers and employees. How can we leverage differences within groups for competitive advantage? Should we treat all employees alike? Should we recognise individual and cultural differences? What are the legal requirements in each country?

For example, the bulk of the pre-1980's workforce in Australia comprised white, predominantly European Anglo-Saxon males working full-time to support a non-employed spouse and school-aged children. Since then, the workforce demographics have changed considerably.

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Customer service

Service employees include technical support representatives, fast-food counter workers, sales clerks, nurses, mechanics, consultants, financial planners and flight attendants. The shared characteristic of their jobs is substantial interaction with an organisation's customers. OB can help managers increase the success of these interactions by showing how employee attitudes and behaviour influence customer satisfaction.

Many organisations have been unsuccessful because their employees failed to please customers. Management needs to create a customer-responsive culture. OB can provide considerable guidance in helping managers create cultures in which employees establish rapport with customers, put customers at ease, show genuine interest and are sensitive to a customer's individual situation.[26]

People skills

Throughout this book, we'll present relevant concepts and theories that can help you explain and predict the behaviour of people at work. You'll also gain insights into specific people skills you can use on the job. For instance, you'll learn ways to design motivating jobs, techniques for improving your management skills and how to create more effective teams.

Networked organisations

Networked organisations allow people to communicate and work together even though they may be thousands of kilometres apart. Independent contractors can telecommute via computer to workplaces around the globe and change employers as the demand for their services changes. Software programmers, graphic designers, systems analysts, technical writers, photo researchers, book and media editors and medical transcribers are just a few examples of people who can work from home or other non-office locations.

The manager's job is different in a networked organisation. Motivating and leading people and making collaborative decisions online require techniques that are different from those used when individuals are physically present in a single location. As more employees do their jobs by linking to others through networks, managers need to develop new skills. OB can provide valuable insights to help with honing those skills.

Social media

As we'll discuss in Chapter 10, social media in the business world is here to stay. Despite its pervasiveness, many organisations continue to struggle with employees' use of social media in the workplace. In 2018, Angela Williamson claimed that she was fired by Cricket Australia after she tweeted her support for abortion law reform in Tasmania. 'I was told the tweet had damaged my relationship with government. I was in shock trying to understand the situation I'd found myself in, and how publicly expressing my political opinion in a tweet had led to this situation at work,' she told a media outlet.[27] Williamson initially planned to sue Cricket Australia in the Federal Court, but proceedings ended with a confidential out-of-court settlement.[28] This example shows that social media is a difficult issue for today's managers, presenting both a challenge and an opportunity for OB.

For instance, how much should HR look into a candidate's social media presence? Should a hiring manager read the candidate's Twitter feeds or do a quick perusal of their Facebook profile? We'll discuss this issue later in the book.

Once employees are on the job, many organisations have policies about accessing social media at work—when, where and for what purposes. But what about the impact of social media on employee well-being? One recent study found that subjects who woke up in a positive mood and then accessed Facebook frequently found their mood decreased during the day. Subjects who checked Facebook frequently over a two-week period reported a decreased level of satisfaction with their lives.[29] Managers—and the field of OB—are trying to increase employee satisfaction and therefore improve and enhance positive organisational outcomes. We'll discuss these issues further in Chapters 3 and 5.

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Employee well-being at work

The typical employee in the 1960s or 1970s showed up at a specified workplace Monday to Friday and worked for clearly defined eight- or nine-hour chunks of time. This is no longer true for a large segment of today's workforce. Employees are increasingly complaining that the line between work and non-work time has become blurred, creating personal conflicts and stress. At the same time, today's workplace presents opportunities for workers to create and structure their own roles. But even if employees work at home or from half a continent away, managers need to consider their well-being at work.

One of the biggest challenges in maintaining employee well-being is the new reality that many workers never get away from the virtual workplace. Communication technology allows many technical and professional employees to do their work at home, in their cars, or on the beach in Surfers Paradise or Noosa—but it also means many feel like they never really get a break. Another challenge is that organisations are asking employees to put in longer hours. According to a recent study, one in four employees shows signs of burnout, partially as a result of longer work hours, and two in three report high stress levels and fatigue.[30] This may actually be an underestimate, because workers report maintaining 'always on' access for their managers through email and texting. Finally, employee well-being is challenged by heavy outside commitments. Single-parent households and employees with dependent parents have even more significant challenges in balancing work and family responsibilities, for example.

As a result of their increased responsibilities in and out of the workplace, employees want more time off. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work–life conflicts.[31] In fact, 56% of respondents in a recent study reported that work–life balance was their definition of career success—more than money, recognition and autonomy.[32] Most university students say attaining a balance between their personal life and their work is a primary career goal; they want a 'life' as well as a job. Organisations that don't help their people achieve work–life balance will find it increasingly difficult to attract and retain the most capable and motivated employees.

As you'll see in later chapters, the field of OB offers a number of suggestions to guide managers in designing workplaces and jobs that can help employees deal with work–life conflicts.

Positive work environment

positive organisational scholarship An area of OB research that studies how organisations develop human strengths, foster vitality and resilience, and unlock potential.

A real growth area in OB research is positive organisational scholarship (also called 'positive organisational behaviour'), which studies how organisations develop human strengths, foster vitality and resilience and unlock potential. Researchers in this area say too much of OB research and management practice has been targeted towards identifying what's wrong with organisations and their employees. In response, they try to study what's good about them.[33] Some key topics in positive OB research are engagement, hope, optimism and resilience in the face of strain. Researchers hope to help practitioners create positive work environments for employees.

Positive organisational scholars have studied a concept called 'reflected best-self' by asking employees to think about when they were at their personal best in order to understand how to exploit their strengths. The idea is that we all have things we're particularly good at, yet too often we focus on addressing our limitations and we rarely think about how to exploit our strengths.[34]

Although positive organisational scholarship does not deny the value of the negative (such as critical feedback), it does challenge researchers to look at OB through a new lens and pushes organisations to exploit employees' strengths rather than dwell on their limitations. One aspect of a positive work environment is the organisation's culture (the topic of Chapter 15). Organisational culture influences employee behaviour so strongly that organisations have begun to employ a culture officer to shape and preserve the company's personality.[35]

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Twitter employees rave about their company's culture, which creates a positive work environment where smart and friendly colleagues learn; share values, ideas and information; and work together to help the company grow and succeed. At Twitter's San Francisco headquarters, employees such as Jenna Sampson, Community Relations Manager, enjoy free meals, yoga classes and a rooftop garden.
SOURCE: Noah Berger/Reuters.

Improving ethical behaviour

In an organisational world characterised by cutbacks, expectations of increasing productivity and tough competition, it's not surprising that many employees feel pressured to cut corners, break rules and engage in other questionable practices.

Increasingly, employees face ethical dilemmas and ethical choices requiring them to identify right and wrong conduct. Should they 'blow the whistle' if they uncover illegal activities in their company? Do they follow orders they don't personally agree with? Should they give an inflated performance evaluation to an employee they like, knowing it could save that employee's job? Do they 'play politics' to advance their career?

ethical dilemmas Situations in which individuals are required to define right and wrong conduct.

What constitutes good ethical behaviour has never been clearly defined, and in recent years the line differentiating right from wrong has blurred. Employees see people all around them engaging in unethical practices: elected representatives padding electoral allowances, company executives inflating profits so they can make money from lucrative share options, and university lecturers allowing full-fee-paying but poorly performing students to pass their courses! When caught, these people give excuses such as 'everyone does it' or 'you have to seize every advantage nowadays'.

Determining the ethically correct way to behave is especially difficult in a global economy because different cultures have different perspectives on certain ethical issues.[36] The fair way to treat employees in an economic downturn varies considerably across cultures, for instance. As you'll see in Chapter 2, perceptions of religious, ethnic and gender diversity differ across countries. Is it any wonder that employees are expressing decreased confidence in management and increasing uncertainty about what's appropriate ethical behaviour in their organisations?[37]

Managers and their organisations are responding to the problem of unethical behaviour in a number of ways.[38] They are writing and distributing codes of ethics to guide employees through ethical dilemmas. They are offering seminars, workshops and other training programs to try to improve ethical behaviours. They are providing in-house advisors who can be contacted, in many cases anonymously, for assistance in dealing with ethical issues; and they are creating protection mechanisms for employees who reveal internal unethical practices.

Today's managers need to create an ethically healthy climate for their employees, where they can do their work productively with minimal ambiguity about what constitutes right and wrong behaviours. Companies that promote a strong ethical mission, encourage employees to behave with integrity and provide strong ethical leadership can influence employee decisions to behave ethically.[39] Classroom training sessions in ethics have also proven helpful in maintaining a higher level of awareness of the implications of employee choices as long as the training sessions are given on an ongoing basis.[40] In upcoming chapters, we discuss the actions that managers can take to create an ethically healthy climate and to help employees sort through ethically ambiguous situations.

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Ethical choice



A holiday: all I ever wanted

Do you work to live, or live to work? Those of us who think it's a choice might be wrong. Almost one-third of 1000 respondents in a study by Kelton Research cited workload as a reason for not using up their annual leave. Consider Ken Waltz, a director for Alexian Brothers Health System. He has 500 hours (approximately 3 months) in accrued leave and no plans to spend it. 'You're on call 24/7 and these days, you'd better step up or step out,' he says, referring to today's leaner workforce. 'It's not just me—it's upper management… It's everybody.'

Many people feel pressure, spoken or unspoken, to work through their holidays. Employers expect workers to do more with less, putting pressure on workers to use all available resources—chiefly their time—to meet manager expectations. In today's economy, there's always a ready line of replacement workers, and many employees will do everything possible to stay in their manager's good books.

The issue of annual leave is an ethical choice for the employer and for the employee, although organisations cannot legally enforce a 'use-it-or-lose-it' policy. Many organisations have 'use it or lose it' policies whereby employees forfeit the paid time off they have accrued for the year if they haven't used it. Skipping holidays can wear you down emotionally, leading to exhaustion or burnout, negative feelings about your work and a reduced feeling of accomplishment. You may find you are absent more often, contemplate leaving your job and grow less likely to want to help anyone (including your managers).

Here are some ways you can maintain your well-being and productivity.

1. *Recognise your feelings.* It's hard to solve problems without first recognising them. According to a recent study by ComPsych involving 2000 employees, two in three identified high levels of stress, out-of-control feelings and extreme fatigue.
2. *Identify your tendency for burnout.* Research on 2089 employees found that burnout is especially acute for newcomers and job changers. Burnout symptoms should level off after 2 years, but each individual experiences stress differently.
3. *Talk about your stressors.* Thomas Donohoe, a researcher on work–life balance, recommends talking with trusted friends or family. On the job, discussing your stress factors in an appropriate manner can help you reduce job overload.
4. *Build in high physical activity.* Research found an increase in job burnout (and depression) was highest for employees who did not engage in regular physical activity, while it was almost negligible for employees who did engage in regular physical activity.
5. *Take brief breaks throughout your day.* For office employees, the current suggestion from experts is to move your body at least every 30 minutes to combat the effects of all-day sitting. Donohoe also suggests snack breaks, walks or short naps to recharge.
6. *Take your holiday!* Studies suggest that recovery from stress can happen only if employees are (1) physically away from work and (2) not occupied by work-related duties. That means telling your manager that you will log off your email accounts and shut off your phone for the duration of the holiday.

It's not always easy to look beyond the next deadline. But to maximise your long-term productivity and avoid stress, burnout and illness—all of which are ultimately harmful to employer aims and employee careers alike—you should not succumb to holiday deficit disorder. Educate your managers. Your employer should thank you for it.

SOURCES: Based on B. B. Dunford, A. J. Shipp, R. W. Boss, I. Angermeier and A. D. Boss, 'Is burnout static or dynamic? A career transition perspective of employee burnout trajectories', *Journal of Applied Psychology* 97, no. 3, 2012, pp. 637–50; N. Davis, 'Moving every half hour could help limit effects of sedentary lifestyle, says study', *The Guardian*, 12 September 2017; E. J. Hirst, 'Burnout on the rise', *Chicago Tribune*, 29 October 2012, pp. 3–1, 3–4; B. M. Rubin, 'Rough economy means no vacation', *Chicago Tribune*, 3 September 2012, p. 4; S. Toker and M. Biron, 'Job burnout and depression: unraveling their temporal relationship and considering the role of physical activity', *Journal of Applied Psychology* 97, no. 3, 2012, pp. 699–710; and C. Power, 'How to stop your employees accruing too much annual leave', <www.employmentlawhandbook.com.au>, 21 April 2010.

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Coming attractions: developing an OB model

1.7 Compare the three levels of analysis in this book's OB model.

We'll finish off this chapter by presenting a general model that defines the field of OB; stakes out its parameters; and identifies inputs, processes and outcomes. The result will be 'coming attractions' of the topics in the remainder of the book. By studying the model, you will have a good picture of how the topics in this book can inform your approach to management issues and opportunities.

An overview

A model is an abstraction of reality, a simplified representation of some real-world phenomena. Exhibit 1.5 presents the skeleton on which we will construct our OB model. It proposes three types of variables (inputs, processes and outcomes) at three levels of analysis (individual, group and organisational). In the chapters that follow, we will proceed from the individual level (Chapters 2 to 7), to group behaviour (Chapters 8 to 13), to the organisational system (Chapters 14 to 16). The model illustrates that inputs lead to processes, which lead to outcomes; we will discuss these interrelationships at each level of analysis. Notice that the model also shows that outcomes can influence inputs in the future, which highlights the broad-reaching effect that OB initiatives can have on an organisation's future.

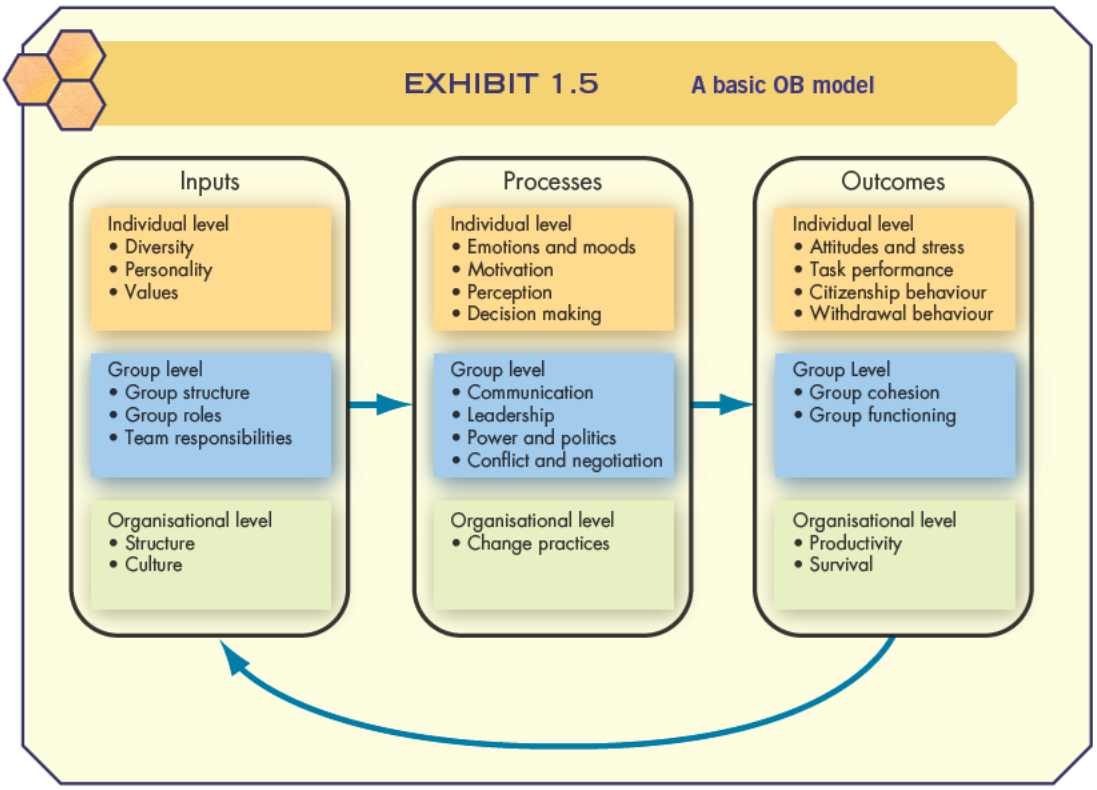
model An abstraction of reality; a simplified representation of some real world phenomena.

Inputs

Inputs are the variables such as personality, group structure and organisational culture that lead to processes. These variables set the stage for what will occur in an organisation later. Many are determined in advance of the employment relationship. For example, individual diversity characteristics, personality and values are shaped by a combination of an individual's genetic inheritance and childhood environment. Group structure, roles and team

inputs Variables that lead to processes.

EXHIBIT 1.5 A basic OB model



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responsibilities are typically assigned immediately before or after a group is formed. Finally, organisational structure and culture are usually the result of years of development and change as the organisation adapts to its environment and builds up customs and norms.

Processes

processes Actions that individuals, groups and organisations engage in as a result of inputs and that lead to certain outcomes.

If inputs are like the nouns in organisational behaviour, processes are like the verbs. Processes are actions that individuals, groups and organisations engage in as a result of inputs and that lead to certain outcomes. At the individual level, processes include emotions and moods, motivation, perception and decision making. At the group level, they include communication, leadership, power and politics, and conflict and negotiation. Finally, at the organisational level, processes include change practices.

Outcomes

outcomes Key factors that are affected by other variables.

Outcomes are the key variables that you want to explain or predict, and that are affected by other variables. What are the primary outcomes in OB? Scholars have emphasised individual-level outcomes such as attitudes and stress, task performance, citizenship behaviour and withdrawal behaviour. At the group level, cohesion and functioning represent some of the outcomes. Finally, at the organisational level, we look at overall profitability and survival. As these outcomes are addressed in all the chapters, we will briefly discuss them here so you can understand what the 'goal' of OB is.

Attitudes and stress

attitudes Evaluations employees make about objects, people or events.

stress A dynamic condition in which an individual is confronted with an opportunity, a demand or a resource related to what they desire and for which the outcome is perceived to be both uncertain and important.

Employee attitudes are the evaluations employees make—ranging from positive to negative—about objects, people or events. For example, the statement, 'I really think my job is great' represents a positive job attitude, and 'My job is boring and tedious' represents a negative job attitude. Stress is an unpleasant psychological process that occurs in response to environmental pressures.

Some people might think that influencing employee attitudes and stress is purely soft stuff and not the business of serious managers, but as we will show, attitudes often have behavioural consequences that directly relate to organisational effectiveness. The belief that satisfied employees are more productive than dissatisfied employees has been a basic tenet among managers for years, though only recently has research begun to support it. Ample evidence shows that employees who are more satisfied and treated fairly are more willing to engage in the above-and-beyond citizenship behaviour (see below) so vital in the contemporary business environment.

Task performance

task performance The combination of effectiveness and efficiency at doing your core job tasks.

The combination of effectiveness and efficiency at doing your core job tasks is a reflection of your level of task performance. If we think about the job of a factory worker, task performance could be measured by the number and quality of products produced in an hour. The task performance of a teacher would be the level of education that students obtain. The task performance of a consultant might be measured by the timeliness and quality of the presentations they offer to the client firm. All these types of performance relate to the core duties and responsibilities of a job and are often directly related to the functions listed on a formal job description.

Obviously, task performance is the most important human output contributing to organisational effectiveness, so in every chapter of this book we devote considerable time to detailing how task performance is affected by the topic in question.

Organisational citizenship behaviour

citizenship behaviour Discretionary behaviour that contributes to the psychological and social environment of the workplace.

The discretionary behaviour that is not part of an employee's formal job requirements, and that contributes to the psychological and social environment of the workplace, is called citizenship behaviour. Successful organisations need employees who will do more than their usual job duties—who will provide performance *beyond* expectations. In today's dynamic workplace,

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where tasks are increasingly performed by teams and flexibility is critical, employees who engage in 'good citizenship' behaviours help others on their team, volunteer for extra work, avoid unnecessary conflicts, respect the spirit as well as the letter of rules and regulations, and gracefully tolerate occasional work-related impositions and nuisances. Organisations want and need employees who will do things that aren't in any job description. Evidence indicates that organisations that have such employees outperform those that don't. As a result, OB is concerned with citizenship behaviour as an outcome variable.

Withdrawal behaviour

We've already mentioned behaviour that goes above and beyond task requirements, but what about behaviour that in some way is below task requirements? **Withdrawal behaviour** is the set of actions that employees take to separate themselves from the organisation. There are many forms of withdrawal, ranging from showing up late or failing to attend meetings to absenteeism and turnover.

withdrawal behaviour The set of actions employees take to separate themselves from the organisation.

Employee withdrawal can have a very negative effect on an organisation. The cost of employee turnover alone has been estimated to run into the thousands of dollars, even for entry-level positions. Absenteeism also costs organisations significant amounts of money and time every year. A recent survey revealed that overall employee absences in Australia increased from 9.5 to 9.7 days per year, at an estimated cost of just over $33 billion dollars annually.[41] It's obviously difficult for an organisation to operate smoothly and attain its objectives if employees fail to report to their jobs. The workflow is disrupted, and important decisions may be delayed. In organisations that rely heavily on assembly-line production, absenteeism can be considerably more than a disruption; it can drastically reduce the quality of output or even shut down the facility. Levels of absenteeism beyond the normal range have a direct impact on any organisation's effectiveness and efficiency. A high rate of turnover can also disrupt the efficient running of an organisation when knowledgeable and experienced personnel leave and replacements must be found to assume positions of responsibility.

If the 'right' people are leaving the organisation—the marginal and submarginal employees—turnover can actually be positive. It can create an opportunity to replace an underperforming individual with someone who has higher skills or motivation, to open up increased opportunities for promotions, and to bring new and fresh ideas to the organisation.[42] In today's changing world of work, reasonable levels of employee-initiated turnover improve organisational flexibility and employee independence, and they can lessen the need for management-initiated layoffs.

So, why do employees withdraw from work? As we will explain later in the book, reasons include negative job attitudes, emotions and moods, and negative interactions with co-workers and supervisors.

Group cohesion

Although many outcomes in our model can be conceptualised as individual-level phenomena, some relate to how groups operate. **Group cohesion** is the extent to which members of a group support and validate one another at work. In other words, a cohesive group is one that sticks together. When employees trust one another, seek common goals and work together to achieve these common ends, the group is cohesive; when employees are divided among themselves in terms of what they want to achieve and have little loyalty to one another, the group is not cohesive.

group cohesion The extent to which members of a group support and validate one another at work.

There is ample evidence showing that cohesive groups are more effective.[44] These results are found both for groups that are studied in highly controlled laboratory settings and also for work teams observed in field settings. This fits with our intuitive sense that people tend to work harder in groups that have a common purpose. Companies attempt to increase cohesion in a variety of ways, ranging from brief ice-breaker sessions to social events such as picnics, parties and outdoor adventure-team retreats. Throughout the book, we will try to assess whether these specific efforts are likely to result in increases in group cohesiveness. We'll also consider how picking the right people for the team in the first place might be an effective way to enhance cohesion.

Group functioning

In the same way that positive job attitudes can be associated with higher levels of task performance, group cohesion should lead to positive group functioning. **Group functioning** refers to the quantity and quality of a group's work output. In the same way that the

group functioning The quantity and quality of a group's work output.

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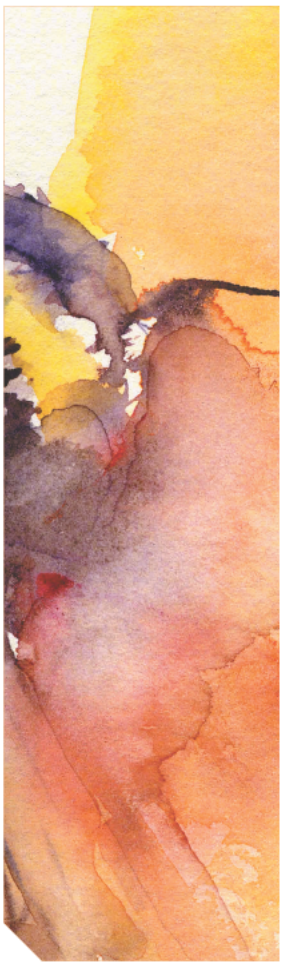
Career OBjectives



What do I say about my termination?

I got sacked! When prospective employers find out, they'll never hire me. Is there anything I can say to turn this around?

—Matt

Dear Matt,

Under this dark cloud, there are some silver linings: (1) Sacking, or involuntary termination, happens to just about everyone at least once in a career; and (2) there is a worldwide job shortage of skilled workers. Also, gone are the days when people stayed in one job for their whole lives: recent research indicates that the average Australian worker will change jobs at least a dozen times during their career, and stay in each position for around three years.[43]

Therefore, you shouldn't feel hopeless; you are likely to find your next job soon. In fact, ManpowerGroup's recent survey of more than 39 000 employers in 43 countries and territories found that 45% of employers are having trouble filling positions. In Australia specifically 34% of employers report struggling to hire employees.

Still, we know you are worried about how to present the facts of your involuntary termination to prospective employers. If you give a truthful, brief account of the reason for your termination, you can position yourself well. Here are some additional suggestions:

- *Remember that your soft skills count; in fact, they top the list of employer requirements for all industries.* Chuck Knebl, a communications manager for the job placement company WorkOne, suggests using your résumé and cover letter, interviews and thank-you notes to showcase your communication skills. Employers report they are also looking for a teamwork attitude, positivity, personal responsibility and punctuality, so use every opportunity to demonstrate these traits.
- *Although your soft skills count, don't forget your technical skills; employers agree they are equally important.* Knebl advises using your résumé to list your technical abilities and being prepared to elaborate upon request. Need some more skills? Job training has been shown to be helpful and can sometimes be free through universities and unemployment offices.
- *Emphasise your ongoing training and education, especially as they relate to new technology; top performers are known to be continuous learners.* Also, if you've kept up with recent trends in social media, show it, but don't go on about your friend's tweet to Rihanna.

Best wishes for your success!

SOURCES: Based on 'Changing jobs—how often is too often?', *Australian Institute of Business*, 24 July 2018; Bureau of Labor Statistics, United States Department of Labor, Employment Projections, <http://www.bls.gov/emp/ep_chart_001.htm>; G. Jones, 'How the best get better and better', *Harvard Business Review*, June 2008, pp. 123–7; 'Solving the talent shortage in Australia', ManpowerGroup 2018 Talent Shortage survey, <https://downloads.manpowergroup.com.au/talent-shortage-2018>; 'The talent shortage continues/2014', ManpowerGroup, <http://www.manpowergroup.com/wps/wcm/connect/0b882c15-38bf-41f3-8882-44c33d 0e2952/2014_Talent_Shortage_WP_US2.pdf?MOD=AJPERES>; J. Meister, 'Job hopping is the "new normal" for millennials: three ways to prevent a human resource nightmare', *Forbes*, 14 August 2012; and N. Schulz, 'Hard unemployment truths about "soft" skills', *The Wall Street Journal*, 19 September 2012, p. A15.

performance of a sports team is more than the sum of individual players' performances, group functioning in work organisations is more than the sum of individual task performances. What does saying that a group is 'functioning effectively' mean? In some organisations, an effective group is one that stays focused on a core task and achieves its ends as specified. Other organisations look for teams that are able to work together collaboratively to provide excellent customer service. Still others put more of a premium on group creativity and the flexibility to adapt to changing situations. In each case, different types of activities will be required to get the most from the team.

productivity The combination of the effectiveness and efficiency of an organisation.

effectiveness Achievement of goals.

efficiency The degree to which an organisation can achieve its end goals at a low cost.

Productivity

The highest level of analysis in organisational behaviour is the organisation as a whole. An organisation is productive if it achieves its goals by transforming inputs into outputs at the lowest cost. Thus, productivity requires both effectiveness and efficiency.

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A hospital is effective when it successfully meets the needs of its clientele. It is efficient when it can do so at a low cost. If a hospital manages to achieve higher output from its present staff by reducing the average number of days a patient is confined to bed or increasing the number of staff–patient contacts per day, we say the hospital has gained productive efficiency. A business firm is effective when it attains its sales or market share goals, but its productivity also depends on achieving those goals efficiently. Popular measures of organisational efficiency include return on investment, profit per dollar of sales and output per hour of labour.

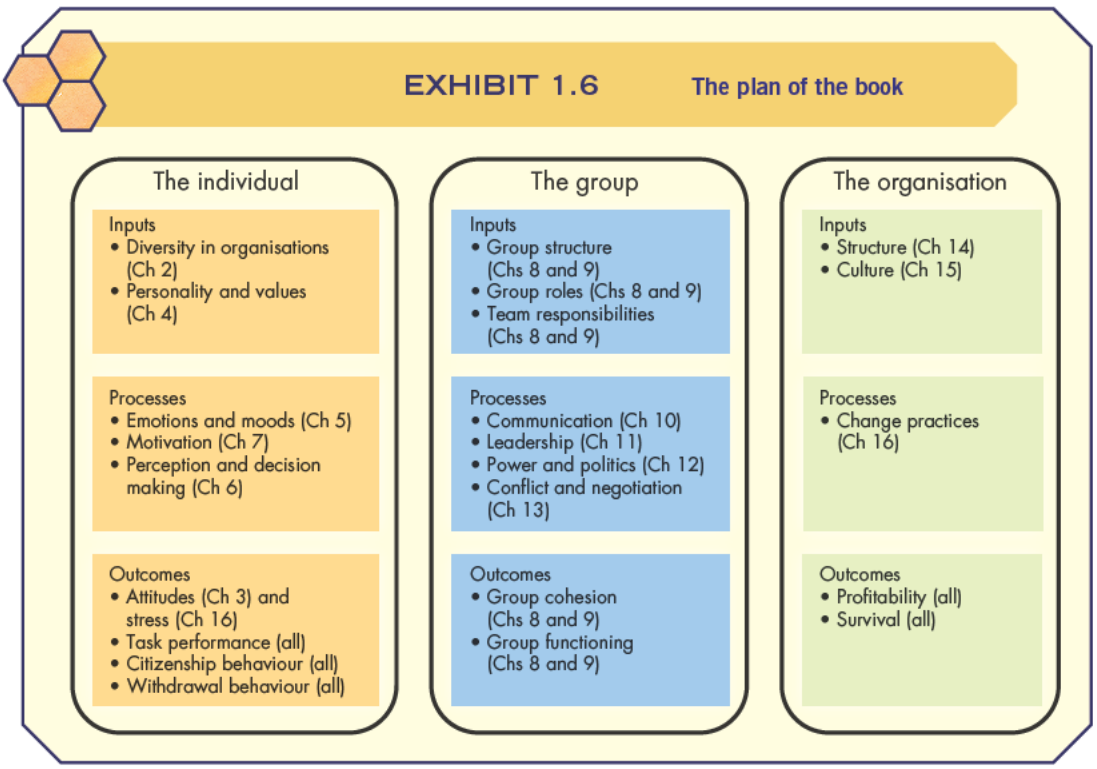
Service organisations must include customer needs and requirements in assessing their effectiveness because a clear chain of cause and effect runs from employee attitudes and behaviour to customer attitudes and behaviour to a service organisation's productivity. For example, a recent study of six hotels in China indicated that negative employee attitudes decreased customer satisfaction and ultimately harmed the organisation's profitability.[45]

Survival

The final outcome we consider is organisational survival, which is simply evidence that the organisation is able to exist and grow over the long term. The survival of an organisation depends not just on how productive it is, but also on how well it fits with its environment. A company that is productively making goods and services of little value to the market is unlikely to survive for long. As such, survival includes such things as perceiving the market successfully, making good decisions about how and when to pursue opportunities, and engaging in successful change management to adapt to new business conditions.

organisational survival
The degree to which an organisation is able to exist and grow over the long term.

Having reviewed the input, process and outcome model, we're going to amend the figure to group topics together based on whether we study them at the individual, group or organisational level. As you can see in Exhibit 1.6, we will deal with inputs, processes and outcomes at all three levels of analysis, but we group the chapters as shown here to correspond with the typical ways that research has been done in these areas. It is easier to understand one unified presentation about how personality leads to motivation, which leads to performance, than to jump around levels of analysis. Because each level builds on the one that precedes it, after going through them in sequence you will have a good idea of how the human side of organisations functions.



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1.8 Describe the key employability skills gained from studying OB that are applicable to other majors or future careers.

Employability skills

Challenges relevant to OB can be found in just about every function of business, from finance and accounting to management and marketing. Without a doubt, at some point in your career you will come across an issue that hinges to a large degree on the behaviour of people in organisations. A review of the great challenges that most businesses face reveals that OB is an essential piece of the puzzle in solving many problems that involve managing integrity/social responsibility, resource management, competition among businesses, bolstering customer and employee loyalty, reducing uncertainty, complying with government regulation, managing risks and finding the right staff—all while growing revenue and increasing profit.[46]

But OB is not relevant to business majors only; it is important for all students, no matter what their majors are. At first glance, for example, it might not seem as if a university student studying social work would have any need to take an OB class. But what happens after that student graduates? Wouldn't knowledge of OB principles and concepts help them apply to and be successful at a job as a social worker in the Victorian government? What about a graduate with a nursing degree working at the Royal Prince Alfred hospital? Or an engineering graduate who is about to begin work with BHP? OB principles matter for students of all majors and can help increase employability as well as interpersonal skills in the workplace. These skills can even help you to become successful in your classes as you interact with other students alongside your lecturers and tutors! Clearly, the knowledge of OB concepts such as stress management, change, attitudes, emotions and motivation can help you navigate your interactions with your classmates as you continue to learn.

People, along with their behaviours, differences, attitudes, emotions, moods, personalities, values, intentions, thoughts and motivations, are inextricably linked to life in the workplace. These employees interact and communicate with one another within and across work groups, departments, teams and organisations to help accomplish the organisation's goals. Leaders within these organisations (along with the employees themselves) seek to effect change, establish an organisational culture, and set policies and procedures—processes that inevitably involve leadership, politicking, conflict and negotiation. Given the pervasiveness of OB in organisational life, entry-level employees and working professionals would therefore benefit from having solid foundational skills in OB, such as communication, collaboration, critical thinking, problem solving, social responsibility, and knowledge application and analysis.

In this section, we'll explore the career employability skills that a course in OB can help expand for those who select *any* major—from English, to engineering, to political science.

Employability skills across majors

Throughout this book, you'll learn and practise many skills that hiring managers identify as important to success in a variety of business settings, including small and large firms, non-profit organisations and the public service. These skills will also be useful if you plan to start your own business. Here are some examples:

- *Critical thinking* involves purposeful and goal-directed thinking used to define and solve problems and to make decisions or form judgements related to a particular situation or set of circumstances. It involves cognitive, metacognitive and dispositional components that may be applied differently in specific contexts.
- *Communication* is defined as effective use of oral, written and non-verbal communication skills for multiple purposes (e.g. to inform, instruct, motivate, persuade and share ideas); effective listening; using technology to communicate; and being able to evaluate the effectiveness of communication efforts—all within diverse contexts.
- *Collaboration* is a skill in which individuals can actively work together on a task, constructing meaning and knowledge as a group through dialogue and negotiation that results in a final product reflective of their joint, interdependent actions.
- *Knowledge application and analysis* is defined as the ability to learn a concept and then apply that knowledge appropriately in another setting to achieve a higher level of understanding.

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- *Social responsibility* includes skills related to both business ethics and corporate social responsibility. Business ethics includes sets of guiding principles that influence the way individuals and organisations behave within the society that they operate. Corporate social responsibility is a form of ethical behaviour that requires that organisations understand, identify and eliminate unethical economic, environmental and social behaviours.

Each of the chapters in the book starts with what we refer to as the employability skills matrix (ESM). As you'll see below, this matrix links the five employability skills that were just defined with special features in each chapter, including 'Myth or science?', 'Ethical choice', 'Career OBjectives', 'Point/Counterpoint', 'Experiential exercise' and case studies. Within these sections, you'll be primed to think critically and apply your knowledge to consider special cases and concepts. You'll also learn how to improve your collaboration and communication skills by considering what you might do or say in these given situations to navigate the work world positively and effectively. You'll be confronted with ethical dilemmas in which you'll consider the ethics of particular behaviours in the workplace. We recommend that you review and consider the ESM in advance of reading the chapter so that you have a better idea of the skills you'll be developing from each section. All five of these skills are critical to success in careers that are relevant to OB and other majors. In the chapters to come, you'll engage in a variety of activities and be exposed to several cases you can apply to develop these skills.

Summary

Managers need to develop their interpersonal, or people, skills to be effective in their jobs. Organisational behaviour (OB) investigates the impact that individuals, groups and structure have on behaviour within an organisation, and it applies that knowledge to make organisations work more effectively.

Implications for managers

- Resist the inclination to rely on generalisations; some provide valid insights into human behaviour, but many are erroneous.
- Use metrics rather than 'hunches' to explain cause-and-effect relationships.
- Work on your interpersonal skills to increase your leadership potential.
- Improve your technical skills and conceptual skills through training and staying current with organisational behaviour trends such as big data and fast data.
- Organisational behaviour can improve your employees' work quality and productivity by showing you how to empower your employees, design and implement change programs, improve customer service and help your employees balance work–life conflicts.

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THE BATTLE OF THE TEXTS

POINT

Walk into your nearest major bookshop and you'll see shelves of management books whose titles tell us the topics we apparently need to know about; for example:

- *How Did I Not See This Coming?* (Tynan, 2017)
- *Spiraling Upward* (Wallbridge, 2015)
- *The Way You Do Anything Is the Way You Do Everything* (Evans, 2014)
- *Refire! Don't Retire* (Blanchard & Shaevitz, 2015)
- *StrategyMan vs. the Anti-Strategy Squad* (Horwath, 2018)
- *Think Like a Freak* (Dubner & Levitt, 2014)
- *Business Is a Baby* (Noh, 2014)
- *Top Dog* (Bronson & Merryman, 2015)
- *Speak with Impact* (Shapira, 2018).

Popular books on organisational behaviour often have cute titles and are fun to read, but they make the job of managing people seem like it's just a matter of having a good slogan and five easy steps. While some of these books do include evidence from psychological studies, you'll find that others are based on the author's opinions rather than substantive research. Most become popular in part because people largely agree with the opinions they're reading and enjoy the author's writing style. Often, the writers are presentation speakers or consultants whose real business is in delivering ideas to you. When the author is a veteran from the business world, it's doubtful that one person's experience translates into an effective management practice for everyone. Even when the authors are numbers-oriented, as are the *Think Like a Freak* authors Steven Levitt and Stephen Dubner, their conclusions for management are not management-research based. So why do we base our own management philosophies on these books when, with a little effort, we can access knowledge produced by thousands of scientific studies on human behaviour in organisations?

Organisational behaviour is a complex subject. Few if any simple statements about human behaviour apply to all people in all situations. Would you try to apply leadership insights you got from a book about *Star Wars* or *Breaking Bad* to managing software engineers in the 21st century? Surely not. Neither should we try to apply leadership insights that aren't based on research about the type of workplaces in which we function.

COUNTERPOINT

People want to know about management—the good, the bad and the ugly. People who have experience or high interest write about the topics that interest readers, and publishers put out the best of these books. When books become popular, we know people are learning from them and finding good results by applying the author's management ideas. Books such as these can provide people with the secrets to management that others have worked out through experience. Isn't it better to learn about management from people in the trenches instead of the latest obscure references from academia? Many of the most important insights we gain in life aren't necessarily the product of careful empirical research studies.

Unhelpful management guides sometimes do get published, and once in a while they become popular. But do they outnumber the esoteric research studies published in scholarly journal articles every year? Far from it—sometimes it seems that for every popular business book, there are thousands of scholarly journal articles. Many of these articles can hardly be read by individuals in the workplace—they're buried in academic libraries, riddled with strange acronyms and insider terms and light on practical application. Often they apply to specific management scenarios, so they're even less generalisable. For example, a few management and OB studies were published recently with the following titles:

- 'Paradoxical leadership incongruence and Chinese individuals' followership behaviors: Moderating effects of hierarchical culture and perceived strength of human resource management system' (Jia, Yan, Cai & Liu 2018)
- 'Impacts of the spirit of initiative and identification with the organization on IT governance effectiveness perception in public organizations' (Wiedenhöft, Luciano & Porto 2019)
- 'Opening the black box: A meta-analytic examination of the effects of top management team diversity on emergent team processes and multilevel contextual influence' (Roh, Chun, Ryou & Son 2019)
- 'Top-down knowledge hiding in organizations: An empirical study of the consequences of supervisor knowledge hiding among local and foreign workers in the Middle East' (Arain, Bhatti, Ashraf & Fang 2018).

We don't mean to make fun of these studies, but our point is that all ways of creating knowledge can be criticised. If business books are sometimes light reading, academic articles can be esoteric and seemingly less relevant. Popular books can add to our understanding of how people work and how to manage them best. We shouldn't assume they are not of value. And while there is no one right way to learn the science and art of managing people in organisations, the most enlightened managers gather insights from multiple sources: their own experience; research findings; observations of others; and, yes, the popular business press. Authors and academics have an important role to play, and it isn't fair to condemn business books with catchy titles.

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Questions for review

1. What is the importance of interpersonal skills in the workplace?
2. What is organisational behaviour (OB)?
3. How does systematic study contribute to our understanding of OB?
4. What are the major behavioural science disciplines that contribute to OB?
5. Why are there so few absolutes in OB?
6. What are the challenges and opportunities for managers in using OB concepts?
7. What are the three levels of analysis in this book's OB model?

Experiential exercise

MANAGING THE OB WAY

In groups of four, consider the following scenario. You assume the role of a special committee of district managers at a large pharmaceutical company. Your committee is meeting to discuss some problems. The process set up by the company is as follows:

1. Each committee member should first review the problem privately and formulate independent ideas for what might be done.
2. At the start of the meeting, each member should spend one minute addressing the group.

During the meeting, the committee must reach a consensus on both the best solution and supporting rationale to each problem. How this is done is entirely up to the committee members, but you must come up with a consensus decision and not a majority opinion achieved by voting.

Here is the problem your committee is to consider:

The company has no specific policy regarding facial hair. Tom is a pharmaceutical sales representative with a little more than a year's experience and an average (but declining) sales record. He has grown a very long and ragged beard that detracts significantly from his appearance. His hobby is playing bass in an amateur country music band, and he feels that a ragged beard is an important part of the act. Tom says that his beard is a personal fashion statement that has to do with his individual freedom. There have been numerous complaints about Tom's appearance from customers, both doctors and pharmacists. The manager has talked to him on many occasions about the impact his appearance could have on his sales. Nevertheless, Tom still has the beard.

The manager is concerned about Tom's decreasing sales as well as the professional image of the sales force in the medical community. Tom says that his sales decrease has nothing to do with his beard. However, sales in the other territories in the district are significantly better than they were last year.

When you have reached your consensus decisions, the following questions can serve as the basis for a class discussion.

Questions

1. What do you think are the concerns for the company regarding Tom's facial hair? Should they care about his appearance?
2. What was your group's consensus decision regarding the issue with Tom's facial hair?
3. Let's say that Tom told you he considers the beard part of his personal religion. Do you think this type of announcement from Tom would change how you talk to him about the issue?

Case study 1

CONFRONTING AGED CARE'S CHALLENGES

Aged care is one of the fastest-growing industries in Australia today, with a recent Productivity Commission report projecting that the country will need almost one million aged care workers by 2050 to care for an increasing number of older people. The Australian Government has acknowledged this finding, with Minister for Aged Care Ken Wyatt observing that '... aged care is a growing area of employment. It offers flexible hours, opportunities to extend skills and variety, in interacting with older people and their families.' He also noted that employees are needed in many different roles, such as nursing, allied health, administration and food preparation, and assistance is offered in different contexts. For example, although many people are cared for in residential settings, a large number of workers support older people in their homes. Indeed, the Australian Government recently committed more than half a billion dollars to aged care support and in-home assistance.

Therefore aged care workers are in high demand, yet staff retention and turnover are major issues of concern in the industry. Dr Katrina Radford recently studied employees' experiences and found that organisational factors played a key role in their intentions to leave. 'When I looked at personal factors against organisational factors, while around 12 per cent of people's intentions to leave were impacted by their health, age or intention to retire, the vast majority of turnover intentions were influenced by things the organisation does.' Other research and anecdotal evidence from aged care workers

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indicates that stressful working conditions, poor pay and high workloads are major reasons why employees choose to go elsewhere. This suggests that managers need to do much more to support their staff, provide better remuneration and create a positive, meaningful work environment.

The aged care industry is facing additional challenges that OB experts can help to solve. For example, many aged care workers are growing older themselves: recent research by the National Institute of Labour Studies revealed that the median age of residential care workers is 46; as such, the industry must find ways to attract younger people to fill more positions in the future. Additionally, allegations of poor treatment of residents in multiple different facilities continue to be reported in the Australian media. Chief executive of the Council on the Ageing (COTA) Ian Yates has argued that major changes need to be made to recruit the right people into the sector and find ways to retain them: 'We don't just need more aged care staff—ratios of poor staff will make matters worse—we need people working in aged care who want to be there, who care about the residents, who have proper training and support, and are backed by proper clinical management.'

Remember: it may be your parents or grandparents who need aged care in the future, so it's important that we begin addressing these challenges now!

Questions

1. What are some of the qualities that you would look for when hiring a new aged care worker? Why do you think such qualities are important in this line of work?
2. Can you identify some of the positive aspects of working with older people each day? What kind of skills would you learn?
3. If you were a manager, how could you improve the job satisfaction of aged care workers? What kind of initiatives could you implement?

SOURCES: Based on 'Aged care already on the increase according to new statistics', *Aged Care Guide*, 2018; L. Belardi, 'Unhappy workers: tackling the reasons why aged care staff leave', *Australian Ageing Agenda*, 27 January 2016; L. Cooper, 'Repeatedly harassed: former aged care worker speaks of "shocking" conditions and stress', Nine News, 21 April 2018; D. Crowe, 'More aged care funding in budget update to help those who want to stay in their own homes', *Sydney Morning Herald*, 16 December 2018; 'Innovation key to aged care workforce challenges', Aged Care Online, 6 April 2017; and N. Khadem, 'Chilling: aged care horror stories spark calls for quick action', *Sydney Morning Herald*, 19 September 2018.

Case study 2

APPLE GOES GLOBAL

Not that long ago products from Apple—perhaps the most recognisable name in electronics manufacturing around the world—were made entirely in the United States. This is no longer the case. Now, hundreds of millions of Apple products sold yearly are manufactured overseas. This change represents more than 20 000 jobs directly lost by US workers, not to mention more than 700 000 other jobs and business given to foreign companies in Asia, Europe and elsewhere. The loss isn't temporary. As the late Steve Jobs, Apple's iconic co-founder, told US President Obama, 'Those jobs aren't coming back.'

At first glance, the transfer of jobs from one workforce to another would seem to hinge on a difference in wages, but Apple has demonstrated that this is an oversimplification. In fact, paying US wages would add only $65 to each iPhone's expense, while Apple's profits average hundreds of dollars per phone. Rather, and of more concern, Apple's leaders believe the intrinsic characteristics of the labour force available to them in China—which they identify as flexibility, diligence and industrial skills—are superior to those of the US labour force. Apple executives tell stories of shorter lead times and faster manufacturing processes in China that are becoming the stuff of company legend. 'The speed and flexibility is breathtaking,' one executive said. 'There's no American plant that can match that.' Another said, 'We shouldn't be criticised for using Chinese workers. The US has stopped producing people with the skills we need.'

Because Apple is one of the most imitated companies in the world, this perception of an overseas advantage might suggest that the US workforce needs to be better led, better trained, more effectively managed, and more motivated to be proactive and flexible. If US (and Western European) workers are less motivated and less adaptable, it's hard to imagine that doesn't spell trouble for the future of the US workforce. Perhaps, though, Apple's switch from '100% made in the USA' to '10% made in the USA' represents the natural growth pattern of a company going global. At this point, the iPhone is largely designed in the United States (where Apple has 80 000 employees); parts are made in South Korea, Taiwan, Singapore, Malaysia, Japan, Europe and elsewhere; and products are assembled in China. The future of suppliers worldwide depends on Apple's billions in orders.

As maker of some of the most cutting-edge, revered products in the electronics marketplace, perhaps Apple serves not as a failure of one country to hold on to a company completely, but as one of the best examples of global ingenuity.

Questions

1. What are the pros and cons for local and overseas labour forces of Apple going global? What are the potential political implications for country relationships?
2. Do you think Apple is justified in drawing the observations and conclusions expressed in the case study? Why or why not? Do you think it's good for or harmful to the company that its executives have voiced these opinions?
3. How could managers use increased worker flexibility and diligence to increase the competitiveness of their manufacturing sites? What would you recommend?

SOURCES: C. Duhigg and K. Bradsher, 'How US lost out on iPhone work', *The New York Times*, 22 January 2013, pp. A1, A22–A23; H. Gao, 'How the Apple confrontation divides China', *The Atlantic*, 8 April 2013; A. Satariano, 'Apple slowdown threatens $30 billion global supplier web', *Bloomberg*, 18 April 2013; and <https://www.apple.com/job-creation/>.

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PART 2

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CHAPTER

2 Diversity in organisations

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

2.1 Describe the two major forms of workforce diversity.

2.2 Demonstrate how workplace discrimination undermines organisational effectiveness.

2.3 Describe how the key biographical characteristics are relevant to organisational behaviour (OB).

2.4 Explain how other differentiating characteristics factor into OB.

2.5 Demonstrate the relevance of intellectual and physical abilities to OB.

2.6 Describe how organisations manage diversity effectively.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking		✓	✓	✓	✓	✓	✓
Communication	✓	✓			✓	✓	
Collaboration					✓		
Knowledge application and analysis			✓	✓	✓	✓	✓
Social responsibility		✓	✓	✓	✓	✓	✓

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Diversity and inclusiveness at AccorHotels

For many people, hospitality is not the first industry that comes to mind when they think about organisations at the forefront of diversity and inclusiveness. AccorHotels Group, however, is internationally recognised both for its encouragement of employee equality and prevention of discrimination. With 250000 employees operating in 100 countries around the world, its network of brands includes Sofitel, Quay West, Swissôtel and Mercure. In Australia, AccorHotels has more than 10000 employees who work across 208 hotels nationally.



AccorHotels's first Indigenous general manager Kristy Stanton
SOURCE: Brook Mitchell/AFR.

Through the development and implementation of multiple initiatives, AccorHotels in Australia has taken significant steps to build a culture of diversity, inclusiveness and sustainability. In 2015, Chief Executive Simon McGrath acknowledged in an interview the importance of these issues in the hospitality industry: 'Given the speed at which hospitality continues to grow we recognised that we needed a range of executive resources and people from diverse backgrounds. We've [now] embarked on 10 years of diversity programs in gender and race'. For example, AccorHotels Académie facilitates its Strategic Leaders Development Program, a leadership program for female managers. In 2017, 36% of AccorHotels's general managers were women, and the organisation had committed to a 50% target in 2018.

In addition to increasing female representation, AccorHotels has also prioritised the development of Aboriginal and Torres Strait Islander employees. For example, one of its initiatives is a program hosted by the Indigenous Programs Team and AccorHotels Académie. The suite of activities is designed to increase applicants' 'skills and confidence' to obtain a job with the organisation, and includes opportunities for training, a work placement with accompanying feedback, a work trial and an interview. In 2017, 5.3% of AccorHotels's total employees were Indigenous, and the organisation had set a target of 600 employees in 2018. One of its most successful people is Kristy Stanton, AccorHotels's first Indigenous general manager, who joined AccorHotels through its Indigenous Employment Parity Initiative. On International Women's Day in 2017, Stanton explained the impact that her appointment has had on others, saying, 'Since taking on my role, there are already other Indigenous employees—male and female—aspiring to be in my position and already I can see they are more confident to be outspoken about their career goals rather than shying away from them'.

AccorHotels is also strongly committed to supporting those who identify as lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ). In 2016, the organisation declared its support for marriage equality, with Simon McGrath saying, 'Just like our 10000 employees come from all walks of life, so too do our guests. It is our number one priority to ensure that our hotels make every person feel welcome, valued and equal regardless of their gender, race, religion or sexuality … [we] openly pledge our support for marriage equality in Australia'. In 2018, AccorHotels was the major partner for the Sydney Gay and Lesbian Mardi Gras season, further demonstrating its support of the LGBTIQ community.

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Overall, AccorHotels is an example of a highly successful brand that has recognised the importance of valuing diversity and creating an inclusive workplace for all employees. This is also a source of pride and joy for employees. In the words of Kristy Stanton, 'I love AccorHotels and everything it's done for me. I also love the culture: everyone helps each other. The best part was getting my first general manager's role. I thought it would be a great achievement in my early 30s. I did it at 25, so I was quite proud of myself'.

SOURCES: AccorHotels Group, 'Diversity and inclusion', <*www.accorhotels.group*>; Rebecca, 'Sustainability and diversity detailed in new AccorHotels report', Accor Vacation Club, 28 May 2018; S. White, 'Meet the boss: Accor chief Simon McGrath', *Sydney Morning Herald*, 24 July 2015; S. White, 'AccorHotels positive about creating more job opportunities for Indigenous people', *Sydney Morning Herald*, 29 June 2017; Australian Government, 'Kristy Stanton—First indigenous general manager for AccorHotels', <*www.indigenous.gov.au*>, 24 March 2017; AccorHotels, '2017 Corporate Responsibility Report'; Australasian Special Events, 'AccorHotels fast-tracks female leaders to success', 29 March 2016; J. Wilkinson, 'AccorHotels commits to 50 per cent female general managers', *Hotel Management*, 3 March 2017; R. Clarke, 'AccorHotels Australia announces support for marriage equality', Accom News, 14 February 2016; and B. Van Dorp, 'AccorHotels partners with 2018 Sydney Gay and Lesbian Mardi Gras', *Hotel Management*, 15 November 2017.

THE OPENING VIGNETTE ON ACCORHOTELS illustrates a growing recognition of the importance of promoting and managing diversity effectively in the 21st century. In this chapter, we'll look at how organisations work to maximise the potential contributions of a diverse workforce. We'll also show how demographic characteristics, such as ethnicity and individual differences in the form of ability, affect employee performance and satisfaction.

2.1 Describe the two major forms of workplace diversity.

Diversity

We are, each of us, unique. This is obvious enough, but managers sometimes forget they need to recognise the individual differences in their employees in order to capitalise on their unique strengths. In this chapter, we'll learn how individual characteristics like age, gender, race, ethnicity and abilities can influence employee performance. We'll also see how managers can develop awareness about these characteristics and manage their diverse workforces effectively. But first, let's consider an overview of the changing workforce.

Demographic characteristics of the Australian workforce

The Australian workforce has become increasingly diverse. The workforce participation rate for women in Australia increased to an all-time high of 59.4% in January 2016.[1] Almost two-thirds of families with dependants had both parents employed, and nearly 20% of directors of companies listed on the Australian Securities Exchange (ASX) were women. In April 2018, more than half (52%) of appointments to ASX200 boards were female, marking the first time that more females were appointed than men.[2] However, while more Australian women are working, the gap in pay between women and men has increased, and there are still barriers to women fully participating in paid work, such as limited access to quality, well-paid and flexible work, as well as a lack of affordable and flexible child care.[3]

Australia's workforce is ethnically diverse, with more than one-fifth of Australian workers being born overseas. Indigenous people, however, are 20% less likely to be participating in the workforce than non-Indigenous people.[4] Workers over the age of 55 are an increasingly large portion of the workforce, both in Australia and globally. In Australia, there are currently more workers over the age of 55 than under 25, and that shift is set to continue.[5]

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These changes are increasingly reflected in the make-up of managerial and professional jobs and they mean organisations must make diversity management a central component of their policies and practices.

Levels of diversity

Although much has been said about diversity in age, race, gender, ethnicity, religion and disability status, experts now recognise that these demographic characteristics are just the tip of the iceberg.[6] Demographics mostly reflect surface-level diversity, not thoughts and feelings, and this can lead employees to perceive one another through stereotypes and assumptions. However, evidence has shown that as people get to know one another they become less concerned about demographic differences if they see themselves as sharing characteristics such as personality and values, which represent deep-level diversity.[7]

surface-level diversity Differences in easily perceived characteristics, such as gender, race, ethnicity, age or disability, that do not necessarily reflect the ways people think or feel, but that may activate certain stereotypes.

deep-level diversity Differences in values, personality and work preferences that become progressively more important for determining similarity as people get to know one another better.

To understand this difference between surface-level and deep-level diversity, consider a few examples. Bill and Lisa are colleagues who seem to have little in common at first glance. Bill is a young, recently hired male university graduate with a legal degree, who grew up in western Sydney. Lisa is older and has been with the company for about 20 years. She grew up in rural Queensland and as a child travelled extensively with her parents. She achieved her current level in the organisation by starting as a Year 12 school leaver and working her way up through the hierarchy. At first, these colleagues may experience some differences in communication based on their surface-level differences in education, regional background and gender. However, as they get to know one another, they may find that they are both deeply committed to their families, share a common way of thinking about important work problems, like to work collaboratively and are interested in international assignments in the future. They even support the same football team! These deep-level similarities will overshadow the more superficial differences between them, and research suggests they will work well together.[8]

On the other hand, John and Ian are two single, male university graduates from Adelaide who recently started working together in an accounting firm. Although superficially they seem well matched, John is highly introverted, prefers to avoid risks, solicits the opinions of others before making decisions and likes to work in a quiet office; whereas Ian is extroverted, risk-seeking and assertive and likes a busy, active and energetic work environment. Their surface-level similarity will not necessarily lead to positive interactions because they have such fundamental, deep-level differences. It will be a challenge for them to collaborate regularly at work, and they will have to make some compromises to get things done together.

Throughout this book, you will encounter differences between deep-level and surface-level diversity in various contexts. Individual differences in personality and culture shape preferences for rewards, communication styles, reactions to leaders, negotiation styles and many other aspects of behaviour in organisations.

Discrimination

2.2 Demonstrate how workplace discrimination undermines organisational effectiveness.

Although diversity does present many opportunities for organisations, effective diversity management also means working to eliminate unfair discrimination. Discriminating is noting a difference between things, which in itself isn't necessarily bad. Noticing that one employee is more qualified is necessary for making hiring decisions; noticing that another is taking on leadership responsibilities exceptionally well is necessary for making promotion decisions. Usually when we talk about discrimination, though, we mean allowing our behaviour to be influenced by stereotypes about groups of people. Stereotyping is judging someone on the basis of our perception of the group to which that person belongs. To use a machine metaphor, you might think of stereotypes as the fuel that powers the discrimination engine. Stereotypes can be insidious not only because they may affect the perpetrators of discrimination but also because they can affect how potential targets of discrimination see themselves.

discrimination Noting a difference between things; often we refer to unfair discrimination, which means making judgements about individuals based on stereotypes regarding their demographic group.

stereotyping Judging someone on the basis of our perception of the group to which that person belongs.

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Ethical choice

Women in combat in the Australian military: helpful or harmful?



In his speech to the inaugural Woman and National Security conference in Canberra, Australia in April 2017, the Chief of Defence Air Chief Marshal Mark Binskin argued that diversity is a critical part of the Australian Defence Force (ADF). 'A diverse workforce is all about capability. The greater our diversity, the greater the range of ideas and insights to challenge the accepted norm, assess the risks, see them from a different perspective, and develop creative solutions,' he told the crowd. The ADF has taken multiple steps to promote gender equality and encourage women to progress into senior positions, including implementation of a government policy removing gender restrictions from combat roles. After these changes, women are able to apply and be considered for all positions in the ADF, including those involving fighting on the frontline.

This movement towards greater diversity, however, has ignited debate about the role of women in the modern defence force. More recently, Federal Member of Parliament Andrew Hastie, who served in the Special Air Service (SAS) for five years, told Sky News that 'fighting DNA of a close combat unit is best preserved when it's exclusively male'. Although Mr Hastie stressed that this was his personal opinion only, Senator Cory Bernardi echoed this view in a speech to Parliament, saying,'I don't believe incorporating women into combat units is in the best interests of Australia's national security'. He also stated 'It's about blurring the lines between political correctness and sound tactics in the name of what I think is social justice'.

These comments sparked a negative reaction from some politicians, media commentators, and members of the Twitter community, with Senator Linda Reynolds, a highly experienced former member of the Australian Army Reserve, saying, 'I want to say to Senator Bernardi: shame on you. He could not have chosen a more insulting or demeaning topic, not only to all of our women who now serve in uniform, but all those women who want to put their hand up'. One of her Senate colleagues, Senator David Fawcett, also noted that women had made a very positive contribution to the ADF, arguing, 'If somebody is capable, willing and able to do the task to the required standard with the same amount of training and support that any other member has, then I don't think their gender should necessarily disqualify them'. As part of its ongoing push for gender equality, the ADF has also faced questions about its use of gender quotas in recruitment and selection, suggesting that this debate is unlikely to go away soon.

SOURCES: A. Greene, 'Defence force chief promotes gender diversity as crucial to Australia's military capability', ABC Online, 5 April 2017; M. Coughlan, 'Women in combat dangerous: Cory Bernardi', *The Herald*, 5 February 2018; Starts at 60 writers, 'Was he wrong? Cory Bernardi's "inappropriate" comment sparks backlash', 6 February 2018; M. Devine, 'Keep gender politics out of our military. Fighting capacity is what matters', *The Daily Telegraph*, 13 August 2017; J. Norman, 'Former army officer turned MP Andrew Hastie says women should not serve in combat roles', ABC News, 6 February 2018; and Defence Connect, 'Australia to withdraw reservation barring women from combat roles', 21 June 2017.

Stereotype threat

Let's say you are sitting in a restaurant, waiting for the blind date your co-worker arranged to find you in the crowded room. How do you think your co-worker described you to this person? Now consider how you would describe yourself to this new person if you'd talked on the phone before the date. What identifiable groups would you mention as a shorthand way for your date to know a bit about you so they could recognise you in the restaurant?

Chances are good that you'd mention your ethnicity, something about how you express your gender (such as the way you dress), how old you are, and maybe what you do for a living. You might also mention how tall you are if you're remarkably tall or short and—if you're candid—you might mention something about your build (solid, medium or slim). Overall, you'd give cues to your blind date about characteristics that are distinctive, or that stand out, about you. What you tell someone about yourself says a lot about what you think about yourself. Just as we stereotype others, we also stereotype ourselves.

stereotype threat The degree to which we agree internally with the generally negative stereotyped perceptions of our groups.

Stereotype threat describes the degree to which we agree internally with the generally negative stereotyped perceptions of our groups. Along with that comes a fear of being judged when we're identified with the negative connotations of that group. This can happen when we're a minority in a situation. For instance, an older worker applying for a job in a predominantly millennial-age workforce may assume the interviewer thinks they are out of touch with current

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trends. What creates a stereotype threat is not whether the worker is or is not up to date with trends, but whether they agree internally that older workers (the group the worker identifies with) are out of date (the stereotype).

People become their own worst enemies when they feel stereotype threat. Ironically, they may unconsciously exaggerate the stereotype, like an older job applicant who talks about ageing, rambles during the conversation and discloses too much.[9] Second, employees may engage in self-handicapping, in which they avoid effort so they can attribute their potential failure to other sources, such as stress or 'having a bad day'.[10] Third, people may overcompensate for the stereotype threat they feel or work to avoid confirming the stereotype. For example, an older worker who actively tries to engage with technology and uses it as much as possible in the workplace may be attempting to overcome a stereotype threat of older individuals as technologically inept.[11] Stereotype threat can serve as a 'brain drain' for employees, causing them to deplete their working memories so they don't perform as well on employment tests or training.[12]

Stereotype threat has serious implications for the workplace. It can happen during pre-employment tests and assessments, performance evaluations and everyday workplace exchanges. It can lead to underperformance on tests, performance evaluations, training exercises, negotiations and everyday interactions with others as well as disengagement, poor job attitudes, a reluctance to seek feedback and poor performance in the employees experiencing the threat.[13] We can combat it in the workplace by treating employees as individuals and not highlighting group differences. The following organisational changes can be successful in reducing stereotype threat:

- increasing awareness of how stereotypes may be perpetuated (especially when developing policies and practices)
- reducing differential and preferential treatment through objective assessments
- confronting microaggressions against minority groups
- adopting transparent practices that signal the value of all employees.[14]

Discrimination in the workplace

As we've just discussed, unfair discrimination assumes that everyone in a group is the same rather than looking at the characteristics of individuals within the group. This discrimination is often harmful for employees as well as for organisations.

Many different forms of discrimination take place in organisations, such as discriminatory policies and practices, exclusion and intimidation of employees. Although many of these actions are prohibited by law, and therefore aren't part of any organisation's official policies, thousands of cases of employment discrimination are documented every year, and many more go unreported. Because discrimination has increasingly come under both legal scrutiny and social disapproval, most overt forms have faded, which may have resulted in an increase in more covert forms, especially when leaders look the other way.[15]

As you can see, discrimination can take many forms, and its effects can vary depending on organisational context and the personal biases of employees. Some forms of discrimination, exclusion and incivility, for example, are especially hard to root out because they may occur simply because the person responsible isn't aware of the effects of their actions. Like stereotype threat, actual discrimination can lead to increased negative consequences for employers, including reduced productivity and organisational citizenship behaviour (OCB), more conflict, increased turnover and even increased risk-taking behaviour.[16] Unfair discrimination also leaves qualified job candidates out of initial hiring and promotions. So, even if an employment discrimination lawsuit is never filed, a strong business case can be made for aggressively working to eliminate unfair discrimination.

Whether it's overt or covert, intentional or unintentional, discrimination is one of the primary factors that prevents diversity. On the other hand, recognising diversity opportunities can lead to an effective diversity management program and ultimately to a better organisation.

Diversity is a broad term, and the phrase 'workplace diversity' can refer to any characteristic that makes people different from one another. The following section covers some important surface-level characteristics that differentiate members of the workforce.

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2.3 Describe how the key biographical characteristics are relevant to organisational behaviour (OB).

Biographical characteristics

Biographical characteristics such as age, gender, race and disability are some of the most obvious ways employees differ. Let's begin by looking at factors that are easily definable and readily available—data that can be obtained, for the most part, from an employee's human resources (HR) file. Variations in surface-level characteristics may be the basis for discrimination against classes of employees, so it's worth knowing how related they actually are to work outcomes. As a general rule, many biographical differences are not important to actual work outcomes, and far more variation occurs within groups sharing biographical characteristics than between them.

biographical characteristics
Personal characteristics such as age, gender, race and length of tenure that are objective and easily obtained from personnel records. These characteristics are representative of surface level diversity.

Age

Age in the workforce is likely to be an issue of increasing importance during the next decade for many reasons. According to the Australian Institute of Health and Welfare, 'the proportion of older Australians participating in the labour force doubled between 2000–2015—from 6% to 13%'.[17] There is strong evidence that this trend will continue, as the retirement intentions of Australians change, and more employees plan to work into their 70s and beyond.[18] It is important to note that Australia, among other countries, has laws directed against age discrimination, although some exceptions exist.[19] It is also encouraging that stereotypes of older workers as being behind the times, grumpy and inflexible are changing slowly. Managers often see a number of positive qualities that older workers bring to their jobs, such as a willingness to learn, confidence, genuine engagement and attention to detail.[20] The Public Utilities Board, the water agency of Singapore, reports that 27% of its workforce is over 55 because older workers bring workforce stability.[21] And industries such as health care, education, government and nonprofits often welcome older workers.[22] But older workers are still perceived as less adaptable and less motivated to learn new technology.[23] In Australia, a 2016 survey revealed that almost one-third of Australians perceived age-related discrimination while working or looking for employment during a 12-month period, suggesting that organisations still need to do more to address this issue.[24]

Now let's look at the evidence. What effect does age actually have on turnover, absenteeism, productivity and satisfaction? Generally, as workers get older, they have fewer job alternatives because their skills have become more specialised. As a result they are less likely to quit their jobs.[25] Within organisations, older workers' longer tenure tends to provide them with higher wages, longer paid leave and benefits that may bind them to their employers.

It may seem likely that age is positively correlated to absenteeism, but this isn't true. Most studies show that older employees have lower rates of avoidable absence than younger employees. Furthermore, older workers do not have more psychological problems or day-to-day physical health problems than younger workers.[26]

The majority of studies have shown 'virtually no relationship between age and job performance,' according to Director Harvey Sterns of the Institute for Life-Span Development and Gerontology.[27] Indeed, some studies indicate that older adults perform better. In Munich, a four-year study of 3800 Mercedes-Benz workers found that 'the older workers seemed to know better how to avoid severe errors,' said Matthias Weiss, the academic coordinator of the study.[28]

Another performance-related observation is that creativity lessens as people age. Researcher David Galenson, who studied the ages of peak creativity, found that people who create through experimentation do 'their greatest work in their 40s, 50s, and 60s. These artists rely on wisdom, which increases with age'.[29]

What about age and life satisfaction (which we discuss further in later chapters)? There is a cultural assumption that older people are more prone to depression and loneliness. Actually, a study of adults ages 18 to 94 found that positive moods increased with age. 'Contrary to the popular view that youth is the best time of life, the peak of emotional life may not occur until well into the seventh decade,' researcher Laura Carstensen said.[30]

A review of more than 800 studies found that older workers tend to be more satisfied with their work, report better relationships with co-workers, and are more committed to their organisations.[31] Other studies, however, have found that job satisfaction increases up to middle age, at which point it begins to drop off. When we separate the results by job type, though, we

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find that satisfaction tends to increase continually among professionals as they age, whereas among non-professionals it falls during middle age and then rises again in later years. We'll discuss job satisfaction in depth in Chapter 3.

In summary, we can see that the surface-level characteristic of an employee's age is an unfounded basis for discrimination and that an age-diverse workforce is a benefit to an organisation.

Gender

Few issues initiate more debates, misconceptions and unsupported opinions than whether women perform as well at work as men.

Let's begin considering this topic with the recognition that few, if any, differences between men and women affect job performance.[32] Although men may have slightly higher maths ability and women slightly higher verbal ability, the differences are fairly small, and there are no consistent male–female differences in problem-solving ability, analytical skills or learning ability.[33] One meta-analysis of job performance studies found that women scored slightly higher than men on performance measures.[34] A separate meta-analysis of 95 leadership studies indicated that women and men are rated equally effective as leaders.[35]

Yet biases and stereotypes persist. In the hiring realm, managers are influenced by gender bias when selecting candidates for certain positions.[36] For instance, men prefer to hire other men in male-dominated occupations.[37] Once on the job, men and women may be offered a similar number of developmental experiences, but females are less likely to be assigned challenging positions by men, assignments that could help them achieve higher organisational positions.[38] Men are more likely to be chosen for leadership roles even though men and women are equally effective leaders. A study of 20 organisations in Spain, for example, suggested that men are generally selected for leadership roles that require handling organisational crises.[39] According to Naomi Sutherland, senior partner in diversity at recruiter Korn Ferry, 'Consciously or subconsciously, companies are still hesitant to take the risk on someone who looks different from their standard leadership profile'.[40]

Sex discrimination has a pervasive negative impact. Notably, women still earn less money than men for the same positions,[41] even in traditionally female roles.[42] Furthermore, the sex differences in promotions, bonuses and salaries (across 97 different studies and nearly 400 000 people) are 14 times larger than their differences on performance evaluations.[43] Working mothers also face 'maternal wall bias', meaning they're often not considered for new positions after they have children, and both men and women experience discrimination in relation to their family caregiving roles.[44] Women who receive fewer challenging assignments and development opportunities from biased managers tend to curtail their management aspirations.[45] Women who are assertive in the workplace tend to be liked less and perceived as less employable.[46]

We've seen that there are many misconceptions and contradictions about male and female workers. Thankfully, many countries, including Australia, the United Kingdom and the United States, have laws against sex discrimination. Other countries, such as Belgium, France, Norway and Spain, are seeking gender diversity through laws to increase the percentage of women on boards of directors.[47] As discussed at the beginning of this chapter, AccorHotels has taken steps to address gender inequity by setting targets for increased female representation in general manager positions. Gender biases and gender discrimination are still serious issues, but there are indications that the situation is improving.

Race and ethnicity

Race is a controversial issue in society and in organisations. We define race as the heritage people use to identify themselves; ethnicity is the additional set of cultural characteristics that often overlap with race. Typically, we associate race with biology, and ethnicity with culture, but there is a history of self-identifying for both classifications. Laws against racial and ethnic discrimination are in effect in many countries, including Australia, the United Kingdom and the United States.[48]

race Biological heritage that distinguishes one group of people from another.

ethnicity The grouping of people recognised as being unique on the basis of their speech, history, origins, culture or other unique characteristics.

Race and ethnicity have been studied because they relate to employment outcomes such as hiring decisions, performance evaluations, pay and workplace discrimination.

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Myth or science?



'Bald is better'

Surprisingly, it appears true that bald is better for men in the workplace. A recent study showed that observers believe a male's shaved head indicates greater masculinity, dominance and leadership potential than longer or thinning hair. Thinning hair was perceived as the least powerful look, and other studies have agreed that male-pattern baldness (when some hair remains) is not considered advantageous.

In some respects, the reported youthful advantage of a shaved head is counterintuitive. Because we have more hair when we are young, and contemporary culture considers youthfulness a desirable characteristic in the workplace (if you doubt this, see the discussions on ageing in this chapter), it would make more sense for a hairless head to be a distinct disadvantage. Yet the media is loaded with images of powerful men with shaved heads: military heroes, winning athletes and action heroes. No wonder study participants declared that the men with shaved heads were 2.5 centimetres taller and 13% stronger than the same men with hair.

A bald head has become the hallmark of some important business leaders, notably Jeff Bezos of Amazon, Lloyd Blankfein of Goldman Sachs and Marc Andreessen of Netscape. Men who shave their heads report it can give them a business advantage, whether or not it makes them look younger (which is debatable). According to psychologist Caroline Keating, just as older silver-back gorillas are 'typically the powerful actors in their social groups', so it is in the office, where baldness may 'signal who is in charge and potentially dangerous'. Research professor Michael Cunningham agrees, adding that baldness 'is nature's way of telling the rest of the world you are a survivor'. Men with shaved heads convey aggressiveness, competitiveness and independence, he adds. Will you join the 13% of men who shave their heads? Although we don't wish to advocate head shaving for this reason, it does demonstrate how biased we continue to be in judging people by superficial characteristics. Time will tell if this situation ever improves.

SOURCES: Based on D. Baer, 'People are psychologically biased to see bald men as dominant leaders', *Business Insider*, 13 February 2015; J. Misener, 'Men with shaved heads appear more dominant, study finds', *The Huffington Post*, 1 October 2012; A. E. Mannes, 'Shorn scalps and perceptions of male dominance', *Social Psychological and Personality Science*, 16 July 2012, pp. 198–205; and R. E. Silverman, 'Bald is powerful', *The Wall Street Journal*, 3 October 2012, pp. B1, B6.

Individuals may slightly favour colleagues of their own ethnicity in performance evaluations, promotion decisions and when planning pay raises, although these differences are not found consistently, especially when highly structured methods of decision making are employed.[49] However, there is a clear lack of cultural diversity at the top corporate level in Australia. For example, 'while 32 per cent of the Australian population has a background other than Anglo-Celtic, the number in leadership is minute. In ASX 200 companies, 77 per cent of CEOs have an Anglo-Celtic background and 18 per cent have a European background, while just 5 per cent—that's ten people—have a non-European background'.[50]

Members of racial and ethnic minorities also report higher levels of discrimination in the workplace.[51] In the Australian context, a 2017 survey revealed that Indigenous Australians experienced the greatest degree of discrimination in the workplace compared to other minority groups. Specifically, the national survey by the Diversity Council of Australia found that almost 38% of Aboriginal and Torres Strait Islander (ATSI) employees experienced harassment or discrimination over the previous 12-month period, compared to nearly 22% of non-ATSI workers.[52]

As we discussed before, discrimination—for any reason—leads to increased turnover, which is detrimental to organisational performance. While better representation of all ethnic groups in organisations remains a goal, an individual of minority status is much less likely to leave the organisation if there's a feeling of inclusiveness, known as a positive diversity climate.[53] A positive climate for diversity can also lead to increased sales, commitment and retention, suggesting there are organisational performance gains associated with reducing racial and ethnic discrimination.[54]

positive diversity climate
In an organisation, an environment of inclusiveness and an acceptance of diversity.

How do we move beyond the destructiveness of discrimination? The answer is in understanding one another's viewpoint. Evidence suggests that some people find interacting with other racial groups uncomfortable unless there are clear behavioural scripts to guide their behaviour,[55] so creating diverse work groups focused on mutual goals could be helpful, along with developing a positive diversity climate.

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Disability

Workplace policies, both official and circumstantial, regarding individuals with physical or mental disabilities vary from country to country. In Australia, the *Federal Disability Discrimination Act 1992* (DDA) makes it illegal for an employer to discriminate against someone because they have a disability. People with a disability are therefore protected against discrimination in recruitment processes, decisions about who will get a job and many other areas. The Act also requires that an employer must make reasonable workplace changes or 'workplace adjustments' to accommodate employees with a disability.[56] Other countries, including the United States, the United Kingdom and Japan, have specific laws to protect individuals with disabilities.[57] In some cases, these laws have resulted in greater acceptance and accommodation of people with physical or mental impairments. In the United States, for example, the representation of individuals with disabilities in the workforce rapidly increased with the passage of the *Americans with Disabilities Act 1990* (ADA).[58]

In Australia, however, evidence suggests that people with a disability still experience considerable difficulty obtaining ongoing employment. For example, the results of the 2015 Survey of Disability Ageing and Carers (SDAC) revealed that only 53.4% of people with a disability were in the labour force, compared to 83.2% of those without a disability.[59] Furthermore, in 2015–16, disability discrimination complaints comprised 37% of all complaints made to the Australian Human Rights Commission, the highest percentage overall.[60] Australia also ranks 21st out of 29 Organisation for Economic Co-operation and Development (OECD) countries with respect to employment rates for people with disabilities[61], indicating that more work needs to be done to address this ongoing issue.

The impact of disabilities on employment outcomes has been explored from a variety of perspectives. On one hand, when disability status is randomly manipulated among hypothetical candidates, disabled individuals are rated as having superior personal qualities such as dependability.[62] Another review suggested that workers with disabilities receive higher performance evaluations. However, individuals with disabilities tend to encounter lower performance expectations and are less likely to be hired.[63] Mental disabilities may impair performance more than physical disabilities: individuals with common mental health issues such as depression and anxiety are significantly more likely to be absent from work.[64]

The elimination of discrimination against the disabled workforce has long been problematic. Similarly to Australia, for instance, policies in Europe to motivate employers have failed to boost the workforce participation rate for workers with disabilities, and outright quota systems in Germany, France and Poland have backfired.[65] However, the recognition of the talents and abilities of individuals with disabilities has made a positive impact. In addition, technology and workplace advancements have greatly increased the scope of available jobs for those with all types of disabilities. Managers need to be attuned to the true requirements of each job and match the skills of the individual to them, providing accommodations when needed. But what happens when employees do not disclose their disabilities? Let's discuss this next.

Invisible disabilities

As we mentioned earlier, disabilities include observable characteristics such as missing limbs, illnesses that require a person to use a wheelchair and blindness. Other disabilities may not be obvious, at least not at first. Unless an individual decides to disclose a disability that isn't easily observable, it can remain hidden at the discretion of the employee. These are called invisible disabilities (or hidden disabilities). Invisible disabilities generally fall under the categories of sensory disabilities (e.g. impaired hearing), autoimmune disorders (e.g. rheumatoid arthritis), chronic illness or pain (e.g. carpal tunnel syndrome), cognitive or learning impairments (e.g. attention deficit hyper-activity disorder [ADHD]), sleep disorders (e.g. insomnia) and psychological challenges (e.g. PTSD).[66]

Unsurprisingly, many employees do not want to disclose their invisible disabilities, so they are prevented from getting the workplace accommodations they need in order to thrive in their jobs. Research indicates that individuals with hidden disabilities are often afraid of being stigmatised or ostracised if they disclose their disabilities to others in the workplace, and they believe that their managers will think they are less capable of strong job performance.[67]

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In some ways, a hidden disability is not truly invisible. For example, a person with undisclosed autism will still exhibit the behaviours characteristic of the condition, such as difficulty with verbal communication and lack of adaptability.[68] You may observe behaviours that lead you to suspect an individual has a hidden disability. Unfortunately, this behaviour could be incorrectly attributed to other causes—for instance, the slow, slurred speech of a co-worker could be misconstrued as symptoms of an alcohol problem rather than to the long-term effects of a stroke.

Research suggests that disclosure helps everyone—the employee, others and the organisation. Disclosure may increase the job satisfaction and well-being of the employee, help others understand and assist them to succeed in the workplace, and allow the organisation to accommodate the situation so that the employee and the organisation achieve top performance.[69]

2.4 Explain how other differentiating characteristics factor into OB.

Other differentiating characteristics

The last set of characteristics we'll look at include tenure, religion, sexual orientation and gender identity, and cultural identity. These characteristics illustrate deep-level differences that provide opportunities for workplace diversity as long as discrimination can be overcome.

Tenure

tenure Length of time spent in a job, organisation or field.

Except for gender and racial differences, few issues are more subject to misconceptions and speculations than the impact of seniority and tenure—meaning time spent in a job, organisation or field.

Extensive reviews have been conducted of the seniority–productivity relationship.[70] The evidence demonstrates a positive relationship between organisational tenure (i.e. how long an employee has been in their organisation) and job performance. As such, organisational tenure appears to be a good predictor of employee performance, although there is some evidence that the relationship is not linear: differences in organisational tenure are more important to job performance for relatively new or inexperienced employees than among those who have been in the job longer. To use an Australian Football League analogy, a full-forward playing in their second season has more of an edge over a rookie than a tenth-year player has over one in their ninth year. Job tenure, on the other hand (i.e. how long an employee has been in their job), demonstrates a weak, inconsistent effect on employee outcomes, indicating that employees may lose desire for further career advancement.

Religion

Religious and non-religious people question each other's belief systems, and people of different religious faiths often experience conflict. There are few—if any—countries in which religion is a non-issue in the workplace. In the Australian context, discrimination in employment on the basis of religion happens 'when someone does not experience equality of opportunity in employment because of their religion. This may include being refused a job, being dismissed from employment, being denied training opportunities or being harassed at work'.[71] However, discrimination based on religion itself is not specifically prohibited under Commonwealth legislation[72], which has led to calls for a Religious Discrimination Act.[73] This proposal has ignited considerable debate in the Australian community, and the issue currently remains unsolved.

Perhaps the greatest religious diversity issue in Australia today revolves around Islam. Islam is one of the fastest growing religions in Australia, and across the world it is one of the most popular religions. There is a wide variety of perspectives on Islam. As one Islamic scholar has noted: 'There is no such thing as a single Muslim community, much as there is no single Christian community. Muslims vary hugely by ethnicity, faith, tradition, education, income, and degree of religious observance'.[74] There is evidence that Muslims in Australia regularly experience discrimination and harassment[75] and that this also extends to their experiences in the workplace.[76]

It's worth noting that faith can be an employment issue when religious beliefs prohibit or encourage certain behaviours. Some pharmacists refuse to hand out RU-486, the 'morning after' abortion pill, because of their religious beliefs. Many Christians believe they should not work on Sundays, and many conservative Jews believe they should not work on Saturdays. Religious

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individuals may also believe they have an obligation to express their beliefs in the workplace, and those who do not share those beliefs may object.

Sexual orientation and gender identity

While much has changed, the full acceptance and accommodation of lesbian, gay, bisexual, transgender and intersex (LGBTI) employees remains a work in progress. In the Australian workplace, despite recent legislative changes, LGBTI employees still experience high rates of discrimination.[77] A recent report found that six in ten LGBTI employees experienced homophobic verbal abuse at work, and 20% reported episodes of physical abuse.[78] In the United States, a Harvard University study sent fictitious but realistic résumés to 1700 actual entry-level job openings. The applications were identical with one exception: half mentioned involvement in gay organisations during college, and the other half did not. The applications without the mention received 60% more callbacks than the ones with it.[79]

Perhaps as a result of perceived discrimination, many LGBTI employees do not disclose their status. For example, John Browne, former CEO of British Petroleum (BP), hid his sexual orientation until he was 59, when the press threatened to disclose that he was gay. Fearing the story would result in turmoil for the company, he resigned. Browne wrote recently, 'Since my outing in 2007, many societies around the world have done more to embrace people who are lesbian, gay, bisexual, or transgender. But the business world has a long way to go'.[80]

In Australia, on 1 August 2013, the Federal government amended the *Sex Discrimination Act 1984* to make discrimination on the basis of a person's sexual orientation, gender identity and intersex status illegal.[81] Despite this positive change, many LGBTI employees still feel isolated and unsupported in Australian organisations. In fact, recent research by the Diversity Council of Australia revealed that about one in three LGBTIQ+ employees have come out to their entire workplace.[82] The research revealed that rates of disclosure were highest among gay men and lesbians, and lower among those who identified as transgender, gender diverse or bisexual. Furthermore, LGBTIQ+ employees who had not revealed their sexual orientation to their entire organisation 'were 45 per cent less likely to be satisfied with their job'.[83]

Even when federal legislation exists, many organisations have implemented their own policies and procedures that cover sexual orientation, and many have taken active steps to support their LGBTI employees. For example, KPMG Australia's Pride@KPMG program is part of KPMG's international network to support LGBTI employees in its offices worldwide.[84]

It's worth noting, however, that some organisations that claim to be inclusive don't live up to the claim. For example, a recent study of five social cooperatives in Italy indicated that these so-called inclusive organisations actually expect individuals to remain quiet about their status.[85] Thus, while times have certainly changed, sexual orientation and gender identity remain individual differences that organisations must address in eliminating discrimination and promoting diversity.

Cultural identity

We've seen that people sometimes define themselves in terms of race and ethnicity. Many people carry a strong cultural identity as well—a link with the culture of family ancestry or youth that



A Taste of Harmony, a Scanlon Foundation initiative, celebrates diversity in Australian workplaces through food. Since 2008, more than 30 000 workplaces have participated in the annual event, which encourages employees to share food from a culture other than their own. Companies such as Australia Post and KPMG believe that this initiative is a great way to promote and celebrate diversity in the workplace.
SOURCE: Courtesy of Scanlon Foundation.

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Career OBjectives



Should I come out at work?

We have seen that people sometimes define themselves in terms of race and I'm gay, but no one at my workplace knows it. How much should I be willing to tell? I want to be sure to have a shot at the big positions in the firm.

—Ryan

Dear Ryan,

Unfortunately, you are right to be concerned. Here are some suggestions:

- *Look for an inclusive company culture that values the whole person.* Qantas CEO Alan Joyce said, 'You cannot get the full potential of people in your business if people have to hide who they are. And cannot contribute to the organisation because they are scared of the impact it will have on their career progression'. Recent research has focused on discovering new methods to counteract a discrimination culture in the United States, the United Kingdom and Australia.
- *Choose your moral ground.* Do you feel you have a responsibility to 'come out' to help effect social change? Do you have a right to keep your private life private? The balance is a private decision.
- *Recognise the value that you bring to the organisation.* Organisations now acknowledge the importance of diversity and how diversity can benefit an organisation long-term. According to Jennifer Westacott, Chief Executive of the Business Council of Australia, 'Establishing and maintaining an inclusive workplace, with a diverse workforce that taps into a broad range of ideas and perspectives, is a great competitive advantage'.
- *Weigh your options.* The word from people at the top who are gay (some who have come out and others who have not) is mixed. Although some have had difficult experiences, others have reported that they have felt valued and accepted. Apple CEO Tim Cook, for example, explained that, 'For years, I've been open with many people about my sexual orientation. Plenty of colleagues at Apple know I'm gay, and it doesn't seem to make a difference in the way they treat me'. It's important to acknowledge that this is not always the case, and depends largely on company culture.
- *Be aware of international and national laws.* Sadly, some nations and states are intolerant. You will need to study the laws to be sure you will be safe from repercussions when you reveal your status.

So think about your decision from both an ethical and a self-interest point of view. Your timing depends not only on what you think are your ethical responsibilities but also on your context: where you work, the culture of your organisation and the support of the people within it. Thankfully, globalisation is ensuring that the world becomes increasingly accepting and fair.

Good luck in your career!

SOURCES: D. Kitney, 'Qantas chief Alan Joyce: no success without risks', *The Weekend Australian*, 18 November 2015; M. Ward, 'Two out of three LGBTIQ+ workers keep it hidden in the office', *Sydney Morning Herald*, 26 August 2018; T. Cook, 'Tim Cook speaks up', Bloomberg, 31 October 2014; and E. Tadros, P. Durkin and J. Gray, 'Business leaders proudly join LGBTI list', *Financial Review*, 2 December 2016.

lasts a lifetime, no matter where the individual may live in the world. People choose their cultural identity, and they also choose how closely they observe the norms of that culture. Cultural norms influence the workplace—sometimes resulting in clashes—and organisations must adapt.

Workplace practices that coincided with the norms of a person's cultural identity were commonplace years ago, when societies were less mobile. People looked for work near familial homes and organisations established holidays, observances, practices and customs that suited the majority. Organisations were generally not expected to accommodate each individual's preferences.

Thanks to global integration and changing labour markets, today's organisations do well to understand and respect the cultural identities of their employees, both as groups and as individuals. An Australian company looking to do business in, say, Latin America, needs to understand that employees in those cultures expect long summer holidays. A company that requires employees to work during this culturally established break will meet strong resistance.

An organisation seeking to be sensitive to the cultural identities of its employees should look beyond accommodating its majority groups and instead create as much of an individualised approach to practices and norms as possible. Often, managers can provide the bridge of workplace flexibility to meet both organisational goals and individual needs.

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Ability

2.5 Demonstrate the relevance of intellectual and physical abilities to OB.

Contrary to what we were taught in school, human beings weren't all created equal. Most of us are to the left of the median on some normally distributed ability curve. For example, regardless of how motivated you are, it's unlikely that you can act as well as Hugh Jackman, write as well as J. K. Rowling or swim as fast as Cate Campbell. Of course, not everyone being equal in abilities doesn't imply that some individuals are inherently inferior to others. Everyone has strengths and weaknesses in terms of ability that make them relatively superior or inferior to others in performing certain tasks or activities.[86] From management's standpoint, the issue is not whether people differ in terms of their abilities; they clearly do. The issue is knowing *how* people differ in abilities and using that knowledge to increase the likelihood that an employee will perform the job well.

What does 'ability' mean? As the term is used here, ability is an individual's current capacity to perform the various tasks in a job. Overall, abilities are essentially made up of two sets of factors: intellectual and physical.

ability An individual's capacity to perform the various tasks in a job.

Intellectual abilities

Intellectual abilities are abilities needed to perform mental activities—thinking, reasoning and problem solving. Most societies place a high value on intelligence, and for good reason. Smart people generally earn more money and attain higher levels of education. They are also more likely to emerge as leaders of groups. However, assessing and measuring intellectual ability is not always simple. IQ tests are designed to ascertain a person's general intellectual abilities, but the origins, influence factors and testing of intelligence quotient (IQ) are controversial.[87] If you're looking to apply to a graduate program after completing university, you should be aware that many organisations in Australia use some form of psychometric testing to evaluate graduate applicants, frequently during the early stages of the assessment process[88], and this will often include a test of your intellectual ability. At KPMG Australia, ability testing takes place at the second stage of a multi-stage assessment process.[89]

intellectual abilities The capacity to do mental activities such as thinking, reasoning and problem solving.

The seven most frequently cited dimensions making up intellectual abilities are number aptitude, verbal comprehension, perceptual speed, inductive reasoning, deductive reasoning, spatial visualisation and memory.[90]

Intelligence dimensions are positively correlated, so if you score high on verbal comprehension, for example, you are also more likely to score high on spatial visualisation. The correlations aren't perfect, meaning people do have specific abilities that predict important work-related outcomes when considered individually. However, they are high enough that researchers also recognise a general factor of intelligence, general mental ability (GMA).[91]

general mental ability (GMA) An overall factor of intelligence, as suggested by the positive correlations among specific intellectual ability dimensions.

Evidence supports the idea that the structures and measures of intellectual abilities generalise across cultures. Someone in Venezuela or Sudan, for instance, does not have a different set of mental abilities from an Australian or Czech individual. There is some evidence that IQ scores vary to some degree across cultures, but those differences become much smaller when we take into account educational and economic differences.[92]

Jobs differ in the demands they place on intellectual abilities. Research consistently indicates a correspondence between cognitive ability and task performance. Where employee tasks are highly routine and there are few or no opportunities to exercise discretion, a high IQ is not as important for performing well. However, that doesn't mean people with high IQs can't have an impact on traditionally less complex jobs.[93]

Also, while intelligence is a big help in performing a job well, it doesn't make people happier or more satisfied with their jobs.[94] In fact, research suggests that those with higher cognitive ability and who are high performers in the workplace are likely to be victimised, bullied and mistreated by their peers due to envy and social comparison.[95]

Physical abilities

Although the changing nature of work suggests intellectual abilities are increasingly important for many jobs, physical abilities have been and will remain valuable. Research on hundreds of jobs has identified nine basic abilities needed in the performance of physical tasks: these include various types of strength, different types of flexibility, and other factors such as body

physical abilities The capacity to do tasks that demand stamina, dexterity, strength and similar characteristics.

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coordination, balance and stamina.[96] High employee performance is likely to be achieved when the extent to which a job requires each of the nine abilities matches the abilities of employees in that job.

In summary, organisations are increasingly aware that an optimally productive workforce includes all types of people and does not automatically exclude anyone on the basis of personal characteristics. The potential benefits of diversity are enormous for forward-thinking managers. For example, a pilot program of software company SAP in Germany, India and Ireland has found that employees with autism achieve excellent performance in precision-oriented tasks such as debugging software.[97] SAP launched the same program in Australia in 2015, and aims to leverage the unique abilities and skills of those with autism to help them find ongoing employment within their organisation.[98] Of course, integrating diverse people into an optimally productive workforce takes skill. We will discuss how to bring the talents of a diverse workforce together in the next section.

2.6 Describe how organisations manage diversity effectively.

Implementing diversity management strategies

diversity management
The process and programs managers use to make everyone more aware of and sensitive to the needs and differences of others.

Having discussed a variety of ways that people differ, we'll now look at how a manager can and should manage these differences. Diversity management makes everyone more aware of and sensitive to the needs and differences of others. This definition highlights the fact that diversity programs include and are meant for everyone. Diversity is much more likely to be successful when we see it as everyone's business than when we believe it helps only certain groups of employees.

Attracting, selecting, developing and retaining diverse employees

One method of enhancing workforce diversity is to target recruitment messages to specific demographic groups that are underrepresented in the workforce. This means placing advertisements in publications geared towards those groups; pairing with TAFE colleges, universities and other institutions with significant numbers of underrepresented minorities, as Microsoft is doing to encourage women to undertake technology studies;[99] and forming partnerships with associations such as the Society of Women Engineers or the National Minority Supplier Development Council. In Australia, initiatives such as Tech Girls are Superheroes (see Chapter 5) seek to engage girls in STEM (science, technology, engineering and mathematics) entrepreneurship, areas in which females are especially underrepresented.

Research has shown that women and minorities have greater interest in employers that make special efforts to highlight a commitment to diversity in their recruiting materials. Diversity advertisements that fail to show women and minorities in positions of organisational leadership send a negative message about the diversity climate at an organisation.[100] Of course, to show the pictures, organisations must actually have diversity in their management ranks.

Some companies have been actively working towards recruiting less-represented groups. Etsy, an online retailer, hosts engineering classes and provides grants for aspiring women coders and then hires the best.[101] McKinsey & Co. and Goldman Sachs have also actively recruited women who left the workforce to start families by offering phase-in programs and other benefits.[102] Similarly, the Australian Federal Police accepted applications from female applicants only during some of its 2017 recruitment periods in an effort to improve representation of women across the workforce.[103]

Diversity in groups

Most contemporary workplaces require extensive work in group settings. When people work in groups, they need to establish a common way of looking at and accomplishing the major tasks, and they need to communicate with one another often. If they feel little sense of membership and cohesion in their groups, all group attributes are likely to suffer.

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In some cases, diversity in traits can hurt team performance, whereas in others it can facilitate performance.[104] Whether diverse or homogeneous teams are more effective depends on the characteristic of interest. Demographic diversity (in gender, race and ethnicity) does not appear to either help or hurt team performance in general, although ethnic diversity in management groups may increase organisational performance in the right conditions.[105]

Teams of individuals who are highly intelligent, conscientious and interested in working in team settings are more effective. Consequently, diversity on these variables is likely to be a bad thing—it makes little sense to try to form teams that mix in members who are lower in intelligence or conscientiousness, and who are uninterested in teamwork. In other cases, diversity can be a strength. Groups of individuals with different types of expertise and education are more effective than homogeneous groups. Similarly, a group made entirely of assertive people who want to be in charge or a group whose members all prefer to follow the lead of others will be less effective than a group that mixes leaders and followers.

Regardless of the composition of the group, differences can be leveraged to achieve superior performance. The most important factor is to emphasise the similarities among members.[106]

Expatriate adjustment

According to a 2013 survey by Mercer, a global consulting firm, 70% of multinational organisations were expecting to increase short-term international assignments and 55% were looking to increase their long-term assignments. These organisations note that they do so in order to provide technical and managerial skills not available locally, provide career and leadership development opportunities, ensure knowledge transfer and fulfil specific project needs.[107] The experience of moving to a different country and adjusting to its new cultural, interactive and work-related norms is a major undertaking for both the expatriate (i.e. the employee on international assignment) and the host country nationals. If it is not handled properly, poor adjustment can result in employee dissatisfaction, poor performance, prejudice and misunderstanding.[108]

Several factors can be targeted to ensure that the adjustment process goes smoothly. For example, feelings of empowerment along with the motivation to interact with people of other cultures was found in one study to be related to ease of adjustment, increased satisfaction and reduced intentions to leave prematurely.[109] Although adjustment tends to increase over time in a curvilinear fashion for all expatriates, those with previous culture-specific work experience as well as higher self-esteem and self-efficacy tend to adjust and be promoted more quickly.[110] A review of 66 studies on nearly 9000 expatriates suggests that several other factors work in concert to affect different forms of adjustment, including language ability, relational skills, role clarity and autonomy, organisational support and familial support.[111] These studies suggest that organisations should select employees for international assignments who are capable of adjusting quickly and then ensure they have the support they need for their assignment.

Effective diversity programs

Organisations use a variety of diversity programs in recruitment and selection policies, as well as training and development practices. Effective, comprehensive workforce programs encouraging diversity have three distinct components. First, they teach managers about the legal framework for equal employment opportunity and encourage fair treatment of all people regardless of their demographic characteristics. Second, they teach managers how a diverse workforce is better able to serve a diverse market of customers and clients. Third, they foster personal development practices that bring out the skills and abilities of all workers, acknowledging how differences in perspective can be a valuable way to improve performance for everyone.[112]

Most negative reactions to employment discrimination are based on the idea that discriminatory treatment is unfair. Regardless of race or gender, people are generally in favour of diversity-oriented programs, including affirmative action programs (AAPs), to increase the representation of minority groups and to ensure that everyone has a fair opportunity to show their skills and abilities.

Organisational leaders should examine their workforce to determine whether target groups have been underutilised. If groups of employees are not proportionally represented in top management,

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Developing the talents of women is a strategic diversity imperative for business success at Nissan Motor Company in Japan. Attracted by Nissan's commitment to equality for women in the workplace and to developing their careers, Li Ning decided to join the company after graduating from Tokyo University.
SOURCE: Franck Robichon/EPA/Newscom.

managers should look for any hidden barriers to advancement. Managers can often improve recruiting practices, make selection systems more transparent and provide training for those employees who have not had adequate exposure to diversity material in the past. The organisation should also clearly communicate its policies to employees so they can understand how and why certain practices are followed. Communications should focus as much as possible on qualifications and job performance; emphasising certain groups as needing more assistance could backfire.

Research also indicates that a tailored approach will be needed for international organisations. For instance, a case study of the multinational Finnish company TRANSCO found it was possible to develop a consistent global philosophy for diversity management. However, differences in legal and cultural factors across nations forced the company to develop unique policies to match the cultural and legal frameworks of each country in which it operated.[113]

Summary

In this chapter, we looked at diversity from many perspectives. We paid particular attention to three variables: biographical characteristics, abilities and diversity programs. Diversity management must be an ongoing commitment that crosses all levels of the organisation. Policies to improve the climate for diversity can be effective, and diversity management can be learned.

Implications for managers

- Understand your organisation's antidiscrimination policies thoroughly and share them with all employees.
- Assess and challenge your stereotype beliefs to increase your objectivity.
- Look beyond readily observable biographical characteristics and consider the individual's capabilities before making management decisions; remain open and encourage individuals to disclose any hidden disabilities.
- Fully evaluate what accommodations a person with disabilities will need and then fine-tune a job to that person's abilities.
- Seek to understand and respect the unique biographical characteristics of each individual; a fair but individualistic approach yields the best performance.

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CHANGES ARE NECESSARY TO THE 457 VISA PROGRAM FOR TEMPORARY FOREIGN WORKERS

POINT

In April 2017, the Australian government announced that it would abolish the 457 visa program that allowed skilled migrants to work in Australia in areas with 'critical skill gaps' for up to four years and then apply for permanent residency. These changes were implemented in March 2018. Previously, foreign workers could bring family members with them, and there was no limit to the number of times they could enter and exit Australia. Instead, the government stated that it would introduce a two-year temporary visa designed to recruit specialist workers to address specific skill shortages that would not include any possibility of permanent residency. A four-year visa option was also made available. There are strong arguments for why such new visa arrangements are required. In particular:

- The new visa arrangements prioritise the rights of Australian workers. Indeed, in discussing the changes, the then Prime Minister Malcolm Turnbull stated that, 'We will no longer allow 457 visas to be passports to jobs that could and should go to Australians'. He further added that, '[However], it's important that businesses still get access to the skills they need to grow and invest … the [replacement visa will be] specifically designed to recruit the best and the brightest in the national interest'.
- Applicants for the two new visa options would be subject to stricter requirements, and this would provide greater credibility to the program. For example, applicants for four-year visas would need to provide new qualifying English Language test scores to demonstrate their English language competency. Applicants would also need to provide evidence of at least two years' work experience in their area of employment and undergo a comprehensive criminal record check, among other changes.

Overall, skilled foreign workers who enter the country for a substantial period of time and are allowed to apply for permanent residency have the potential to take away jobs from Australians; therefore, the changes are needed.

COUNTERPOINT

While there are strong arguments for the new visa program for temporary foreign workers, the government's decision also prompted considerable criticism. For example, the Secretary of Unions NSW Mark Morey argued that the government's approach did not represent genuine change, and that 'a root and branch review [is needed], so that migrant exploitation and wage theft is properly tackled and Australian standards are both maintained and improved'. Additionally, research suggests that temporary foreign workers make an enormous contribution to the Australian economy, with many paying considerable tax without receiving any welfare or healthcare benefits. Other important points to consider are:

- The changes to the visa program included removing around 200 qualifying occupations from the list of approximately 650 job types initially included. Critics argue that this could have a significant impact on workers whose families have joined them in Australia where they have built lives and contributed to their local communities.
- It's possible that the changes to the 457 visa program will lead to more companies sending their operations offshore in a bid to reduce costs. This trend is already evident in the IT sector and is likely to affect other sectors that employ skilled migrants. In short, this will not increase the employment of Australians; simply more jobs will end up overseas.

In summary, the 457 visa changes are likely to be harmful to the Australian economy and could also damage the livelihood of many foreign workers who have made strong contributions and successfully integrated into Australian society.

SOURCES: K. Barlow, 'Turnbull Government to abolish and replace skilled migration "457" visas', *Huffington Post*,18 April 2017; A. Beech, 'CEOs, university lecturers among those now able to apply for skilled worker visa', ABC News, 1 July 2017; '457 visa changes', Migration Downunder, <www.migrationdownunder.com>; P. Carp, 'Australian government to replace 457 temporary work visa', *The Guardian*, 18 April 2017; A. Patty, 'Abolition of 457 visas is "spin over substance", say unions', *Sydney Morning Herald*, 18 April 2017; J. Slater, 'What's so bad about 457 visas?', *Spectator Australia*, 21 April 2017; P. Karp, '"Nothing to go back for": when the 457 visa changes, lives will change too', *The Guardian*, 31 December 2017; and L. Spencer, 'Turnbull to abolish 457 visas', ARN, 18 April 2017.

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Questions for review

1. What are the two major forms of workplace diversity?
2. How does workplace discrimination undermine organisational effectiveness?
3. How are the key biographical characteristics relevant to OB?
4. How do other differentiating characteristics factor into OB?
5. How are intellectual and physical abilities relevant to OB?
6. How can organisations manage diversity effectively?

Application and employability

Diversity, in a variety of forms, is important to the application of OB in the workplace. First, workplace discrimination can undermine the effectiveness of an organisation and can lead to many poor outcomes. Beyond biographical characteristics, other factors such as intellectual and physical abilities are important to OB. Knowledge of diversity in OB can help you and your organisation manage diversity effectively and can help you work effectively with co-workers who may be different from you in a variety of ways. In this chapter, you improved your critical thinking skills and learned various ways to approach issues of social responsibility by considering how even minor elements of a person's appearance (e.g. baldness) can affect perceptions in the workplace, thinking about the role of diversity—specifically allowing women in combat roles—in the ADF, the considerations to make when deciding whether you should come out at work, and the usefulness and ethics surrounding changes to the 457 visa program. Next, you'll have more opportunities to develop these skills by recognising the differences and similarities between you and your classmates, considering invisible disabilities in the workplace, and learning about the case of Jordon Steele-John, an Australian senator bringing his lived experienced of disability to Parliament.

Experiential exercise

DIFFERENCES

Form groups of four and then *individually* write down the following question without discussing it. It's important that the groups are randomly decided, not formed by seating, friendships or preferences.

- How diverse is your group, on a scale of 1 to 10, where 1 = very dissimilar and 10 = very similar?

Put your answer aside and discuss the following questions as a group.

- What games/toys did you like to play with when you were young?
- What do you consider to be your most sacred value (and why)?
- Are you spiritual at all?
- Tell us a bit about your family.
- Where's your favourite place on earth and why?

Now, *individually*, write down the following question.

- How diverse is your group, on a scale of 1 to 10, where 1 = very dissimilar and 10 = very similar?

As a group, calculate the average of your individual ratings from before and after the discussion. Then answer the following questions together, and share the difference between your averages and your answers with the class.

- Did your personal rating increase after the discussion? Did your group's average ratings increase after the discussion?
- Do you think that, if you had more time for discussion, your group's average rating would increase?
- What do you see as the role of surface-level diversity and deep-level diversity in a group's acceptance of individual differences?

Case study 1

INVISIBLE DISABILITIES: MENTAL ILLNESS IN ORGANISATIONS

According to the Invisible Disabilities Association in the United States, millions of people live with disabilities that are not easily observable. The term 'invisible disability' is defined as 'a physical, mental or neurological condition that limits a person's movements, senses, or activities that is invisible to the onlooker'. This can involve a variety of symptoms, including 'debilitating pain, fatigue, dizziness, cognitive dysfunctions, brain injuries, learning differences and mental health disorders, as well as hearing and vision impairments … [that] can sometimes or always limit daily activities, rang[ing] from mild challenges to severe limitations, and vary[ing] from person to person'. This can include conditions such as ADHD, diabetes, mental illness, epilepsy and others. Statistics suggest that up to 90% of individuals with a disability in Australia do not have a visible disability, yet their symptoms can have a substantial impact on their well-being.

The issue of mental illness in the workplace has attracted considerable attention in recent times. Research indicates that one in five Australians will experience a mental illness in a 12-month period, and that Australian businesses lose more than $6.5 billion annually by failing to provide treatment and assistance to employees. Additionally, mental health issues are the major cause of illness absence and long-term work incapacity in Australia. Workplace stress, in particular, is one of the main factors that both contributes to and can exacerbate existing mental illness. While many employees cope effectively with their conditions, there is a significant need to provide workers with more support and build mentally health organisations. In 2014, research by PricewaterhouseCoopers found that, on average, every dollar invested in improving mental health yields a $2.30 return.

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In early 2018, the *Australian Financial Review*'s *BOSS* magazine featured a series of stories with Australian leaders who spoke openly and honestly about their experiences with mental illness in the workplace. One of those included in the conversation was EY Australia partner Tony Wiedermann, who discussed his initial reluctance to seek help for depression, which had affected his life intermittently for several decades. Although his career was progressing well and he had excellent physical health and a wonderful family, he struggled with multiple symptoms, including fatigue, poor concentration, anxiety and low self-esteem. After eventually consulting his GP, he accepted help and began taking anti-depressant medication. Following a stroke in 2016, he disclosed his mental illness to his colleagues, noting that they were 'surprised' to hear of his experience. Importantly, he pointed out, 'You can't tell if someone has depression or not and a lot of people are brilliant at masking it'.

Tony Wiedermann has learned to make changes to improve his mental well-being, including getting enough sleep, spending time with his family, following a healthy diet and engaging in physical exercise. While his own colleagues were supportive, he acknowledges that companies have 'a long way to go' in addressing mental health issues. At the same time, however, he still encourages people to speak up if they need help. 'Everyone's path is different and the only bit of advice I give other people is: go talk to someone. I don't know of anyone who has been able to solve this themselves.'

Questions

1. What are some of the reasons that employees might be reluctant to disclose their mental illness(es) to their employers?
2. What might be some of the challenges for managers in supporting employees with mental illnesses?
3. What are some of the ways that organisations can assist employees with mental health conditions to perform to the best of their ability?

SOURCES: Australian Human Rights Commission, '2010 workers with mental illness: a practical guide for managers'; <www.humanrights.gov.au>; A. Fels, 'Australians are spending more on mental health services and employers need to take notice', *The Conversation*, 3 February 2016; '5 things about invisible disabilities you need to know', House with no steps, 15 February 2017; 'How do you define invisible disability?', Invisible Disabilities Association, <www.invisibledisabilities.org>; E. Reynolds, 'Australia's deadly workplace crisis: hidden epidemic in job world', <news.com.au>, 24 November 2017; and L. Christopher, 'EY Australia partner Tony Wiedermann's sad secret', *Australian Financial Review BOSS Magazine*, 8 February 2018.

Case study 2

MAKING PARLIAMENT HOUSE ACCESSIBLE

In 2017, Jordon Steele-John was appointed as Greens Senator for Western Australia. At 23 years old, he was the youngest person ever appointed to the Australian Upper House, a strong advocate for those with disabilities and a self-described 'mad Harry Potter fan'. He also uses a wheelchair as a result of having cerebral palsy. In one of his first interviews, the new senator spoke of his desire to use his lived experience to speak up for others and confront harmful beliefs about individuals with disabilities. 'Over the course of my life I've learned that to be a young person with a disability in contemporary Australia is to occupy the intersection of some of our society's most ingrained myths and most damaging preconceptions … I've worked hard to bust these myths, challenge these preconceived ideas and be a strong voice for the issues that matter to me.'

Since entering Parliament, however, Steele-John's presence has highlighted the fact that Parliament House is still challenging for those who require a wheelchair to move around. On his first day, it was clear that many of the doorways were too narrow for his wheelchair to fit through easily, resulting in bruised and bloodied knuckles on his hands. While he noted that staff had been 'fantastic', Steele-John reflected on the fact that the three-decade old building was simply not designed to accommodate those with physical disabilities. 'We have to ask ourselves the question, though, why our parliament, which is the people's place, the people's house, never considered that someone with a disability would be a minister, an MP or a staffer.' Other issues he encountered included inadequate ramps in the Senate chamber, steps blocking access to many courtyards, non-accessible toilets in his office, and his wheelchair becoming stuck in the grass outside. Additionally, Senator Steele-John was largely isolated at the back of the chamber because his specifically designed bench was unable to accommodate desks for other senators to sit next to him.

Unfortunately these issues are not unique to Parliament House. Researchers have found that one of the major barriers to employment for people with disabilities in Australia is an inaccessible organisational environment, even though it is against the law to discriminate against someone in terms of access and use of commercial premises. This doesn't just involve ensuring workplaces are wheelchair-friendly for those with physical disabilities; other examples include having adequate lighting for employees who are vision-impaired, providing an Auslan interpreter at a job interview and ensuring that training materials are provided in accessible formats, such as subtitled videos for individuals who have a hearing impairment. With workplace discrimination against those with disabilities still a major problem in Australia, it is up to companies to recognise the value of their contributions and create sustainable change.

Questions

1. Think about your current university campus. Do you think it is accessible or not for individuals with disabilities? Why or why not? What could be changed to improve accessibility?
2. Why do you think some employers may be reluctant to make their work spaces more accessible?

SOURCES: Australian Government, 'Accessibility checklist for employers', <www.jobaccess.gov.au>; Australian Human Rights Commission, 'Issues paper: employment discrimination against Australians with disability', 2015; Australian Government, 'Ensuring accessibility in the workplace', <www.jobaccess.gov.au/>; G. Hutchens, 'Jordon Steele-John, the "political nerd" who is ringing the changes', *The Guardian*, 11 November 2017; https://www.theguardian.com/australia-news/2017/nov/11/jordon-steele-john-the-political-nerd-who-is-ringing-the-changesS. Dziedzic, 'New senator Jordon Steele-John ready to go, but Parliament House isn't quite ready for him', ABC News, 10 November 2017; B. Worthington, 'Jordon Steele-John has the loneliest seat in the Senate, and it's locking him out of the parliamentary process', ABC News, 2 April 2018; and Smart Company, 'How do I make my workplace accessible to everyone?' 31 August 2010; Australian Human Rights Commission, 'Vision Impairment', <www.humanrights.gov.au>.

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CHAPTER

3 Attitudes and job satisfaction

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

3.1 Contrast the three components of an attitude.

3.2 Summarise the relationship between attitudes and behaviour.

3.3 Compare the major job attitudes.

3.4 Define 'job satisfaction'.

3.5 Summarise the main causes of job satisfaction.

3.6 Identify the outcomes of job satisfaction.

3.7 Identify four employee responses to job dissatisfaction.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking		✓	✓	✓	✓	✓	✓
Communication	✓	✓	✓		✓		
Collaboration			✓	✓	✓		
Knowledge application and analysis	✓	✓			✓	✓	✓
Social responsibility	✓		✓	✓		✓	✓

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Job satisfaction in the beauty industry



Mecca founder and CEO Jo Horgan
SOURCE: Dominic Lorrimer /AFR.

Mecca, one of the most recognisable brands in the Australian high-end beauty business, has been recognised consistently as one of the country's best places to work. Mecca consists of a network of Mecca Cosmetica, Mecca Maxima and the Mecca instore boutiques as well as an online store, with more than 100 beauty brands available for purchase. First launched with a single store in Melbourne, Mecca now has 90 stores across Australia and New Zealand, with future openings planned, and employs in excess of 2000 people. In 2014, *BRW* named Mecca as one of the top five companies to work for in Australia, and the number one company in Asia. In 2017, the research firm Great Place to Work Australia (GPTW) named Mecca as the second-best company (with more than 1000 employees) to work for, cementing its reputation as an organisation that truly cares about the employee experience.

According to founder and CEO Jo Horgan, Mecca prides itself on both exceptional customer service and outstanding treatment of its staff. The experience begins as soon as a new employee starts, with a buddy program available to help new hires feel welcome and to answer any questions about the workplace, team lunches to promote social engagement and even a welcome gift. This initial positive engagement of employees is reflective of the values of the organisation. 'We pride ourselves on the culture we nurture at Mecca and my mission is to provide our people with a workplace which offers opportunity, inspiration and ongoing education,' Horgan says.

Other perks for employees at Mecca include competitive salary packages, free products valued at more than $2000 per year and a significant discount on all products sold in stores. Helena Karlinder-Östlundh, Director of Human Resources at Mecca, notes that the company also recognises the importance of offering flexibility and work–life balance to its staff: 'The lines between work and life outside work are so blurry now, so Mecca very much takes the approach that we employ a whole person and it's our responsibility to engage, support and develop that person not just for work but for life more broadly'. In line with this philosophy, employees are able to access a range of health and well-being initiatives focusing on their individual goals, such as fitness and mindfulness.

Researchers have demonstrated that opportunities for professional development and training can also contribute to employee satisfaction, and this is certainly true in the beauty industry. At Mecca, employees are constantly encouraged to upskill and learn about innovative techniques and new products to enhance the customer experience. 'By spending nearly three per cent of turnover on education, we give teams the tools to

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develop. By ensuring over 90 per cent of promotions are internal, we ensure people are recognised for their achievements and given opportunities. By always celebrating the teams' successes, we endeavour to show our gratitude and ensure the teams feel treasured,' Horgan says. Horgan also argues for the importance of employee support, noting that she is 'most proud' of their service and customer experience, in addition to the fact that they have created 'a nurturing, supportive culture around the business that extends across our store network and into our support centre and distribution centre as well'.

Overall, the environment at Mecca sends a strong message to its employees that they are valued and that their efforts are appreciated. In turn, this approach has contributed to a high-performance culture and strong customer satisfaction, suggesting that Mecca will remain a powerhouse of the lucrative luxury Australian beauty market in future.

SOURCES: Mecca, 'Our journey', <www.mecca.com.au/mecca-journey.html>; J. Hui-Miller, 'From the source: Jo Horgan, Mecca Cosmetica', *Inside Retail Australia*, 13 October 2017; H. Yee, 'These awesome initiatives are what make these companies the best places to work in Australia', 21 August 2017, <www.whimn.com.au>; Mecca Cosmetica, 'Benefits and rewards: we make them beauty-ful', <www.whimn.com.au>; H. McIlvaine, 'The best retail workplaces in Australia', *Inside Retail*, 7 September 2017; S. Mitchell, 'Mecca Brands goes mega as sales soar', *Financial Review*, 31 May 2018; and Deakin University, 'Inside three of Australia's coolest companies', <http://this.deakin.edu.au/career/inside-three-of-australias-coolest-companies>.

IT'S ALMOST A TRUISM to say that a job that fits you is one that satisfies you. As the Mecca vignette shows, however, what makes a satisfying job is a bit more complex. What factors besides work schedule compatibility and job security affect job attitudes? Does having a satisfying job really matter? Before we tackle these important questions, let's first define what we mean by attitudes generally, and job attitudes in particular.

3.1 Contrast the three components of an attitude.

Attitudes

Attitudes are evaluative statements—both positive and negative—about objects, people or events. They reflect how we feel about something. When I say 'I like my job,' I am expressing my attitude about work.

Attitudes are complex things. If you ask people about their attitude towards coal mines, Lady Gaga or the company for which they work, they will probably give you a simple answer. However, the reasons underlying the response are probably complex. In order to fully understand attitudes, we need to consider their key properties or components.

What are the main components of attitudes?

Typically, researchers have assumed that attitudes have three components: cognition, affect and behaviour.[1] Let's look at each one in turn.

cognitive component The opinion or belief segment of an attitude.

affective component The emotional or feeling segment of an attitude.

behavioural component An intention to behave in a certain way towards someone or something.

The statement 'my pay is poor' is the cognitive component of an attitude—a description of, or belief in, the way things are. It sets the stage for the more critical part of an attitude: its affective component. Affect is the emotional, or feeling, part of an attitude and is reflected in the statement, 'I'm angry over how little I'm paid'. Finally, affect can lead to behavioural outcomes. The behavioural component of an attitude describes an intention to behave in a certain way towards someone or something. For example, a person might say, 'I'm going to find another job that pays better'.

Viewing attitudes as having these three components is helpful in understanding their complexity and the potential relationship between attitudes and behaviour. The components are closely related, and cognition and affect in particular are inseparable in many ways. For example, imagine you had an argument with a colleague and concluded that they had treated you harshly. You are likely to have feelings about that incident occurring virtually instantaneously with your thoughts about the incident. Thus, cognition and affect are intertwined.

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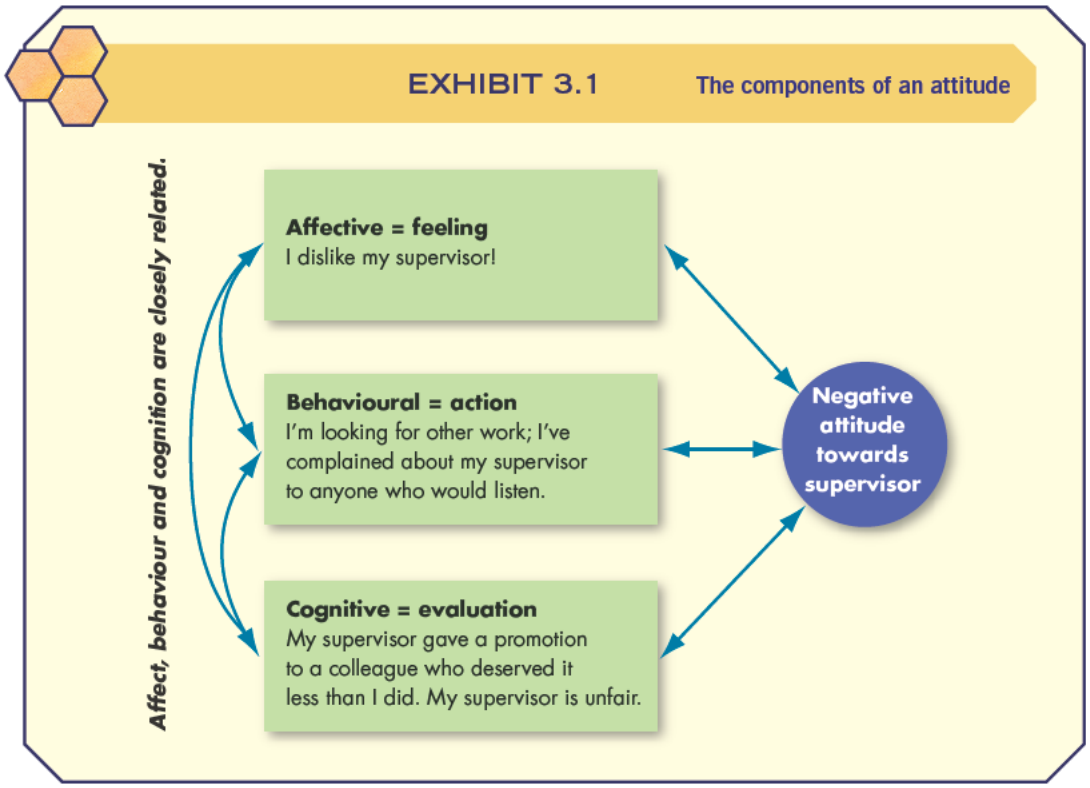

Exhibit 3.1 illustrates how the three components of an attitude are related. In this example, an employee didn't get a promotion he thought he deserved; a colleague got it instead. The employee's attitude towards his supervisor is illustrated as follows: the employee thought he deserved the promotion (cognition), he strongly dislikes his supervisor (affect) and he is looking for another job (behaviour). As this illustration shows, although we often think that cognition causes affect, which then causes behaviour, in reality these components are difficult to separate.[2]

Attitudes are important in organisations for their behavioural component. If workers believe, for example, that supervisors, bosses and CEOs are conspiring to make employees work harder for the same or less money, it makes sense to try to understand how these attitudes formed, their relationship to actual job behaviour and how they might be changed.

Attitudes and behaviour

3.2 Summarise the relationship between attitudes and behaviour.

Early research on attitudes assumed they were causally related to behaviour—that is, the attitudes people hold determine what they do. Isn't it logical that people watch movies they like, or that employees try to shirk work projects they find boring?

However, in the late 1960s a review of the research challenged this assumed effect of attitudes on behaviour.[3] One researcher—Leon Festinger—argued that attitudes *follow* behaviour. Have you ever noticed how people change what they say so that it doesn't contradict what they do? For example, Brad always maintained that the quality of Australian cars is inferior to that of European imports and that he'd only ever own a German car! But his father gives him a late-model Holden and suddenly Brad says that Australian cars are okay. Festinger proposed that cases of attitude following behaviour illustrate the effects of cognitive dissonance, which is the incompatibility an individual might perceive between two or more attitudes or between behaviour and attitudes.[4] Festinger argued that any form of inconsistency is uncomfortable and that individuals will therefore attempt to reduce it. They will seek a stable state, with minimal dissonance.

cognitive dissonance Any incompatibility between two or more attitudes or between behaviour and attitudes.

Research has generally concluded that people do seek consistency among their attitudes and between their attitudes and their behaviour.[5] They either alter the attitudes or the behaviour, or

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they develop a rationalisation for the discrepancy. Employees of tobacco companies are a good example of this, as are smokers themselves.[6] Have you ever wondered about how employees of tobacco companies cope with the continual messages about the health dangers of smoking? Well, they can try to convince themselves that clear causation between smoking and cancer doesn't exist. They can brainwash themselves by talking up the benefits of tobacco. They can acknowledge the negative consequences of smoking but argue that people are going to smoke and that tobacco companies merely promote freedom of choice. They can accept the evidence and make cigarettes less dangerous or reduce their availability to more vulnerable groups, such as teenagers. Or they can quit their job because the dissonance is too great.

Of course, no individual can completely avoid dissonance. People know that lying on their tax returns is wrong, but they 'fudge' the numbers a bit every year and hope they are not audited. Or your parents tell you to save money but they don't do it themselves. Festinger proposed that the desire to reduce dissonance depends on moderating factors, including the importance of the elements creating it and the degree of influence we believe we have over them. People will be more motivated to reduce dissonance when the attitudes or behaviour are important or when they believe the dissonance is due to something they can control. A third factor is the rewards of dissonance; high rewards accompanying high dissonance tend to reduce the tension inherent in the dissonance.

While Festinger argued that attitudes follow behaviour, other researchers asked whether there was any relationship at all. More recent research shows that attitudes predict future behaviour and confirm Festinger's idea that 'moderating variables' can strengthen the link.[7]

Moderating variables

The most powerful moderators of the attitude–behaviour relationship are the importance of the attitude, its correspondence to behaviour, its accessibility, the presence of social pressures and whether a person has direct experience with the attitude.[8]

Important attitudes reflect our fundamental values, self-interest or identification with individuals or groups we value. These attitudes tend to show a strong relationship to our behaviour. However, discrepancies between attitudes and behaviours tend to occur when social pressures to behave in certain ways hold exceptional power, as in most organisations. You're more likely to remember attitudes you frequently express, and attitudes that our memories can easily access are more likely to predict our behaviour. The attitude–behaviour relationship is also likely to be much stronger if an attitude refers to something with which we have direct personal experience.

3.3 Compare the major job attitudes.

Job attitudes

We each have thousands of attitudes, but OB focuses our attention on a very limited number of work-related attitudes. These tap positive or negative evaluations that employees hold about aspects of their work environment. Most of the research in OB has looked at three attitudes: job satisfaction, job involvement and organisational commitment.[9] Two other important attitudes are perceived organisational support and employee engagement.

Job satisfaction

job satisfaction Having a positive feeling about your job, resulting from an evaluation of its characteristics.

When people speak of employee attitudes, they usually mean job satisfaction, which describes a positive feeling about a job, resulting from an evaluation of its characteristics. People with a high level of job satisfaction hold positive feelings about their job, while people with a low level of job satisfaction hold negative feelings. Because OB researchers give job satisfaction high importance, this attitude is reviewed in detail later in the chapter.

Job involvement

job involvement The degree to which a person identifies with a job, actively participates in it and considers performance important to self worth.

Related to job satisfaction is job involvement, which measures the degree to which people identify psychologically with their job and consider their perceived performance level important to self-worth.[10] Employees with a high level of job involvement strongly identify with and really care about the kind of work they do. Another closely related concept is

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Ethical choice

Office talk



You are working peacefully in your cubicle when your colleague invades your space, sitting on your desk and nearly knocking over your coffee cup. As she talks about the morning meeting, do you (a) stop what you're doing and listen, or (b) explain that you're in the middle of a project and ask to talk some other time?

Your answer may reflect your attitude towards office talk, but it should be guided by whether your participation is ethical. Sometimes office conversations can help employees to process information and find solutions to problems. Other times, office talk can be damaging to everyone. Consider the scenario from two perspectives: over-sharing and venting.

More than 60% of 514 professional employees recently surveyed indicated they encounter individuals who frequently share too much about themselves. Some are self-centred, narcissistic and 'think you want to know all the details of their lives,' according to psychologist Alan Hilfer.

Despite the drawbacks, over-sharers can be strong contributors. For example, a manager who is an over-sharer and constantly boasts about their latest sales may push other employees to work harder. Employees can also contribute to teamwork when they share personal stories related to organisational goals.

Now let's look at this another way. According to Yale Professor Amy Wrzesniewski, when it comes to office talk, some people are often 'the first people to become offended' when they think the organisation is making wrong decisions. They can become emotional, challenging and outspoken about their views. If they are not heard, they can increase their venting or withdraw.

Yet these people can be top-performing employees: they are often highly engaged, inspiring and strong team players who are more likely to work harder than others. Venting their frustrations helps restore a positive attitude to keep them performing highly. Research indicates that venting to colleagues can also build camaraderie.

Guidelines for acceptable office conversation are almost non-existent in the contemporary age of openness, personalisation and transparency, so you need to decide what kinds of office talk are ethical and productive. Knowing who is approaching you for conversation, why they are approaching you, what they may talk about, and how you may keep the discussion productive and ethical can help you choose whether to engage or excuse yourself.

SOURCES: Based on S. Shellenbarger, 'Office oversharers: don't tell us about last night', *The Wall Street Journal*, 25 June 2014, p. D2; A. S. McCance, C. D. Nye, L. Wang, K. S. Jones and C. Chiu, 'Alleviating the burden of emotional labor: the role of social sharing', *Journal of Management*, February 2013; pp. 392–415; S. Shellenbarger, 'When it comes to work, can you care too much?' *The Wall Street Journal*, 30 April 2014, p. D3; and F. Gino, 'Teams who share personal stories are more effective', *Harvard Business Review*, 25 April 2016.

psychological empowerment, the degree to which employees' beliefs influence their work environment, their competence, the meaningfulness of their job and their perceived autonomy.[11] Research suggests that psychological empowerment strongly predicts job attitudes and strain, while it moderately predicts performance behaviours. A meta-analysis spanning 43 studies and more than 15 000 employees found that empowerment tended to be more predictive of these outcomes when considering all four beliefs (i.e. impact, competence, meaningfulness and self-determination) together instead of each one separately, although some evidence suggests meaningfulness empowerment beliefs have a strong effect on attitudes and strain, even after taking the other factors into account.[12]

psychological empowerment Employees' belief in the degree to which they affect their work environment, their competence, the meaningfulness of their job and their perceived autonomy in their work.

High levels of both job involvement and psychological empowerment are positively related to organisational citizenship and job performance.[13] High job involvement is also related to reduced absences and lower resignation rates.[14]

Organisational commitment

In organisational commitment, an employee identifies with a particular organisation and its goals and wishes to remain a member. Most research has focused on emotional attachment to an organisation and belief in its values as the 'gold standard' for employee commitment.[15]

organisational commitment The degree to which an employee identifies with a particular organisation and its goals, and wishes to remain in the organisation.

Employees who are committed will be less likely to engage in work withdrawal even if they are dissatisfied because they feel that they should work hard out of a sense of loyalty or attachment. They either don't have any other options, or it would be difficult for them to leave.[16] Even if employees are not currently happy with their work, they may decide to continue with the organisation if they are committed enough.

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Perceived organisational support

perceived organisational support (POS) The degree to which employees believe an organisation values their contribution and cares about their well being.

Perceived organisational support (POS) is the degree to which employees believe the organisation values their contribution and cares about their well-being. An excellent example is R&D engineer John Greene, whose POS is sky high because CEO Marc Benioff and 350 fellow salesforce.com employees covered all his medical expenses and stayed in touch with him throughout his recovery after he was diagnosed with leukemia. No doubt stories such as this are part of the reason salesforce.com was in the top 25 of *Fortune*'s 100 Best Companies to Work For in 2017.[17] Research shows that people perceive their organisation as supportive when rewards are deemed fair, when employees have a voice in decisions and when they see their supervisors as supportive.[18] Research suggests that employees with strong POS perceptions are more likely to have higher levels of organisational citizenship behaviour, lower levels of tardiness and better customer service skills.[19]

Employee engagement

employee engagement An individual's involvement and satisfaction with, and enthusiasm for, the work they do.

Employee engagement is an individual's involvement and satisfaction with, and enthusiasm for, the work they do. We might ask employees about the availability of resources and the opportunities to learn new skills, whether they feel their work is important and meaningful, and whether their interactions with colleagues and supervisors are rewarding.[20] Highly engaged employees have a passion for their work and feel a deep connection to their company; disengaged employees have essentially 'clocked off', putting time but not energy or attention into their work. A study of nearly 8000 business units in 36 companies found that those whose employees had high to average levels of engagement had higher levels of customer satisfaction, were more productive, had higher profits and had lower levels of turnover and accidents than other companies.[21] Molson Coors, a global brewing and beverage company, found that engaged employees were five times less likely to have safety incidents, and when one did occur it was much less serious and less costly for an engaged employee than for a disengaged one ($80 per incident versus $500). Engagement becomes a real concern for most organisations because surveys indicate that few employees (17–29%) are highly engaged by their work.

Such promising findings have earned employee engagement a following in many business organisations and management consulting firms. However, the concept is relatively new and still generates active debate about its usefulness. Part of the reason for this is the difficulty of identifying what creates job engagement. For instance, the top two reasons for job engagement that participants gave in one study were (1) having a good manager they enjoy working for and (2) feeling appreciated by their supervisor. Because both factors relate to a good manager–employee relationship, it would be easy to conclude that 'the people make the place' and that this proves the case for job engagement. Yet, in this same study, individuals ranked 'liking and respecting my co-workers' lower on the list, below career advancement concerns.[22]

One review of the job engagement literature concluded, 'The meaning of employee engagement is ambiguous among both academic researchers and among practitioners who use it in conversations with clients'. Another reviewer called engagement 'an umbrella term for whatever one wants it to be'.[23] More recent research has set out to clarify the dimensions of employee engagement. For instance, a study in Australia found that emotional intelligence is linked to job satisfaction and well-being, and to employee engagement.[24] Another recent study suggested that engagement fluctuates partially due to daily challenge-seeking and demands.[25] This work has demonstrated that engagement is distinct from job satisfaction and job involvement and incrementally predicts job behaviours after we take these traditional job attitudes into account.

Are these job attitudes really all that distinct?

You might wonder whether job attitudes are, in fact, distinct. If people feel like their work is central to their being (high job involvement), isn't it probable that they like it, too (high job satisfaction)? Won't people who think their organisation is supportive (high perceived

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organisational support) also feel committed to it (strong organisational commitment)? Evidence suggests these attitudes are highly related, perhaps to a confusing degree as mentioned previously.

There is some distinctiveness among attitudes, but they overlap greatly for various reasons, including the employee's personality. Generally, if you know someone's level of job satisfaction, you know most of what you need to know about how that person sees the organisation.

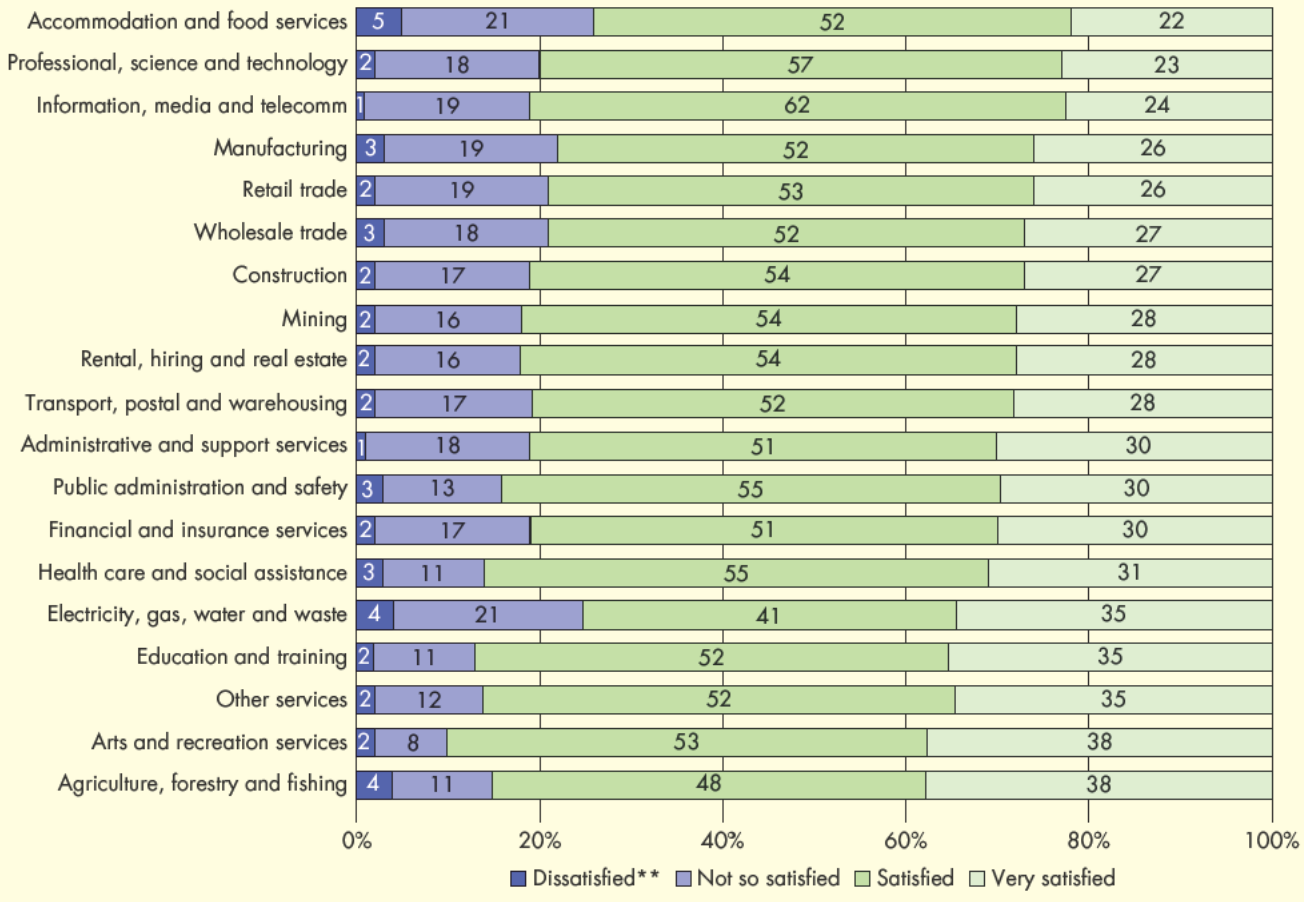
Next, we will consider the implications of job satisfaction and then job dissatisfaction.

Job satisfaction

3.4 Define 'job satisfaction'.

How do we measure job satisfaction? What causes an employee to have a high level of job satisfaction? How do satisfied employees affect an organisation? Before you answer these questions, a look at the list of worst jobs for job satisfaction according to a Curtin Business School study (Exhibit 3.2) may give you some indications. You may be surprised that they are not all low-paying jobs.

EXHIBIT 3.2 Overall job satisfaction—all industries



SOURCE: R. Cassells, 'Happy workers: how satisfied are Australians at work?', Perth: Bankwest Curtin Economics Centre, Curtin Business School, 2017, <https://mwah.live/wp-content/uploads/2018/09/mwah.-Curtin-Happy-Workers-report.pdf>.

NOTE: ** Those reporting being dissatisfied are often a very small sample of workers when disaggregating the date by 19 industry classifications. Industries are ANZSIC 1-digit classification.

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Measuring job satisfaction

Our definition of job satisfaction—a positive feeling about a job resulting from an evaluation of its characteristics—is very broad.[26] A job is more than just shuffling papers, writing programming code, waiting on customers or driving a truck. Jobs require employees to interact with colleagues and bosses, follow organisational rules and policies, meet performance standards and live with less than ideal working conditions.[27] An employee's assessment of their satisfaction with the job is therefore a complex collection of many discrete elements. How, then, is it measured?

Two approaches are popular. The single global rating is a response to one question, such as 'All things considered, how satisfied are you with your job?' Respondents circle a number between 1 and 5 on a scale from 'highly satisfied' to 'highly dissatisfied'. The second method, the summation of job facets, is more sophisticated. It identifies key elements in a job, such as the nature of the work, supervision, present pay, promotion opportunities and relationships with colleagues. Respondents rate these on a standardised scale, and researchers add the ratings to create an overall job satisfaction score.

Is one of these approaches better than the other? A summary of responses to a number of job factors seems likely to achieve a more accurate evaluation of job satisfaction. However, research doesn't support this.[28] The best explanation is that the concept of job satisfaction is so broad that a single question captures its essence. The summation of job facets may also leave out some important data. Both methods are helpful: the single global rating method isn't very time-consuming, freeing time for other tasks; and the summation of job facets helps managers focus on problems and deal with them more quickly and accurately.

How satisfied are people with their jobs?

Are most people satisfied with their jobs? The answer seems to be a qualified 'yes' in Australia and most other developed countries. Independent studies conducted among Australian workers over the past 30 years generally indicate that more workers are satisfied with their jobs than are not.[29] A Roy Morgan research poll in 2013 revealed that, overall, 75.4% of Australian workers were satisfied with their current job.[30] In the Curtin Business School study mentioned earlier, however, the authors found that Australians were most likely to be satisfied with their work flexibility and job security, and least satisfied with their salary and working hours.[31] Clearly, aspects of job satisfaction are important to consider too! Job satisfaction rates tend to vary in different cultures worldwide, and, of course, there are always competing measurements that offer alternative viewpoints.

That said, this is not the whole story. Research shows that satisfaction levels vary considerably, depending on which facet of job satisfaction you're talking about. As you will see in the next section, people are, on average, satisfied with their jobs overall, with the work itself and with their supervisors and colleagues. However, they tend to be less satisfied with their pay and with promotion opportunities. See Exhibit 3.3. It's not clear why people dislike their pay and promotion possibilities more than other aspects of their jobs.[32]

There are some cultural differences in job satisfaction. Exhibit 3.4 provides the results of a global study of job satisfaction levels of workers in 15 countries, with the highest levels in Mexico and Switzerland. Do employees in these cultures have better jobs? Or are they simply more positive (and less self-critical)? Conversely, the lowest score in the study was for South Korea. Autonomy is low in South Korean culture, and businesses tend to be rigidly hierarchical in structure. Does this make for low job satisfaction?[33] It's difficult to discern all the factors influencing the scores, but considering how businesses are responding to changes brought on by globalisation may give us clues.

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EXHIBIT 3.3 Average job satisfaction levels by facet

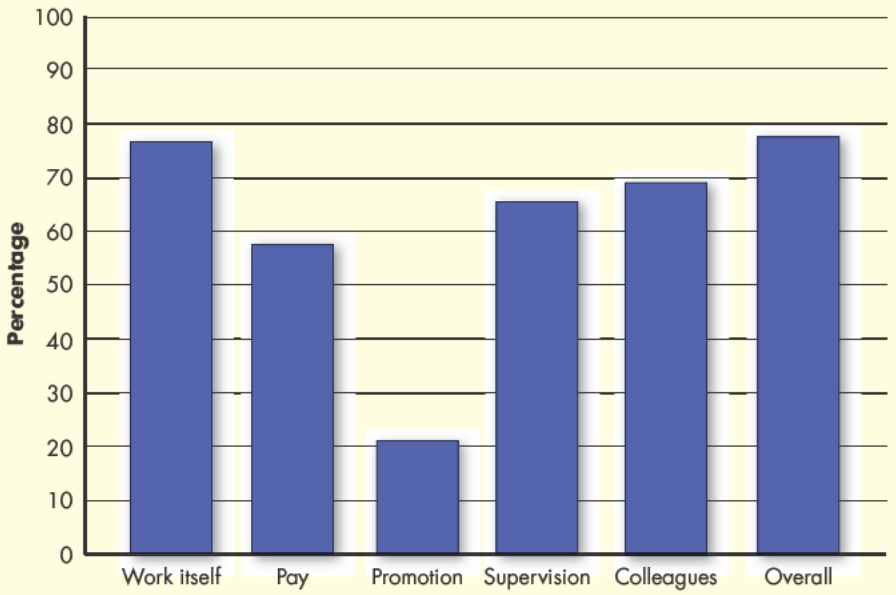
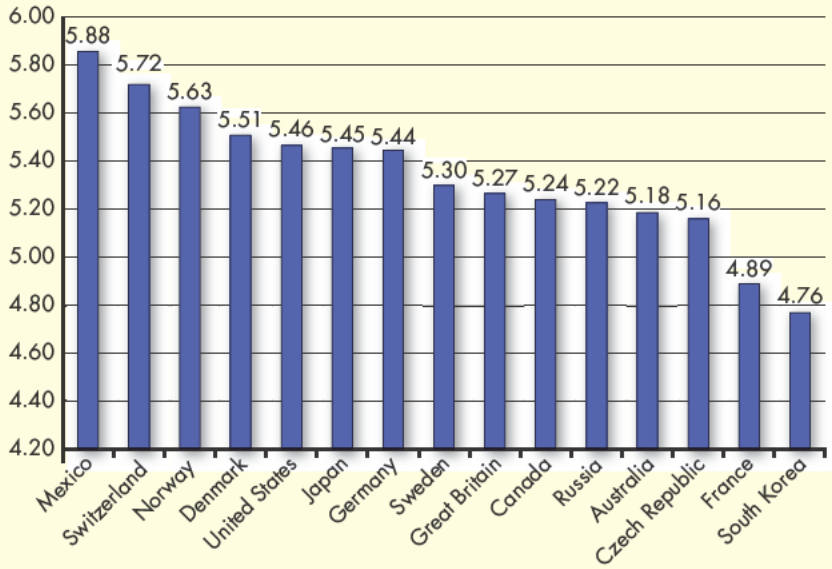


EXHIBIT 3.4 Average levels of employee job satisfaction by country



SOURCE: Based on J. H. Westover, 'The impact of comparative state-directed development on working conditions and employee satisfaction', *Journal of Management & Organization*, July 2012, pp. 537–54.

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3.5 Summarise the main causes of job satisfaction.

What causes job satisfaction?

Think about the best job you've ever had. What made it great? The reasons can differ widely. Let's discuss some characteristics that likely influence job satisfaction, starting with job conditions.

Job conditions

Generally, interesting jobs that provide training, variety, independence and control satisfy most employees. Interdependence, feedback, social support and interaction with colleagues outside the workplace are also strongly related to job satisfaction, even after you take into account the characteristics of the work itself.[34] As you may have guessed, managers also play

Myth or science?



'Happy workers means happy profits'

There are exceptions, of course, but this statement is basically true. A glance at the 2018 list of the top 25 of Australia's Best Places to Work (with more than 1000 employees) reveals recognisable profit leaders: Hilton, Mecca Brands, Mars and DHL Express, to name a few. However, all happiness isn't created equal.

An employee who is happy because their partner just had a new baby isn't necessarily going to work harder that day, for instance. In the same way, some employer happiness-inducers seem unrelated to profit increases. Profit isn't about the established benefits, either, although they're important. Employees can appreciate Mecca's generous discounts on luxurious skincare and make-up products, as mentioned in the opening of this chapter, and research indicates employees highly value paid time off, a generous superannuation plan and lower health premiums. But many companies offer their employees these benefits and are nowhere near the ASX 200. Size is not necessarily important in determining employee satisfaction either. Some of the companies identified in the Australia's Best Places to Work list include those with between 100 and 999 employees, such as The BlueRock, Autodesk Australia and Jetts Fitness, and others with fewer than 100 employees, including Maple Event Group and Avenue Dental.

It turns out that the value of happiness in the profit equation is in the level of employee engagement and enjoyment that these benefits can generate. Software development company Atlassian has featured on the 'Best Places to Work in Australia' list regularly, and works hard to recruit and retain the best and brightest in the tech industry. Here, flexibility is important, especially to millennials, who comprise much of its expanding workforce. According to HR business partner Kelly Kirby, employees are allowed to set their own work hours as needed, generating a sense of trust and commitment: 'People work from home; they work from a café; they come in at 10 and work until 4. As long as they are there for team meetings and the team can depend on them, we are outcome based and it doesn't matter how they do it'.

Atlassian also offers employees free breakfast and lunch, beer on tap and innovative workspaces (including a pool room) to generate a sense of fun and encourage collaboration. Overall, according to Jason Laufer—LinkedIn's Asia–Pacific Senior Director of Talent and Learning Solutions—generous perks can help to reduce employee turnover and attract talent. 'What all [top] companies have in common is a strong employer brand—actively promoting diversity, well-being and flexibility . . . Employees who feel valued, happy and supported are less likely to leave an organisation, and more likely to promote the company to prospective employees.'

So the moral of the story seems to be: treat others as we want to be treated.

SOURCES: D. Powell, 'From Atlassian and Canva to Salesforce, here are the 50 best places to work in Australia', <www.smartcompany.com.au>, 29 August 2018; D. Brandy, 'Inside Atlassian: We got an exclusive look at the tech company's new Sydney office', *Business Insider*, 8 October 2018; M. Ham, 'Frills and thrills: what benefits do employees value?', *HRM Online*, 3 February 2016; C. Pash, 'The perks offered by the companies Australians most want to work for', *Sydney Morning Herald*, 27 March 2018; F. Smith, 'Is Atlassian the coolest company in Australia?', *Australian Financial Review*, 21 November 2012; A. Holderness, 'Inside Atlassian—the #1 best place to work in Australia', *Inside Look*, 1 October 2015; and J. Waggoner, 'Do happy workers mean higher profit?' *USA Today*, 20 February 2013, pp. B1–B2.

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a big role in employees' job satisfaction. One review of nearly 70 000 employees from 23 countries found that the quality of exchange between the leaders and their employees is more strongly related to job satisfaction in more individualistic (e.g. Western) cultures than it is in more collectivistic (e.g. Asian) cultures.[35] However, another meta-analysis demonstrated that leader emotional intelligence (see Chapter 5) is more strongly related to job satisfaction in more collectivistic cultures.[36]

Therefore, job conditions—especially the intrinsic nature of the work itself, social interactions and supervision—are important predictors of satisfaction and employee well-being. Although all are important, and although their relative value varies across employees, the intrinsic nature of the work is most important.[37]

Personality

As important as job conditions are to job satisfaction, personality also plays an important role. People who have a positive core self-evaluation (CSE)—who believe in their inner worth and basic competence—are more satisfied with their jobs than people with negative CSEs. For people in collectivist cultures, those with high CSEs may realise particularly high job satisfaction.[38]

core self-evaluations
Bottom line conclusions individuals have about their capabilities, competence and worth as a person.

Pay

You've probably noticed that pay comes up often when people discuss job satisfaction. Pay does correlate with job satisfaction and overall happiness for many people, but the effect can be smaller once an individual reaches a standard level of comfortable living. Look at Exhibit 3.5. It shows the relationship between the average pay for a job and the average level of job satisfaction. As you can see, there isn't much of a relationship there. Money does motivate people, as we will discover in Chapter 7. But what motivates us is not necessarily the same as what makes us happy.

EXHIBIT 3.5 Relationship between average pay in a job and job satisfaction of employees in that job



SOURCE: Based on T. A. Judge, R. F. Piccolo, N. P. Podsakoff, J. C. Shaw and B. L. Rich, 'The relationship between pay and job satisfaction: a meta-analysis of the literature', *Journal of Vocational Behavior* 77, no. 2, 2010, pp. 157–67.

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Corporate social responsibility (CSR)

corporate social responsibility (CSR) An organisation's self regulated actions to benefit society or the environment beyond what is required by law.

Would you be as happy to work for an organisation with a stated social welfare mission as one without? An organisation's commitment to corporate social responsibility (CSR), or its self-regulated actions to benefit society or the environment beyond what is required by law, increasingly affects employee job satisfaction. Organisations practise CSR in several ways, including environmental sustainability initiatives, non-profit work and charitable giving.

CSR is good for the planet and good for people. Research suggests that American and Australian employees whose personal values fit with their organisation's CSR mission are often more satisfied.[39] In fact, of the 59 large and small organisations surveyed, 86% reported they have happier employees because of their CSR programs.[40]

The relationship between CSR and job satisfaction is particularly strong for millennials. 'The next generation of employees is seeking out employers that are focused on the triple bottom line: people, planet and revenue,' says Susan Cooney, founder of philanthropy firm Givelocity.[41] CSR allows workers to serve a higher purpose or contribute to a mission. According to researcher Amy Wrzesniewski, people who view their work as part of a higher purpose often realise higher job satisfaction.[42] However, an organisation's CSR efforts must be well governed and its initiatives must be sustainable for long-term job satisfaction benefits.[43]

Although the link between CSR and job satisfaction is strengthening, not all employees find value in CSR.[44] Therefore, organisations need to address a few issues to be most effective. First, not all projects are equally meaningful for every person's job satisfaction, yet participation for all employees is sometimes expected. Westpac Australia has taken a different approach: employees are strongly encouraged to participate in skilled volunteering opportunities and then allowed to select those that they wish to participate in. These currently include opportunities to work in an Indigenous Australian community organisation for a specific period of time, or mentoring or partnering with a social enterprise to help develop their project. In turn, these employees are allowed flexible work arrangements and paid leave.[45]

Second, some organisations require employees to contribute in a prescribed manner. For instance, consulting firm entreQuest's CEO, Joe Mechlinksi, expects employees to participate in 'Give Back Days' by serving in a soup kitchen, building a Habitat for Humanity house or mentoring children. These choices may not fit every individual's vision of CSR. Pressuring people to go 'above and beyond' in ways that are not natural for them can burn them out for future CSR projects[46] and lower their job satisfaction, particularly when CSR projects provide direct benefits to the organisation (such as positive press coverage).[47] People want CSR to be genuine and authentic.

Third, CSR measures can seem disconnected from the employee's actual work,[48] providing no increase in job satisfaction. After watching consulting firm KPMG's 'over the top' video that boasted of involvement in the election of Nelson Mandela and the end of apartheid, the launch of the first space station by NASA, and the freedom of US hostages in Iran, one anonymous employee questioned his employment. 'If I want to really make a change,' he said, 'why would I sit here?'[49]

In summary, CSR is a needed, positive trend of accountability and serving. It can also contribute significantly to increased employee job satisfaction when managed well.

3.6 Identify the outcomes of job satisfaction.

Outcomes of job satisfaction

Job performance

As several studies have concluded, happy workers are more likely to be productive workers. Some researchers used to believe that the relationship between job satisfaction and job performance was a myth. But a review of 300 studies suggests that the correlation is relatively strong.[50] When we gather satisfaction and productivity data for the organisation as a whole, we find that organisations with more satisfied employees tend to be more effective than organisations with fewer satisfied employees.

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Career OBjectives



How can I make my job better?

Honestly, I hate my job. But there are reasons I should stay: this is my first job out of uni, it pays pretty well and it will establish my career. Is there any hope, or am I doomed until I quit?

—Charlie

Dear Charlie,

You're not doomed! You can work on your attitude to either improve your experience or find a positive perspective.

In other words, if you can turn 'I hate my job' into 'This is what I'm doing to make my situation better', your job satisfaction is likely to improve. Try this:

- *Write down everything you hate about your job, but wait until you have a few days off so you can get a more objective viewpoint.* Be specific. Keep asking yourself why, as in, 'Why do I dislike my colleague?' Also, consider your history: Was the job always a problem? Or perhaps circumstances have changed?
- *Now write down everything you like about the job. Again, be specific.* Think about the environment, the people and the work separately. Find something positive, even if it's just being able to have a coffee break.
- *Compare your lists for clues about your attitude and job satisfaction.* Look for mentions of the work or the people. Job satisfaction is generally more strongly related to how interesting your work is than it is to other factors. People, especially your supervisor, are important to your attitude towards work as well.
- *Read your lists aloud to a few trusted friends (you don't want to rant about your boss with your colleagues).* Ask them to help process your grievances. Are there deal breakers, such as harassment?
- *Decide whether you can talk with your manager about this.* According to Roy L. Cohen, author of *The Wall Street Professional's Survival Guide*, 'consider whether how you're being treated is unique to you or shared by your colleagues'. If everyone has the same problem, especially if the problem is the boss, you probably shouldn't approach your manager. But changes can be made in most situations.

Based on the sources of your grievances and your ability to make changes in the workplace, you may choose to address the issues or develop skills for your next job. Meanwhile, don't sabotage yourself with sloppy performance and complaints. Instead, look for positive reinforcement, join a professional organisation or volunteer. Happy employees are healthier. You deserve to be one of them.

SOURCES: 'Employee engagement', *Workforce Management*, February 2013, p. 19; A. Hurst, 'Being "good" isn't the only way to go', *The New York Times*, 20 April 2014, p. 4; R. E. Silverman, 'Work as labor or love?' *The Wall Street Journal*, 18 October 2012, p. D3; H. J. Smith, T. F. Pettigrew, G. M. Pippin and S. Bialosiewicz, 'Relative deprivation: a theoretical and meta-analytic review', *Personality and Social Psychology Review* 16, 2012, pp. 203–32; and A. Tugend, 'Survival skills for a job you detest', *The Wall Street Journal*, 7 April 2012, p. B5.

Organisational citizenship behaviours

It seems logical to assume that job satisfaction should be a major determinant of an employee's organisational citizenship behaviour (OCB).[51] Satisfied employees would seem more likely to talk positively about the organisation, help others and go beyond the normal expectations in their job. They might go beyond the call of duty because they want to reciprocate their positive experiences. Consistent with this thinking, evidence suggests that job satisfaction is moderately correlated with OCB: people who are more satisfied with their jobs are more likely to engage in OCB.[52] Fairness perceptions help explain this relationship.[53] Those who feel that their colleagues support them are more likely to engage in helpful behaviours, whereas those who have antagonistic relationships with colleagues are less likely to do so.[54]

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Customer satisfaction

Because customer satisfaction is a key outcome in the service industry, it's reasonable to ask whether employee satisfaction is related to positive customer outcomes. For employees with regular customer contact, the answer appears to be yes. Satisfied employees increase customer satisfaction and loyalty.[55]

A number of companies are acting on this evidence. For example, Boost Juice hires 'boosties', or young people who are vibrant, outgoing and can 'hit the ground running'.[56] However, other companies seem to work at the other end of the spectrum. Two independent reports from the United States (one on the Transportation Security Administration (TSA) and the other on airline passenger complaints) argue that low employee morale is a major factor undermining passenger satisfaction. Employees of US Airways have posted comments on blogs such as 'Our plans [sic] smell filthy' and 'How can I take pride in this product?'[57]

Life satisfaction

So far, we've treated job satisfaction as if it were separate from life satisfaction, but they may be more related than you think.[58] Research in Europe indicated that job satisfaction is positively correlated with life satisfaction, and your attitudes and experiences in life spill over into your job approaches and experiences.[59] Life satisfaction decreases when people become unemployed, according to research in Germany, and not just because of the loss of income.[60]

For most individuals, work is an important part of life, and therefore it makes sense that our overall happiness depends in no small part on our happiness in our work (our job satisfaction).

The impact of job dissatisfaction

3.7 Identify four employee responses to job dissatisfaction.

What happens when employees like their jobs, and what happens when they dislike their jobs? One theoretical model, the exit–voice–loyalty–neglect framework, is helpful for understanding the consequences of dissatisfaction. Exhibit 3.6 illustrates the framework's four responses, which differ along two dimensions: constructive/destructive and active/passive. The responses are as follows:[61]

exit Dissatisfaction expressed through behaviour directed towards leaving the organisation.

voice Dissatisfaction expressed through active and constructive attempts to improve conditions.

loyalty Dissatisfaction expressed by passively waiting for conditions to improve

neglect Dissatisfaction expressed through allowing conditions to worsen.

- *Exit.* The exit response directs behaviour towards leaving the organisation, including looking for a new position as well as resigning. To measure the effects of this response to dissatisfaction, researchers study individual terminations and *collective turnover*, the total loss to the organisation of employee knowledge, skills, abilities and other characteristics.[62]
- *Voice.* The voice response includes actively and constructively attempting to improve conditions, including suggesting improvements, discussing problems with superiors and undertaking some forms of union activity.
- *Loyalty.* The loyalty response means passively but optimistically waiting for conditions to improve, including speaking up for the organisation in the face of external criticism and trusting the organisation and its management to 'do the right thing'.
- *Neglect.* The neglect response passively allows conditions to worsen and includes chronic absenteeism or lateness, reduced effort and an increased error rate.

Exit and neglect behaviours are linked to performance variables such as productivity, absenteeism and turnover. But this model expands employee responses to include voice and loyalty—constructive behaviours that allow individuals to tolerate unpleasant situations or improve working conditions. The model helps us understand various situations. For instance, union members often express dissatisfaction through the grievance procedure or formal contract negotiations. These voice mechanisms allow them to continue in their jobs while acting to improve the situation.

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EXHIBIT 3.6 Responses to dissatisfaction

	Constructive	Destructive
Active	VOICE	EXIT
Passive	LOYALTY	NEGLECT

As helpful as this framework is, it is quite general. We will next address counterproductive work behaviour, a behavioural response to job dissatisfaction.

Counterproductive work behaviour (CWB)

Substance abuse, stealing at work, undue socialising, gossiping, absenteeism and tardiness are examples of behaviours that are destructive to organisations. They are indicators of a broader syndrome called counterproductive work behaviour (CWB), also termed 'deviant behaviour in the workplace', or simply 'employee withdrawal' (see Chapter 1).[63] Like other behaviours we have discussed, CWB doesn't just happen—the behaviours often follow negative and sometimes long-standing attitudes. Therefore, if we can identify the predictors of CWB, we may lessen the probability of its effects.

counterproductive work behaviour (CWB) Actions that actively damage the organisation, including stealing, behaving aggressively towards colleagues or being late or absent.

Generally, job dissatisfaction predicts CWB. People who are not satisfied with their work become frustrated, which lowers their performance[64] and makes them more prone to CWB.[65] However, some research also suggests that this relationship might be stronger for men than for women, given that men tend to exhibit more aggressiveness and less impulse control.[66] Our immediate social environment also matters. One German study suggests that we are nudged towards CWB by the norms of our immediate work environment; for example, individuals in teams with high absenteeism are more likely to be absent themselves.[67] CWB can be a response to abusive supervision from managers, which then increases the abuse, thus starting a vicious cycle.[68]

One important point about CWB is that dissatisfied employees often choose one or more of these specific behaviours due to idiosyncratic factors. One worker might quit. Another might use work time to surf the Internet or take work supplies home for personal use. In short, workers who don't like their jobs 'get even' in various ways. Because those ways can be quite creative,

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controlling only one behaviour with policies and punishments leaves the root cause untouched. Employers should seek to correct the source of the problem—the dissatisfaction—rather than try to control the different responses.

According to some research, CWB is sometimes an emotional reaction to perceived unfairness, a way to try to restore an employee's sense of equity exchange.[69] Therefore, CWB has complex ethical implications. For example, is someone who takes a box of markers home from the office for their children acting ethically? Some people consider this stealing. Others may want to look at moderating factors such as the employee's contribution to the organisation before they decide. Does the person generously give extra time and effort to the organisation, with little thanks or compensation? If so, they might see CWB as part of an attempt to 'even the score'.

As a manager, you can take steps to mitigate CWB. For instance, you can poll employee attitudes, identify areas for workplace improvement and attempt to measure CWB. Several reviews suggest that self-reports of CWB can be just as effective as reports from colleagues or supervisors, partly because of differences in the observability of CWB.[70] Creating strong teams, integrating supervisors within them, providing formalised team policies and introducing team-based incentives may help lower the CWB 'contagion' that lowers the standards of the group.[71]

Absenteeism

We find a consistent negative relationship between satisfaction and absenteeism, but the relationship is moderate to weak.[72] Generally, when numerous alternative jobs are available, dissatisfied employees have high absence rates, but when there are few alternatives, dissatisfied employees have the same (low) rate of absence as satisfied employees.[73] Organisations that provide liberal sick leave benefits are encouraging all their employees—including those who are highly satisfied—to take days off. You can find work satisfying yet still want to enjoy a three-day weekend if those days come free with no penalties.

Turnover

The relationship between job satisfaction and turnover is stronger than between satisfaction and absenteeism.[74] Overall, a pattern of lowered job satisfaction is the best predictor of intent to leave. Turnover also has a workplace environment connection. If the climate within an employee's immediate workplace is one of low job satisfaction leading to turnover, there will be a contagion effect. This suggests that managers consider the job satisfaction (and turnover) patterns of colleagues when assigning workers to a new area.[75] The satisfaction–turnover relationship is affected by alternative job prospects. If an employee accepts an unsolicited job offer, job dissatisfaction was less predictive of turnover because the employee more likely left in response to 'pull' (the lure of the other job) than 'push' (the unattractiveness of the current job). Similarly, job dissatisfaction is more likely to translate into turnover when other employment opportunities are plentiful. When employees have high 'human capital' (high education, high ability), job dissatisfaction is more likely to translate into turnover because they have, or perceive, many available alternatives.[76]

Managers often 'don't get it'

Given the evidence just reviewed, it should come as no surprise that job satisfaction can affect the bottom line. One study by a management consulting firm separated large organisations into high morale (more than 70% of employees expressed overall job satisfaction) and medium or low morale (fewer than 70% expressed overall job

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satisfaction). The share prices of companies in the high morale group grew 19.4%, compared with 10% for the medium- or low-morale group. Despite these results, many managers are unconcerned about employee job satisfaction. Still others overestimate how satisfied employees are with their jobs, so they don't think there is a problem when there is. In one study of 262 large employers, 86% of senior managers believed that their organisation treated its employees well, but only 55% of employees agreed. Another study found that 55% of managers thought morale was good in their organisation, compared with only 38% of employees.[77]

Regular surveys can reduce gaps between what managers *think* employees feel and what they *really* feel. A gap in understanding can affect the bottom line in small franchise sites as well as in large companies. As manager of a KFC restaurant, Jonathan McDaniel surveyed his employees every three months. Some results led him to make changes, such as giving employees greater say about which workdays they had off. However, McDaniel believed the process itself was valuable. 'They really love giving their opinions,' he said. 'That's the most important part of it—that they have a voice and that they're heard.' Surveys are no panacea, but if job attitudes are as important as we believe, organisations need to use every reasonable method to find out how job attitudes can be improved.[78]

Summary

Managers should be interested in their employees' attitudes because attitudes influence behaviour and indicate potential problems. Creating a satisfied workforce is hardly a guarantee of successful organisational performance, but evidence strongly suggests that managers' efforts to improve employee attitudes will likely result in positive outcomes, including greater organisational effectiveness, higher customer satisfaction and increased profits.

Implications for managers

- Pay attention to your employees' job satisfaction levels as determinants of their performance, turnover, absenteeism and withdrawal behaviours.
- Of the major job attitudes—job satisfaction, job involvement, organisational commitment, perceived organisational support (POS) and employee engagement—remember that an employee's job satisfaction level is the best single predictor of behaviour.
- Measure employee job attitudes objectively and at regular intervals in order to determine how employees are reacting to their work.
- To raise employee satisfaction, evaluate the fit between the employee's work interests and the intrinsic parts of their job to create work that is challenging and interesting to the individual.
- Consider the fact that high pay alone is unlikely to create a satisfying work environment.

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EMPLOYER–EMPLOYEE LOYALTY IS AN OUTDATED CONCEPT

POINT

The word 'loyalty' is horribly outdated. Long gone are the days when an employer would keep an employee for life, as are the days when an employee would work for a single company for their entire career.

Workplace guru Linda Gratton says, 'Loyalty is dead—killed off through shortening contracts, outsourcing, automation and multiple careers. Faced with what could be 50 years of work, who honestly wants to spend that much time with one company? Serial monogamy is the order of the day'. Everyone agrees; in a recent study, only 59% of employers reported they felt very loyal to their employees, while a mere 32% believed their employers were loyal to them.

The commitment on each side of the equation is weak. For example, Renault ended the 31-year career of employee Michel Balthazard (and two others) on false charges of espionage. When the wrongness of the charges became public, Renault half-heartedly offered the employees their jobs back and a lame apology: 'Renault thanks them for the quality of their work at the group and wishes them every success in the future'.

As for employees' loyalty to their employers, that's worth little nowadays. One manager with Deloitte says the current employee attitude is, 'I'm leaving. I had a great experience, and I'm taking that with me'. There just isn't an expectation of loyalty. In fact, only 9% of recent school leavers would stay with an employer for more than a year if they didn't like the job, research showed. The sooner we see the employment experience for what it is (mostly transactional, mostly short to medium term), the better off we'll be. The workplace is no place for fantasies.

COUNTERPOINT

There are employers and employees who show little regard for each other. That each side can be uncaring or cavalier is hardly a revelation. No doubt such cynical attitudes are as old as the employment relationship itself. But is that the norm? And is it desirable? The answer to both these questions is 'no'. Says management guru Tom Peters, 'Bottom line: loyalty matters. A lot. Yesterday. Today. Tomorrow'. Human resource management expert Dave Ulrich says, 'Leaders who encourage loyalty want employees who are not only committed to and engaged in their work but who also find meaning from it'.

It is true that the employer–employee relationship has changed. For example, (largely) gone are the days when employers provide guaranteed payout pensions to which employees contribute nothing. But is that such a bad thing? There's a big difference between asking employees to contribute to their pension plans and abandoning plans altogether (or firing without cause).

Moreover, it's not that loyalty is dead, but rather that employers are loyal to a different kind of employee. An employer would no longer refuse to fire a long-tenured but incompetent employee. But is that the kind of loyalty most employees expect today anyway? Companies are loyal to employees who do their jobs well, and that too is as it should be. Constantly training new employees wears down morale and profitability.

In short, employees still expect certain standards of decency and loyalty from their employers, and employers want engaged, committed employees in return. That's a good thing—and not so different from yesterday. Says workplace psychologist Binna Kandola, 'Workplaces may have changed but loyalty is not dead—the bonds between people are too strong'.

SOURCES: 'If you started a job and you didn't like it, how long would you stay?', *USA Today*, 11 June 2012, p. 1B; O. Gough and S. Arkani, 'The impact of the shifting pensions landscape on the psychological contract', *Personnel Review* 40, no. 2, 2011, pp. 173–84; 'Loyalty gap widens', *USA Today*, 16 May 2012, p. 1B; P. Korkki, 'The shifting definition of worker loyalty', *The New York Times*, 24 April 2011, p. BU8; and 'Is workplace loyalty an outmoded concept?', *Financial Times*, 8 March 2011.

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Questions for review

1. What are the three components of an attitude?
2. Does behaviour always follow from attitudes?
3. What are the major job attitudes?
4. How do we measure job satisfaction?
5. What causes job satisfaction?
6. What are some of the outcomes of job satisfaction?
7. How do employees respond to job dissatisfaction?

Application and employability

As you can see from reading this chapter, your knowledge, skills and abilities determine how well you do in the workplace—and your job attitudes matter, too. Job satisfaction, job involvement, employee engagement, organisational commitment and perceived organisational support all affect how you, your colleagues and your boss behave and perform in the workplace. First, the job attitudes of your work unit also affect the bottom-line attitudes that affect customer service and sales performance. Second, job attitudes and satisfaction can be assessed in a variety of ways to keep a 'pulse' on the workforce of your organisation. Third, knowledge of what causes job attitudes and the consequences/outcomes of job attitudes can help you set policies, practices and procedures (when you're in a supervisory position) or engage in behaviours (if you're an employee) that will help you improve attitudes in your workplace. In this chapter, you improved your critical-thinking skills and considered various situations relevant to social responsibility in the workplace, including whether happy workers lead to improved profit margins, how you can move forward if you hate your job, the pitfalls and benefits of office gossip and venting, and whether employee loyalty is a relic of the past.

Next, you'll continue to improve your critical-thinking skills and apply your knowledge about job attitudes to re-examine attitudes you've held in a current or previous job, and evaluate the impact of self-service checkouts and of job crafting on job attitudes.

Experiential exercise

JOB ATTITUDES SITUATIONAL INTERVIEW

Think about a situation in which you felt satisfied or dissatisfied (or committed or not committed) in the workplace (if you have never been employed, imagine a situation). Write this experience down in as much detail as possible. When you've finished, exchange your answer with another class member. In pairs, take turns asking and recording the answers to the following questions (asking follow-up questions as needed):

1. What sorts of feelings were you experiencing at the time? What were you thinking when this was going on? Did you think about doing anything in that moment?
2. What targets were your feelings or thoughts directed towards? For example, were they directed towards your organisation? Towards the job? Colleagues? Pay and benefits?
3. What led you to your feelings of satisfaction/dissatisfaction and commitment in that moment?
4. What did you (actually) do in response to your experience? What was the outcome?

As a class, share your findings and discuss the following questions.

Questions

1. Do you think it's possible for the affective, cognitive or behavioural components of job attitudes to conflict with one another? Why or why not?
2. Can job attitudes be directed towards different targets? Why or why not? What implications does this have for the behavioural outcomes of satisfaction and commitment?
3. Do you believe job attitudes can change over time? Or does each person have a typical level of job attitude that they exhibit from one job to the next?

Case study 1

SELF-SERVICE CHECKOUTS: FROM PEOPLE TO COMPUTERS

Chances are that when you last shopped at Coles, Woolworths or your local supermarket, you used a self-checkout. Self-checkout technology was first rolled out in Australian supermarkets around 2008, and its use has increased throughout the country since then. There are many reasons why self-checkout use has increased, including customers' enjoyment of control over their shopping experience, ease of use and our increased frequency of grocery shopping.

However, research indicates that self-service checkouts don't always lead to positive outcomes for organisations. As researchers Gary Mortimer and Paula Dootson observed, 'Self-checkouts aren't necessarily faster than other checkouts, don't

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result in lower staff numbers, and there are indirect costs such as theft, reduced customer satisfaction and loyalty'. In a recent study conducted in Switzerland, researchers found that employees in supermarkets spent a significant amount of time dealing with demanding customers and monitoring customer behaviour while using self-checkouts, often with little to no training to help manage these issues. Other research has found that many customers find self-service checkouts frustrating and even anxiety-inducing, with technical glitches often requiring staff assistance.

One South Australian retailer has elected to keep its employees on the front line and has so far decided to refrain from using self-serve technology. Paul Mabarek, manager of customer engagement at the Adelaide's Finest Supermarkets chain, believes that this decision has won them respect and satisfaction from their customers. 'We've asked [our customers] and they are unequivocal. They like what we do. We have received nothing but support by having service at the checkouts.' This decision has also had a positive impact on employment of staff in stores, with more customers choosing to shop with the chain. As Mabarek notes '... we employ more staff, not less staff, because there's a fundamental belief that if you improve your service and are in tune with customer's expectations they will support you'.

While smaller chains may be able to resist the implementation of self-checkout technology for now, automation is clearly the way of the future. As Gary Mortimer notes, more and more organisations are embracing technology to allow customers to complete purchases themselves. Although customers may enjoy this autonomy, it's important to ask: at what cost?

Questions

1. Do you think employee attitudes are ultimately improved or decreased as a result of self-service checkouts? Why or why not?
2. What types of job attitudes do you believe will be affected by a switch to self-service checkouts? Do you think customers' attitudes are affected as well? Why or why not?
3. What might organisations do to ease the transition towards self-service checkouts and maintain their employees' job attitudes? Is it possible to find a balance between promoting customer and employee attitudes when introducing automated processes?

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Case study 2

JOB CRAFTING

Consider for a moment a mid-level manager, Fatima, who seems to be doing well. She's consistently making her required benchmarks and goals, she has built successful relationships with colleagues, and senior management has identified her as having 'high potential'. But she isn't happy with her work. She'd be much more interested in understanding how her organisation can use social media in marketing efforts at all levels of the organisation. Ideally, she'd like to quit and find something that better suits her passions, but in the current economic environment this may not be an option. So, she has decided to proactively reconfigure her current job.

Fatima is part of a movement towards job 'crafting', which is the process of deliberately reorganising your job so that it better fits your motives, strengths and passions. The process of job crafting can start with creating diagrams of day-to-day activities with a coach. Then you and the coach can collaboratively identify which tasks fit with your personal passions and which tend to drain motivation and satisfaction. Next, you and your coach can work together to imagine ways to emphasise preferred activities and de-emphasise those that are less interesting. Many people engaged in job crafting find that upon deeper consideration, they have more control over their work than they thought.

So, how did Fatima craft her job? She first noticed that she was spending too much of her time monitoring her team's performance and answering team questions and not enough time working on the creative projects that inspire her. She then considered how to modify her relationship with the team so that these activities incorporated her passion for social media strategies, with team activities more centred around developing new marketing. She also identified members of her team who might be able to help her implement these new strategies, and directed her interactions with these individuals towards her new goals. As a result, not only has her engagement in her work increased, but she has also developed new ideas that are being recognised and advanced within the organisation. As a result, she has found that by actively and creatively examining her work, she has been able to craft her current job into one that is truly satisfying.

As you may have noted, Fatima exhibited a proactive personality—she was eager to develop her own options and find her own resources. Proactive individuals are often self-empowered and are, therefore, more open to seeking workable solutions when they're not satisfied. Research would lead us to believe Fatima will be successful in her customised job. In fact, it's quite possible Fatima's employer never would have helped her craft a better job had she not sought help and that her proactivity is responsible for her success. All employees should feel encouraged to be proactive in creating their best work situations wherever possible.

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Questions

1. Should organisations work to create jobs that are satisfying to individual employees?
2. Are the principles of job crafting described here relevant to your job or studies? Why or why not?
3. Are there any potential drawbacks to the job-crafting approach? If so, how can they be minimised?

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CHAPTER

4 Personality and values

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

4.1 Describe personality, the way it is measured and the factors that shape it.

4.2 Describe the strengths and weaknesses of the Myers–Briggs Type Indicator (MBTI) personality framework and the traits of the Big Five model.

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

4.4 Describe how personality affects job search and unemployment.

4.5 Describe how a situation affects whether personality predicts behaviour.

4.6 Contrast terminal and instrumental values.

4.7 Describe the differences between personality–job fit and person–organisation fit.

4.8 Compare Hofstede's five value dimensions and the GLOBE framework.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓	✓	✓	✓	✓	✓	✓
Communication	✓				✓		
Collaboration				✓		✓	
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility		✓	✓		✓		

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Orange Sky Australia: 'The power of conversation'

Orange Sky Australia is the world's first mobile laundry service for people experiencing homelessness, designed to provide people with clean clothes and create engagement and rapport with a population that is often marginalised and ignored. The core values of the business are passion and focus; imagination and innovation; collaborative partnerships; and energy and drive. Launched in Brisbane in 2014, it now operates 29 vans containing washing machines, detergent and dryers in 22 cities across 250 service locations. The organisation was also recently awarded a $1 million grant as part of Google's 2018 Impact Challenge. Across the country, more than 1600 people volunteer their time and energy to keep the business running, and the machines wash 8 tonnes of laundry each week. Its two founders, friends Lucas Patchett and Nicholas Marchesi, were named the 2016 Young Australians of the Year, and their values, energy and passion continue to drive their business success.



Orange Sky Australia founders Nicholas Marchesi and Lucas Patchett
SOURCE: Orange Sky

However, washing and drying clothes is only a small part of Orange Sky's impact. In addition to providing practical assistance to reduce hygiene problems and health issues, the organisation seeks to positively connect communities and reduce social isolation. While clothes are washed, chairs are set up next to each van and volunteers use this time to talk with service users. As Marchesi observed, 'It takes one or two minutes to put the laundry in the machine and then there's absolutely nothing to do except have a really great chat and that's where our service makes the biggest impact.'

Patchett and Marchesi agree that their organisation's values play a critical role in Orange Sky's daily operations. According to Orange Sky's CEO Jo Westh, those values have become especially important in the recruitment, selection and management of employees. 'There are eight characteristics of an Orange Sky "person" that we are now using to recruit against, to reward against and manage. What we have found…is that we can hire people with certain skill sets and that's easy to do, but what is more difficult to do is hire and manage people against a set of values or characteristics that go up to make somebody who is going to be successful in this organisation.

'One characteristic is that they must believe in what we do. So it's really a case of being passionate about the people that we are trying to support, really valuing the connections, and the conversations that we're having with our friends on the street. Another [characteristic] is everyone respecting each other, respecting the fact that everyone is unique and respecting each other's story…We also say "give things a crack"—this organisation is founded on innovation and just doing things differently, and we really value when anybody actually takes initiative and has a go at something.'

After receiving support from several corporate sponsors, Orange Sky Australia currently operates in multiple locations across the country and offers hot showers

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to service users. They also have plans to develop worldwide, with one van currently operating in Auckland, New Zealand, and plans to expand into the United States in future. The importance of connecting with each individual, however, will remain central to their purpose. In a discussion of a memorable moment from Orange Sky's early days of operation, Marchesi told a story of meeting a man named Grant, who was using the service for the first time: 'He had to beg for clothes from op shops [charity shops] or sometimes washed his clothes in the river. After handing back his clean laundry, he told me that he hadn't spoken to another human being in three days. That's when I was reminded of the power of conversation … I'll never forget it'.

SOURCES: Orange Sky Laundry (n.d.), in Wikipedia, <https://en.wikipedia.org/wiki/Orange_Sky_Laundry>; N. Champ, 'How two 20-year-olds started the world's first mobile laundry service for the homeless', *Business Chicks*, 29 November 2017, <https://businesschicks.com/orange-sky-laundry/>; L. Maher, 'Orange Sky Laundry offers clean clothes and conversation for homeless in Canberra', ABC News, 28 April 2016; R. Harrison Plesse, 'Clean Streets: the mobile laundry service helping Australia's homeless', *The Guardian*, 30 March 2016; R. Todesco, 'Orange Sky Laundry', *Upstart*, 27 May 2017; H. Chryssides, 'Two of us: Lucas Patchett and Nicholas Marchesi', *Sydney Morning Herald*, 19 May 2016; Orange Sky, personal communication.

AS ILLUSTRATED IN THE vignette on Orange Sky Australia, it's relatively simple for organisations to identify potential employees with appropriate skill sets; it's harder finding talented individuals who share the same core values and strongly support an organisation's mission.

In the first half of this chapter, we'll review the research on personality and its relationship to behaviour. Just as people's personalities differ, so do their values. In the latter half of the chapter, we'll look at how values shape many of our work-related behaviours. Although we focus much of our discussion on the Big Five personality traits, they are not the only traits that describe people.

4.1 Describe personality, the way it is measured and the factors that shape it.

Personality

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

What is personality?

When we talk about 'personality', we don't mean a person has charm, a positive attitude towards life, a smiling face or a place in the Australian version of *Australia's Got Talent*. When psychologists talk about 'personality', they're referring to a dynamic concept describing the growth and development of a person's whole psychological system.

Defining personality

The definition of 'personality' most frequently used was created by Gordon Allport more than 70 years ago. He said that personality is 'the dynamic organization within the individual of those psycho-physical systems that determine his unique adjustments to his environment'.[1] For our purposes, you should think of personality as the sum total of ways in which an individual reacts to and interacts with others. We most often describe it in terms of the measurable traits a person exhibits.

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

Measuring personality

Research has shown that personality tests are useful for helping managers forecast who is best for a job.[2] Some managers use personality test scores to better understand and more effectively manage the people who work for them. The most common means of measuring personality is

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Career OBjectives



How do I ace the personality test?

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

— Lauren

Dear Lauren,

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

There are a few caveats, however. First, some companies build in 'lie scales', which flag individuals who respond to statements in an extremely favourable manner. It's not always easy to detect them, but clues usually appear across several items. If you respond in the most favourable way to a long list of items, you might pop up on the lie scale.

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

Third, there is an ethical perspective you should consider. How are you going to feel once you're in the organisation if you haven't represented yourself correctly in the hiring process? What's your general attitude towards lying? How are you going to make sure your behaviour fits the traits you tried to portray?

Finally, perhaps you should look at the assessment differently. The organisation—and you—should be looking for a good match. If you're not a good match and are hired, you're likely to be unsuccessful—and miserable in the process. However, if you have a good, honest match, you can arrive for your first day confident and ready for success.

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

SOURCES: Based on M. N. Bing, H. K. Davison and J. Smothers, 'Item-level frame-of-reference effects in personality testing: an investigation of incremental validity in an organizational setting', *International Journal of Selection and Assessment* 22, no. 2, 2014, pp. 165–78; P. R. Sackett and P. T. Walmsley, 'Which personality attributes are most important in the workplace?' *Perspectives on Psychological Science* 9, no. 5, 2014, pp. 538–51; and L. Weber, 'To get a job, new hires are put to the test', *The Wall Street Journal*, 15 April 2015, pp. A1, A10.

through self-report surveys, whereby individuals evaluate themselves on a series of factors such as 'I worry a lot about the future'. Although self-report measures work well when well-constructed, one weakness is that the respondent might lie or practise impression management—that is, 'fake good'—on the test to create a good impression. Another problem is accuracy: for example, a candidate who is in a bad mood when taking the survey may have inaccurate scores.[3]

Personality determinants

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

Heredity refers to factors determined at conception. Physical stature, facial features, gender, temperament, muscle composition and reflexes, energy level and biological rhythms are generally considered to be either completely or substantially influenced by who your parents are—that is, by their biological, physiological and inherent psychological make-up. The heredity approach argues that the ultimate explanation of an individual's personality is the molecular structure of the genes, which are located in the chromosomes. A review of 134 studies found that there is some truth to this approach, with about 40% of personality being attributable to heredity and the other 60% attributable to the environment.[4]

heredity Factors determined at conception, such as biological, physiological and inherent psychological make up.

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Energetic, charismatic, decisive, ambitious, adaptable, courageous and industrious are personality traits used to describe Richard Branson, founder of Virgin Group. These traits helped Branson, shown here promoting Virgin Trains, build one of the most recognised and respected global brands in travel, entertainment and lifestyle.
SOURCE: Joe Pepler/REX/AP Images.

This is not to suggest that personality never changes. People's scores on dependability tend to increase over time, particularly when young adults start families and establish careers. However, strong individual differences in dependability remain; everyone tends to change by about the same amount, so their rank order stays roughly the same.[5] Furthermore, personality is more changeable in adolescence and more stable among adults.[6]

Early work on the structure of personality tried to identify and label enduring characteristics that describe an individual's behaviour, including shy, aggressive, submissive, lazy, ambitious, loyal and timid. When someone exhibits these characteristics in a large number of situations, we call them their personality traits.[7] The more consistent the characteristic is over time, and the more frequently it occurs in diverse situations, the more important that trait is in describing the individual.

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

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

Personality frameworks

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

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

The Myers–Briggs Type Indicator

Myers–Briggs Type Indicator (MBTI) A personality test that taps four characteristics and classifies people into one of 16 personality types.

The Myers–Briggs Type Indicator (MBTI) is one of the most widely used personality assessment instruments in the world.[8] It is a 100-question personality test that asks people how they usually feel or act in situations. Respondents are classified as extraverted or introverted (E or I), sensing or intuitive (S or N), thinking or feeling (T or F), and judging or perceiving (J or P):

- *Extraverted (E) versus introverted (I).* Extraverted individuals are outgoing, sociable and assertive. Introverts are quiet and shy.
- *Sensing (S) versus intuitive (N).* Sensing types are practical and prefer routine and order, and they focus on details. Intuitive types rely on unconscious processes and look at the big picture.
- *Thinking (T) versus feeling (F).* Thinking types use reason and logic to handle problems. Feeling types rely on their personal values and emotions.

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- *Judging (J) versus perceiving (P).* Judging types want control and prefer order and structure. Perceiving types are flexible and spontaneous.

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

The MBTI is used in a variety of organisational settings. Evidence is mixed about its validity as a measure of personality; however, most of the evidence is against it.[9] As Professor Dan Ariely noted about MBTI results, 'Next time, just look at the horoscope. It is just as valid and takes less time'.[10]

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

The Big Five model

The MBTI may lack strong supporting evidence, but the same can't be said of the Big Five model. An impressive body of research supports its thesis that five basic dimensions underlie all others and encompass most of the significant variations in human personality.[11] Moreover, test scores of these traits do a very good job of predicting how people behave in a variety of real-life situations.[12] The Big Five factors are:

- *Conscientiousness.* The conscientiousness dimension is a measure of reliability. A highly conscientious person is responsible, organised, dependable and persistent. Those who score low on this dimension are easily distracted, disorganised and unreliable.
- *Emotional stability.* The emotional stability dimension—often labelled by its converse, neuroticism—taps a person's ability to withstand stress. People with positive emotional stability tend to be calm, self-confident and secure. Those with high negative scores tend to be nervous, anxious, depressed and insecure.
- *Extraversion.* The extraversion dimension captures our comfort level with relationships. Extraverts tend to be gregarious, assertive and sociable. Introverts tend to be reserved, timid and quiet.
- *Openness to experience.* The openness to experience dimension addresses a range of interests and a fascination with novelty. Extremely open people are creative, curious and artistically sensitive. Those at the other end of the openness category are conventional and find comfort in the familiar.
- *Agreeableness.* The agreeableness dimension refers to an individual's propensity to defer to others. Highly agreeable people are cooperative, warm and trusting. People who score low on agreeableness are cold, disagreeable and antagonistic.

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

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

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

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

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

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

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How do the Big Five traits predict behaviour at work?

There are many relationships between the Big Five personality dimensions and job performance,[13] and we're learning more about them every day. Let's explore one trait at a time, beginning with the strongest predictor of job performance: conscientiousness.

Conscientiousness at work

As researchers have stated, 'Personal attributes related to conscientiousness . . . are important for success across many jobs, spanning across low to high levels of job complexity, training, and experience.'[14] Employees who score higher in conscientiousness develop higher levels of job knowledge, probably because highly conscientious people learn more (conscientiousness may be related to grade point average [GPA]),[15] and these levels correspond with higher levels of job performance.[16] Conscientious people are also more able to maintain their job performance even when faced with abusive supervision, according to a recent study in India.[17] Prior reviews also suggest that conscientious people usually engage more in organisational citizenship behaviours (OCBs), less in counter-productive work behaviours (CWBs) and less in leaving the organisation, and can adapt to changing task demands and situations.[18] Conscientious people also engage in less unsafe behaviour and tend to have fewer accidents than those who are less conscientious.[19]

Conscientiousness is the best predictor of job performance. However, the other Big Five model traits are also related to aspects of performance and have extra implications for work and life, as summarised in Exhibit 4.1.

EXHIBIT 4.1 Model of how Big Five traits influence OB criteria

BIG FIVE TRAIT	WHY IS IT RELEVANT?	WHAT IS ITS EFFECT?
Emotional stability	• Less negative thinking and fewer negative emotions • Less hypervigilant	• Higher job and life satisfaction • Lower stress levels • More adaptable to change
Extraversion	• Better interpersonal skills • Greater social dominance • More emotionally expressive	• Higher performance • Enhanced leadership • Higher job and life satisfaction
Openness	• Increased learning • More creative • More flex ble and autonomous	• Enhanced training performance • Enhanced leadership
Agreeableness	• Better liked • More compliant and conforming	• Higher performance • Lower levels of deviant behaviour
Conscientiousness	• Greater effort and persistence • More drive and discipline • Better at organising and planning	• Higher performance • Enhanced leadership • Greater longevity

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Emotional stability at work

Of the Big Five model traits, emotional stability is most strongly related to life satisfaction, job satisfaction and reduced burnout and intentions to quit.[20] People with high emotional stability can adapt to unexpected or changing demands in the workplace.[21] At the other end of the spectrum, neurotic individuals, who may be unable to cope with these demands, may experience burnout.[22] These people also tend to experience work–family conflict, which can affect work outcomes.[23] Given these negative, straining effects, neurotic employees are more likely to engage in CWBs, less likely to engage in OCBs and less likely to be motivated at work.[24]

Extraversion at work

Extraverts perform better in jobs with significant interpersonal interaction. They're socially dominant, 'take-charge' people who are usually more assertive than introverts.[25] Extraversion is a relatively strong predictor of leadership emergence and behaviours in groups.[26] Extraverts also tend to generally have high job satisfaction and reduced burnout.[27] Some negatives are that extraverts can appear to be self-aggrandising, egoistic or too dominating and that their social behaviour can be disadvantageous for jobs that do not require frequent social interaction.[28]

Openness at work

Open people tend to be the most creative and innovative of the traits.[29] Open people are more likely to be effective leaders and more comfortable with ambiguity: they cope better with organisational change and are more adaptable.[30] While openness isn't related to initial performance on a job, individuals higher in openness are less susceptible to a decline in performance over a longer time period.[31] Open people also experience less work–family conflict.[32]

Agreeableness at work

Agreeable individuals are better liked than disagreeable people; they usually perform well in interpersonally oriented jobs such as customer service. They experience less work–family conflict and are less susceptible to turnover.[33] They also contribute to organisational performance by engaging in OCB.[34] Disagreeable people, on the other hand, are more likely to engage in CWBs, as their conscientiousness is low.[35] Agreeableness is associated with lower levels of career success, perhaps because highly agreeable people consider themselves less marketable and are less willing to assert themselves.[36]

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

The Dark Triad

With the exception of neuroticism, the Big Five traits are what we call socially desirable, meaning we would be glad to score high on them. Researchers have found that three other socially *undesirable* traits, which we all have in varying degrees, are relevant to organisational behaviour: Machiavellianism, narcissism and psychopathy. Owing to their negative nature, researchers have labelled these three traits the Dark Triad—although they don't always occur together.[37]

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

The Dark Triad may sound sinister, but these traits are not clinical pathologies hindering everyday functioning. They might be expressed particularly strongly when an individual is under stress and unable to moderate any inappropriate responses. Sustained high levels of dark personality traits can cause individuals to derail their careers and personal lives.[38]

Machiavellianism

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

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

The personality characteristic of **Machiavellianism** (often abbreviated to *Mach*) is named after Niccolo Machiavelli, who wrote in the 16th century on how to gain and use power. An individual high in Machiavellianism is pragmatic, maintains emotional distance and believes that ends can justify means. 'If it works, use it' is consistent with a high-Mach perspective. A considerable amount of research has found that high Machs manipulate more, win more, are persuaded less and persuade others more than do low Machs.[39] They're more likely to act aggressively and to engage in other counterproductive work behaviours as well. Surprisingly, Machiavellianism does not positively predict overall job performance.[40] High-Mach employees, by manipulating others to their advantage, win in the workplace in the short term, but they lose those gains in the long term because they're not well liked.

The effects of Machiavellianism depend somewhat on the context. The reason, in part, is that individuals' personalities affect the situations they choose. One study showed that high-Mach job-seekers were less positively affected by knowing an organisation engaged in a high level of corporate social responsibility (CSR).[41] Another study found that Machs' ethical leadership behaviours were less likely to translate into followers' work engagement, because followers 'see through' these behaviours and realise it's a case of surface acting.[42]

Narcissism

Sabrina likes to be the centre of attention. She often looks at herself in the mirror, has extravagant dreams and considers herself a person of many talents. Sabrina is a narcissist. The trait is named for the Greek myth of Narcissus, a youth so vain and proud he fell in love with his own image. In psychology, **narcissism** describes a person who has a grandiose sense of self-importance, requires excessive admiration, has a sense of entitlement and is arrogant. Narcissists often have fantasies of grand success, a tendency to exploit situations and people, a sense of entitlement and a lack of empathy.[43] However, narcissists can be hypersensitive and fragile people.[44]

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

While narcissism seems to be relatively unrelated to job effectiveness or OCB,[45] it's one of the largest predictors of increased CWB in individualistic cultures—but not in collectivist cultures that discourage self-promotion.[46] Narcissists commonly think they're overqualified for their positions.[47] When they receive feedback about their performance, they often ignore information that conflicts with their positive self-perception—but they'll work harder if rewards are offered.[48]

On the positive side, narcissists may be more charismatic than others.[49] They also might be found in business more often than in other fields. They're more likely to be chosen for leadership positions, and medium ratings of narcissism (neither extremely high nor extremely low) are positively correlated with leadership effectiveness.[50] Some evidence suggests that narcissists are more adaptable and make better business decisions than others when the issue is complex.[51] A study of Norwegian bank employees found those scoring high on narcissism enjoyed their work more.[52]

Special attention has been paid to narcissistic CEOs who make more acquisitions, pay higher premiums for those acquisitions, respond less clearly to objective measures of performance and respond to media praise by making even more acquisitions.[53] Narcissism and its effects are not confined to CEOs or celebrities. Like the effects of Machiavellianism, those of narcissism vary by context, but are evident in all areas of life.

Psychopathy

Psychopathy is part of the Dark Triad, but in organisational behaviour, it does not connote clinical mental illness. In the OB context, **psychopathy** is defined as a lack of concern for others, and a lack of guilt or remorse when your actions cause harm. Measures of psychopathy are an attempt to assess the motivation to comply with social norms; impulsivity; willingness to use deceit to obtain desired ends; and lack of empathic concern for others.

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

The literature is not consistent about whether psychopathy is important to work behaviour. One review found little correlation between measures of psychopathy and job performance or CWBs.[54] Another found that antisocial personality, which is closely related to psychopathy, was positively related to advancement in the organisation but unrelated to other aspects of career success and effectiveness.[55] Still other research suggests psychopathy is related to the use of hard influence tactics (threats, manipulation) and bullying work

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behaviour (physical or verbal threatening).[56] People who score high on psychopathy may gain power in an organisation but it may keep them from using this towards healthy ends for themselves or their organisations.

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

Other personality traits relevant to OB

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

Although the Big Five traits have proven highly relevant to OB, they don't exhaust the range of traits that can describe someone's personality. We'll now consider other, more specific attributes that are powerful predictors of behaviour in organisations. They are core self-evaluations, self-monitoring and proactive personality.

Core self-evaluations (CSEs)

People who have positive core self-evaluations like themselves and see themselves as effective, capable and in control of their environment. Those with negative core self-evaluations tend to dislike themselves, question their capabilities and view themselves as powerless over their environment.[57] As discussed in Chapter 3, core self-evaluations relate to job satisfaction because people positive on this trait see more challenge in their job and attain more complex jobs.

People with positive CSEs perform better than others because they set more ambitious goals, are more committed to their goals and persist longer in attempting to reach them.[58] People who have high CSEs provide better customer service, are more popular colleagues, and may have careers that begin on a better footing and ascend more rapidly over time.[59] They perform especially well if they feel their work provides meaning and is helpful to others.[60] Therefore, people with high CSEs may thrive in organisations with high corporate social responsibility (CSR).

Self-monitoring

Jill is always in trouble at work. Although she is competent, hardworking and productive, in performance reviews she is rated no better than average, and she seems to have made a career of irritating her bosses. Jill's problem is that she is politically clumsy. She is unable to adjust her behaviour to fit changing situations. As she puts it: 'I'm true to myself. I don't remake myself to please others'. We would describe Jill as a low self-monitor.



Blake Mycoskie, founder of TOMS Shoes, has the personality trait of positive core self-evaluation. Confident, capable and effective, he saw children in Argentina who suffered from injuries to their feet because they had no shoes and decided to do something about it by starting a company that gives shoes to children in need.
SOURCE: Donato Sardella/WireImage/Getty Images.

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self-monitoring A personality trait that measures an individual's ability to adjust their behaviour to external situational factors.

Self-monitoring describes an individual's ability to adjust their behaviour to external, situational factors.[61] Individuals high in self-monitoring show considerable adaptability in adjusting their behaviour to external situational factors. They're highly sensitive to external cues and can change their behaviour according to the situation. High self-monitors are capable of presenting striking contradictions between their public persona and their private self. Low self-monitors, like Jill, cannot disguise themselves in that way. They tend to display their true dispositions and attitudes in every situation—that is, there's high behavioural consistency between who they are and what they do.

Evidence indicates that high self-monitors pay closer attention to the behaviour of others and are more capable of conforming than are low self-monitors.[62] High self-monitor employees show less commitment to their organisations but receive better performance ratings and are more likely to emerge as leaders.[63] High self-monitor managers tend to be more mobile in their careers, receive more promotions (both internal and cross-organisational) and are more likely to occupy central positions in organisations.[64]

Myth or science?



'We can accurately judge individuals' personalities a few seconds after meeting them'

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

Some traits, such as extraversion, are easier to perceive than others on initial acquaintance, but less obvious traits, such as self-esteem, are also often judged accurately by others. Even being forced to make intuitive, quick judgements rather than deliberate evaluations doesn't seem to undermine the accuracy of the appraisals.

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

The moderate accuracy of these 'thin slices' (quick inferences from short experiences) helps to explain the moderate validity of employment interviews. Specifically, research shows that interviewers make up their minds about candidates within 2 minutes of first meeting them. While this is hardly an ideal way to make important employment decisions, the research on personality shows these judgements do have some level of validity. It's important to keep in mind, however, that although we can ascertain people's personalities quickly, we should keep an open mind and suspend judgement. There's always more to people than first meets the eye.

SOURCES: Based on A. Beer, 'Comparative personality judgments: replication and extension of robust findings in personality perception using an alternative method', *Journal of Personality Assessment* 96, no. 6, 2014, pp. 610–18; M. Gladwell, *Blink: The Power of Thinking Without Thinking*, Boston, MA: Back Bay Books, 2007; S. Hirschmüller, B. Egloff, S. C. Schmukle, S. Nestler and M. D. Back, 'Accurate judgments of neuroticism at zero acquaintance: a question of relevance', *Journal of Personality* 83, no. 2, 2015, pp. 221–8; S. Hirschmüller, B. Egloff, S. Nestler and D. Mitja, 'The dual lens model: a comprehensive framework for understanding self–other agreement of personality judgments at zero acquaintance', *Journal of Personality and Social Psychology* 104, 2013, pp. 335–53; and J. M. Stopfer, B. Egloff, S. Nestler and M. D. Back, 'Personality expression and impression formation in online social networks: an integrative approach to understanding the processes of accuracy, impression management, and meta-accuracy', *European Journal of Personality* 28, 2014, pp. 73–94.

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Proactive personality

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

Have you ever noticed that some people take the initiative to improve their current circumstances or create new ones? These are proactive people.[65] Those with a proactive personality identify opportunities, show initiative, take action and persevere until meaningful change occurs, unlike those who generally react to situations. Proactive individuals have many desirable behaviours that organisations covet. They have higher levels of job performance[66] and don't need much supervision.[67] They tend to be satisfied with their jobs, committed to their organisations and engage in more networking behaviours.[68] Proactive individuals often achieve career success.[69]

A proactive personality may be important for work teams. One study of 95 Research and Development (R&D) teams in 33 Chinese companies revealed that teams with high-average levels of proactive personality were more innovative.[70] Proactive individuals are also more likely to exchange information with others in a team, which builds trust relationships.[71] Like other traits, proactive personality is affected by the context. One study of bank branch teams in China found that if a team's leader was not proactive, the benefits of the team's proactivity became dormant or, worse, was suppressed by the leader.[72] In terms of pitfalls, one study of 231 Flemish unemployed individuals found that proactive individuals abandoned their job searches sooner. It may be that proactivity includes stepping back in the face of failure.[73]

In short, while proactive personality may be important to individual and team performance, like all traits it may have downsides, and its effectiveness may depend on the situation.

Personality, job search and unemployment

4.4 Describe how personality affects job search and unemployment.

As we've discussed, there are many ways that various personality traits (from several different frameworks) affect on-the-job outcomes. But how does personality affect our behaviours when we're not working? How does personality influence our job search outcomes and operate during periods of unemployment? You can imagine that these periods may be more exciting for those who have a proactive personality, as introduced in the previous section.[74] But the influence of personality is more nuanced than that.

A relevant question involves the behaviours of those who are unemployed and looking for a job: What personality characteristics predict job search behaviours (e.g. networking intensity) among the unemployed? Many studies of unemployed job seekers have found that conscientiousness and extraversion were predictive of networking intensity, general job search intensity, interview callbacks and job offers, even after controlling for demographic characteristics and the time spent unemployed.[75] Conscientiousness is such a powerful predictor that in one study of 4000 British adolescents, the less conscientious of them were twice as likely to be unemployed than those with higher conscientiousness levels.[76] Research in Finland suggests that time structure (i.e. ensuring that your time is structured and purposefully used) is also important for enabling the unemployed to cope effectively with unemployment, with conscientiousness strongly predicting the creation of time structure even above and beyond contextual factors that might impede time structure (e.g. household demands and having children).[77] Overall, one review suggests that conscientiousness and extraversion are the two strongest predictors of job search behaviour, although self-esteem and self-efficacy (parts of CSE) are also important.[78]

Additional research on unemployed university students suggests that positive affectivity is also important in getting interviews, job offers and becoming employed—primarily because the positive affect enables the students to have a clearer and more open perspective towards the job search process, engage in more self-monitoring of motivation and reduce procrastination.[79] Negative affectivity and hostility can have the reverse effect—in one sample of Finnish employees tracked over 15 years, unemployed individuals became more hostile and remained unemployed longer as a result of being hostile.[80]

It appears that extraversion, conscientiousness and positive affectivity have a substantial effect on becoming employed and coping with unemployment (with negative affectivity and hostility having equivalent negative effects). If you find yourself in a situation where you're unemployed,

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can you expect your personality to change? Or can you change your behaviour to act in a way that goes against your traits? First, it appears as if 'approach' and 'avoidance' traits (e.g. traits that lead to approaching challenges head-on or avoiding them) have an effect on job search—for example, extraversion, conscientiousness, proactive personality and positive effect have a positive effect, whereas negative affect, hostility, low self-esteem and self-efficacy have a negative effect.[81] As such, it might be worth trying to adopt an 'approach' orientation— take the challenge head on, try to stay positive and organised and build your network! Second, some research in Germany suggests that your personality *can* change after unemployment—in a sample of nearly 7000 unemployed adults who were tracked over 4 years, significant patterns of change in agreeableness, conscientiousness and openness were uncovered.[82] As we'll discuss further in the next section, the situation and context matter as well. The experience of unemployment is not the same for everyone across the board—it can be different for new entrants to the labour market (university graduates), those who have just lost their jobs, and those who are employed and seeking a new position.[83]

4.5 Describe how a situation affects whether personality predicts behaviour.

Personality and situations

Earlier we discussed how research shows that heredity is more important than the environment in developing our personalities. The environment is not irrelevant, though. Some personality traits, such as the Big Five, can be effective in many environments or situations. For example, research indicates conscientiousness is helpful to the performance of most jobs, and extraversion is related to emergence as a leader in most situations. However, we're learning that the effect of particular traits on organisational behaviour may depend on the situation. Two theoretical frameworks—situation strength and trait activation—help explain how this works.

Situation-strength theory

Imagine you're in a meeting with your department. How likely are you to walk out in the middle of the meeting, shout at someone, turn your back on the group or fall asleep? Probably highly unlikely. Now consider that you're working from home. You might work in your pyjamas, listen to loud music or take a nap.

situation-strength theory
A theory that proposes that the way personality translates into behaviour depends on the strength of the situation.

Situation-strength theory proposes that the way personality translates into behaviour depends on the strength of the situation. By situation strength, we mean the degree to which norms, cues or standards dictate appropriate behaviour.[84] Strong situations show us what the right behaviour is, pressure us to exhibit it and discourage the wrong behaviour. In weak situations, conversely, 'anything goes', so we're freer to express our personality in behaviour. As such, personality traits better predict behaviour in weak situations than in strong ones.

Researchers have analysed situation strength in organisations in terms of four elements:[85]

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

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

But that doesn't mean it's always desirable for organisations to create strong situations for their employees. First, jobs with myriad rules and tightly controlled processes can be dull or demotivating. Imagine that all work was executed with an assembly-line approach. Most of us prefer having some freedom to decide how to do our work. Second, people do differ, so what works well for one person might work poorly for another. Third, strong situations might suppress the creativity, initiative and discretion prized by some cultures. One recent study, for example, found that in weak organisational situations, employees were more likely to behave proactively in accordance with their values.[86] Finally, work is increasingly complex and interrelated globally. Creating strong rules to govern complex, interrelated and culturally diverse systems might be not only difficult but unwise. Managers need to recognise the role of situation strength in the workplace and find the appropriate balance.

Trait activation theory

Another important theoretical framework towards understanding situational activators for personality is the trait activation theory (TAT). TAT predicts that some situations, events or interventions 'activate' a trait more than others. For example, a commission-based compensation plan would likely activate individual differences in extraversion because extraversion is more reward sensitive than, say, openness. Conversely, in jobs that allow expression of individual creativity, individual differences in openness may better predict creative behaviour than individual differences in extraversion would. See Exhibit 4.2 for specific examples.

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

A recent study found that people learning online responded differently when their behaviour was being electronically monitored. Those who had a high fear of failure had higher evaluation

EXHIBIT 4.2 Trait activation theory: jobs in which certain Big Five traits are more relevant

Detail orientation required	Social skills required	Competitive work	Innovation required	Dealing with angry people	Time pressure (deadlines)
Jobs scoring high (the traits listed here should predict behaviour in these jobs)					
Air traffic controller	Clergy	Coach/scout	Actor	Prison guard	Broadcast news analyst
Accountant	Therapist	Financial manager	Systems analyst	Telemarketer	Editor
Legal secretary	Concierge	Sales representative	Advertising writer	Flight attendant	Airline pilot
Jobs scoring low (the traits listed here should not predict behaviour in these jobs)					
Forester	Software engineer	Postal clerk	Court reporter	Composer	Skincare specialist
Masseuse	Pump operator	Historian	Archivist	Biologist	Mathematician
Model	Broadcast technician	Nuclear reactor operator	Medical technician	Statistician	Fitness trainer
Jobs that score high activate these traits (making them more relevant to predicting behaviour)					
Conscientiousness (+)	Extraversion (+) Agreeableness (+)	Extraversion (+) Agreeableness (–)	Openness (+)	Extraversion (+) Agreeableness (+) Neuroticism (–)	Conscientiousness (+) Neuroticism (–)

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

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apprehension than others and learned significantly less. In this case, a feature of the environment (electronic monitoring) activated a trait (fear of failing), and the combination of the two meant lowered job performance.[87] TAT can also work in a positive way. A study applying TAT found that individual differences in the tendency to behave prosocially mattered more when co-workers weren't supportive. In other words, in a supportive environment, everyone behaves prosocially, but in an environment that isn't so nice, whether an individual has the personality to behave prosocially makes a major difference.[88]

Together, situation strength and trait activation theories show that the debate over nature versus nurture might best be framed as nature and nurture. Not only does each affect behaviour, but they interact with one another. Put another way, personality and the situation both affect work behaviour, but when the situation is right, the power of personality to predict behaviour is even higher.[89]

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

4.6 Contrast terminal and instrumental values.

Values

Is gay marriage acceptable or unacceptable? Should terminally ill people be allowed to end their lives quickly and painlessly? The answers to these questions are value-laden. Some might argue that gay marriage is acceptable because everyone deserves the right to marry the person they love, regardless of their sexuality. Others might argue, just as strongly, that religion dictates that marriage must be between a man and a woman.

values Basic convictions that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or a converse mode of conduct or end state of existence.

value system A hierarchy based on a ranking of an individual's values in terms of their intensity.

Values represent basic convictions that 'a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or a converse mode of conduct or end-state of existence'.[90] They contain a judgemental element because they reflect a person's ideas about what's right, good or desirable. Values have content and intensity attributes. The content attribute says that a mode of conduct or end-state of existence is *important*. The intensity attribute specifies *how important* it is. When we rank an individual's values in terms of their intensity, we obtain that person's value system. All of us have a hierarchy of values that forms our value system. We find it in the relative importance we assign to values such as freedom, pleasure, self-respect, honesty, obedience and equality.

Values generally aren't fluid and flexible. They tend to be relatively stable and enduring.[91] A significant portion of the values we hold is established in our early years—by parents, teachers, friends and others. As children, we're told that certain behaviours or outcomes are *always* desirable or *always* undesirable, with few grey areas. You were never taught to be just a little bit honest or a little bit responsible, for example. It's this absolute, or 'black-or-white', learning of values that ensures their stability and endurance. If we question our values, of course, they may change, but more often questioning reinforces them. There's also evidence linking personality to values, implying that our values may be partly determined by our genetically transmitted traits.[92]

To explore the topic further, we'll discuss the importance and organisation of values first.

The importance of values

Values lay the foundation for our understanding of people's attitudes and motivation and influence our perceptions. We enter an organisation with preconceived notions of what 'ought' and 'ought not' to be. These notions are not value free; on the contrary, they contain our interpretations of right and wrong. Furthermore, they imply that we prefer certain behaviours or outcomes over others. As a result, values cloud objectivity and rationality; they influence attitudes and behaviour.[93]

Suppose you enter an organisation with the view that being paid on the basis of performance is right, while being paid on the basis of seniority is wrong. How will you react if you find that the organisation you've just joined rewards seniority and not performance? You're likely to be disappointed, and this can lead to job dissatisfaction and a decision not to work hard. You may

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even decide that working harder is counterproductive because it probably isn't going to lead to more money anyway. Would your attitudes and behaviour be different if your values aligned with the organisation's pay policies? Most likely.

Terminal versus instrumental values

How can we organise values? One researcher—Milton Rokeach—argued that we can separate them into two categories.[94] One set, called terminal values, refers to desirable end-states. These are the goals a person would like to achieve during a lifetime. The other set, called instrumental values, refers to preferable modes of behaviour, or means of achieving the terminal values. Some examples of terminal values are prosperity and economic success, freedom, health and well-being, world peace and meaning in life. Examples of instrumental values are autonomy and self-reliance, personal discipline, kindness and goal-orientation. Each of us places value on both the ends (terminal values) and the means (instrumental values). A balance between the two is important, as is an understanding of how to strike this balance.

terminal values Desirable end states of existence; the goals a person would like to achieve during their lifetime.

instrumental values Preferable modes of behaviour or means of achieving your terminal values.

Generational values

Researchers have integrated several recent analyses of work values into four groups that attempt to capture the unique values of different cohorts or generations in today's workforce.[95] You'll surely be familiar with the labels, some of which are used internationally. It's important to remember that, while categories are helpful, they represent trends, not the beliefs of individuals. Exhibit 4.3 segments employees by the era during which they entered the workforce. Because most people start work between the ages of 18 and 23, the eras also correlate closely with employee age.

Although it's fascinating to think about generational values, remember that these classifications lack solid research support. Early research was plagued by methodological problems that made it difficult to assess whether differences actually exist. Reviews suggest many of the generalisations are either overblown or incorrect.[96] Differences across generations often don't support popular conceptions of how generations differ. For example, the value placed on leisure has increased over generations from the baby boomers to the millennials, and work centrality has declined, but research did not find that millennials had more altruistic work values.[97] Generational classifications may help us understand our own and other generations better, but we must also appreciate their limits.

EXHIBIT 4.3 Dominant work values in today's workforce

Cohort	Entered the workforce	Approximate current age	Dominant work values
Boomers	1965–1985	50s to 70s	Success, achievement, ambition, dislike of authority; loyalty to career
Xers	1985–2000	30s to 50s	Work–life balance, team-oriented, dislike of rules; loyalty to relationships
Millennials	2000 to present	20s to late 30s	Confident, financial success, self-reliant but team-oriented; loyalty to both self and relationships
Gen Z	Beginning to enter now	Childhood to 23	Mobility, job security, fun, flexibility, well-being, cultural transparency

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4.7 Describe the differences between personality–job fit and person–organisation fit.

Linking an individual's personality and values to the workplace

Thirty years ago, organisations were concerned only with personality because their primary focus was to match individuals to specific jobs. While this is still the case today, it has expanded to include how well the individual's personality *and* values match the organisation because managers today are less interested in an applicant's ability to perform a *specific* job than with both their *flexibility* to meet changing situations and their commitment to the organisation.

Let's look at personality–job fit and person–organisation fit in more detail.

Personality–job fit

personality–job fit theory
A theory that identifies six personality types and proposes that the fit between personality type and occupational environment determines satisfaction and turnover.

The effort to match job requirements with personality characteristics is best articulated in John Holland's personality–job fit theory.[98] Holland presents six personality types and proposes that satisfaction and the propensity to leave a position depend on how well individuals match their personalities to a job. Exhibit 4.4 describes the six types and their personality characteristics, and gives examples of the congruent occupations for each.

Holland developed the Vocational Preference Inventory questionnaire, which contains 160 occupational titles. Respondents indicate which they like or dislike, and their answers form personality profiles. Research strongly supports the resulting hexagonal diagram shown in Exhibit 4.5.[99] The closer two fields or orientations are in the hexagon, the more compatible they are. Adjacent categories are quite similar, whereas diagonally opposite ones are highly dissimilar.

What does all this mean? The theory argues that satisfaction is highest and turnover lowest when personality and occupation are in agreement. A realistic person in a realistic job is in a more congruent situation than a realistic person in an investigative job. A realistic person in a social job is in the most incongruent situation possible. The key points of this model are that: (1) there do appear to be intrinsic differences in personality between individuals; (2) there are different types of jobs; and (3) people in jobs congruent with their personality should be more satisfied and less likely to voluntarily resign than people in incongruent jobs.

EXHIBIT 4.4 Holland's typology of personality and congruent occupations

Type	Personality characteristics	Congruent occupations
Realistic: Prefers physical activities that require skill, strength and coordination	Shy, genuine, persistent, stable, conforming, practical	Mechanic, drill press operator, process worker, farmer
Investigative: Prefers activities that involve thinking, organising and understanding	Analytical, original, curious, independent	Biologist, economist, mathematician, journalist
Social: Prefers activities that involve helping and developing others	Sociable, friendly, cooperative, understanding	Social worker, teacher, counsellor, clinical psychologist
Conventional: Prefers rule-regulated, orderly and unambiguous activities	Conforming, efficient, practical, unimaginative, inflexible	Accountant, corporate manager, bank teller, administrative officer
Enterprising: Prefers verbal activities in which there are opportunities to influence others and attain power	Self-confident, ambitious, energetic, domineering	Lawyer, real estate agent, public relations specialist, small business owner
Artistic: Prefers ambiguous and unsystematic activities that allow creative expression	Imaginative, disorderly, idealistic, emotional, impractical	Painter, musician, writer, interior designer

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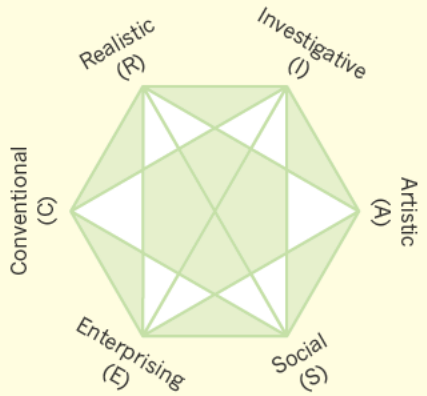
EXHIBIT 4.5 Relationships among occupational personality types



SOURCE: Psychological Assessment Resources, Inc., from *Making Vocational Choices* (3rd edn), Copyright 1973, 1985, 1992, 1997 by Psychological Assessment Resources, Inc. All rights reserved.

Person–organisation fit

We've noted that researchers in recent years have looked at matching people to *organisations* as well as to jobs. If an organisation faces a dynamic and changing environment and expects employees to be able to readily change tasks and move easily between teams, it's more important that employees' personalities fit with the overall organisational culture than with the characteristics of any specific job.

person–organisation fit A theory that people are attracted to and selected by organisations that match their values, and that they leave when there is no compatibility.

Person–organisation fit essentially means people are attracted to and selected by organisations that match their values, and they leave organisations that are not compatible with their personalities.[100] Using the Big Five terminology, for instance, we could expect that extraverts fit well with aggressive and team-oriented cultures; people high on agreeableness match better with a supportive organisational climate; and highly open people fit better in organisations that emphasise innovation rather than standardisation.[101] Following these guidelines when hiring should yield employees who fit better with the organisation's culture, which should, in turn, result in higher employee satisfaction and reduced turnover. Research on person–organisation fit also looked at whether people's values match the organisation's culture. A match predicts high job satisfaction, commitment to the organisation and task performance, as well as low turnover.[102]

It's more important than ever for organisations to manage their image online because job seekers view company websites as part of their pre-application process. Applicants want to see a user-friendly website that provides information about company philosophies and policies. For example, millennials in particular may react positively when they perceive that an organisation is committed to work/life balance. The website is so important to the development of perceived person–organisation fit that improvements to its style (usability) and substance (policies) can lead to more applicants.[103]

Other dimensions of fit

Although personality–job fit and person–organisation fit are considered the most salient dimensions for workplace outcomes, other avenues of fit are worth examining. These include person–group fit and person–supervisor fit.[104] Person–group fit is important in team settings, where the dynamics of team interactions significantly affect work outcomes. Person–supervisor fit has become an important area of research because poor fit in this dimension can lead to lower job satisfaction and reduced performance.

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Ethical choice

Do you have a cheating personality?



Stories of widespread cheating have been on the rise, leading many experts to conclude that the incidence of cheating is increasing. Recently, two Macquarie University graduates were stripped of their degrees for cheating after they submitted essays they had bought from an online service known as MyMaster. A further ten students were prevented from graduating after they failed subjects they were found to have cheated in. Following revelations that 70 students from the universities of Newcastle and Sydney, and several other major universities, were caught up in a cheating scandal based on their use of an online essay-writing company, the Independent Commission Against Corruption (ICAC) urged universities to step up their protocols to eliminate cheating, particularly among international students.

Like most complex behaviours, cheating in school, at work and in life is a product of the person and the situation. As for the person, research reveals that certain traits are related to the tendency to cheat, including high levels of narcissism, low levels of conscientiousness and agreeableness, and high levels of competitiveness. One study of business students found that narcissism was especially likely to translate into cheating for the very religious.

As for the situation, experts find cheating increases when it is easier to cheat (such as on take-home exams), when there is greater pressure to cheat, and when clear standards are lacking or are not reinforced (such as when an organisation's sexual harassment policy isn't communicated to employees). Surveys reveal, for example, that most employees have never read their organisation's policies on ethical conduct.

How can this research help inform you as a student and as an employee?

1. Recognise situations that are more likely to provoke pressures to cheat. Being explicit and open with yourself about your response to these pressures should keep you from succumbing to a moral blind spot where you engage in behaviour without considering its ethical undertones.
2. If you score high on certain traits that predispose you to cheat, this doesn't mean you are destined to cheat. However, you should realise that you may be more susceptible and therefore need to be especially wary about placing yourself in situations where there's pressure or opportunity to cheat.

SOURCES: 'Macquarie University cancels degrees and fails students involved in MyMaster cheating scandal', *ABC News*, 28 May 2015; 'ICAC urges unis to curb cheating by boosting protocols', *ABC News*, 16 April 2015; M. J. Cooper and C. Pullig, 'I'm number one! Does narcissism impair ethical judgment even for the highly religious?', *Journal of Business Ethics* 112, 2013, pp. 167–76; H. E. Hershfield, T. R. Cohen and L. Thompson, 'Short horizons and tempting situations: lack of continuity to our future selves leads to unethical decision making and behavior', *Organizational Behavior and Human Decision Processes* 117, 2012, pp. 298–310; M. Carmichael, 'Secret e-mail searches on Harvard cheating scandal broader than initially described', *Boston Globe*, 2 April 2013; P. E. Mudrack, J. M. Bloodgood and W. H. Turnley, 'Some ethical implications of individual competitiveness', *Journal of Business Ethics* 108, 2012, pp. 347–59; and R. Pérez-Peña, 'Studies find more students cheating, with high achievers no exception', *The New York Times*, 8 September 2012, p. A13.

All dimensions of fit are sometimes broadly referred to as person–environment fit. Each dimension can predict work attitudes, which are partially based on culture. A recent meta-analysis of person–environment fit in East Asia, Europe and North America suggested the dimensions of person–organisation and personality–job fit are the strongest predictors of positive work attitudes and performance in North America. These dimensions are important to a lesser degree in Europe, and they are least important in East Asia.[105]

4.8 Compare Hofstede's five value dimensions and the GLOBE framework.

Cultural values

Unlike personality, which is largely genetically determined, values are learned. They're passed down through generations and vary by cultures. As researchers have sought to understand cultural value differences, two important frameworks have emerged: one is from Dutch social psychologist Geert Hofstede and the other from the GLOBE research program.

Hofstede's framework for assessing cultures

One of the most widely referenced approaches for analysing variations between cultures was undertaken in the late 1970s by Geert Hofstede.[106] He surveyed more than 116 000 IBM

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employees in 40 countries about their work-related values and found that managers and employees vary on five value dimensions of national culture:

- *Power distance.* Power distance describes the degree to which people in a country accept that power in institutions and organisations is distributed unequally. A high rating on power distance means that large inequalities of power and wealth exist and are tolerated in the culture, as in a class or caste system that discourages upward mobility. A low power distance rating characterises societies that stress equality and opportunity.
- *Individualism versus collectivism.* Individualism is the degree to which people prefer to act as individuals rather than as members of groups, and believe in individual rights above all else. Collectivism emphasises a tight social framework among people in groups where the expectation is that others in the group will look after them and protect them.
- *Masculinity versus femininity.* Hofstede's construct of masculinity is the degree to which the culture favours traditional masculine roles, such as achievement, power and control, as opposed to viewing men and women as equals. A high masculinity rating indicates that the culture has separate roles for men and women, with men dominating the society. A high femininity rating means that the culture sees little differentiation between male and female roles and treats women as the equal of men in all respects.
- *Uncertainty avoidance.* The degree to which people in a country prefer structured over unstructured situations defines their uncertainty avoidance. In cultures that score high on uncertainty avoidance, people have an increased level of anxiety about uncertainty and ambiguity and use laws and controls to reduce uncertainty. Cultures low on uncertainty avoidance are more accepting of ambiguity, less rule-oriented, take more risks and more readily accept change.
- *Long-term versus short-term orientation.* This newest addition to Hofstede's typology measures a society's devotion to traditional values. People in a culture with long-term orientation look to the future and value thrift, persistence and tradition. In a short-term orientation people value the here and now, accept change more readily and don't see commitments as impediments to change.

So how do different countries score on Hofstede's dimensions? Power distance is higher in Malaysia than in any other country. The United States is very individualistic; in fact, it's the most individualistic nation of all (closely followed by Australia and Great Britain). Guatemala is the most collectivistic nation. The country with the highest masculinity rank by far is Japan, and the country with the highest femininity rank is Sweden. Greece scores the highest in uncertainty avoidance, while Singapore scores the lowest. Hong Kong has one of the longest term orientations; Pakistan has the shortest term orientation.

Research across 598 studies with more than 200 000 respondents has investigated the relationship of Hofstede's cultural values and a variety of organisational criteria at both the individual and national levels of analysis.[107] Overall, the five original culture dimensions were found to be equally strong predictors of relevant outcomes. The researchers also found measuring individual scores resulted in much better predictions of most outcomes than assigning all people in a country the same cultural values. This research suggests Hofstede's framework may be a valuable way of thinking about differences among people, but we should be cautious about assuming all people from a country have the same values.

power distance A national culture attribute that describes the extent to which a society accepts that power in institutions and organisations is distributed unequally.

individualism A national culture attribute that describes the degree to which people prefer to act as individuals rather than as members of groups.

collectivism A national culture attribute that describes a tight social framework among people in groups where the expectation is that others in the group will look after them and protect them.

masculinity A national culture attribute that describes the extent to which the culture favours traditional masculine work roles of achievement, power and control. Societal values are characterised by assertiveness and materialism.

femininity A national culture attribute that has little differentiation between male and female roles, where women are treated as the equal of men in all aspects of the society.

uncertainty avoidance A national culture attribute that describes the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid them.

long-term orientation A national culture attribute that emphasises the future, thrift and persistence.

short-term orientation A national culture attribute that emphasises the here and now.

The GLOBE framework for assessing cultures

Begun in 1993, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program is an ongoing cross-cultural investigation of leadership and national culture. Using data from 825 organisations in 62 countries, the GLOBE team identified nine dimensions on which national cultures differ.[108] Some—such as power distance, individualism/collectivism, uncertainty avoidance, gender differentiation (similar to masculinity versus femininity) and future orientation (similar to long-term versus short-term orientation)—resemble the Hofstede dimensions. The main difference is that the GLOBE framework added dimensions such as humane orientation (the degree to which a society rewards individuals

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According to Hofstede's framework, many Asian countries have a strong collectivist culture that fosters a team-based approach to work. These employees in a department store outlet in Busan, South Korea, are likely to consider the success of their team as more important than personal success on the job.
SOURCE: Yonhap News/YNA/Newscom.

for being altruistic, generous and kind to others) and performance orientation (the degree to which a society encourages and rewards group members for performance improvement and excellence).

Comparing Hofstede's framework with the GLOBE framework

Which framework is better? That's hard to say, and each has its adherents. We give more emphasis to Hofstede's dimensions here because they have stood the test of time and the GLOBE study confirmed them. For example, a review of the organisational commitment literature shows both the Hofstede and GLOBE individualism/collectivism dimensions operated similarly. Specifically, both frameworks showed organisational commitment tends to be lower in individualistic countries.[109] Both frameworks have a great deal in common, and each has something to offer.

Summary

Personality matters to organisational behaviour. It doesn't explain all behaviour, but it sets the stage. Emerging theory and research reveal how personality matters more in some situations than others. The Big Five has been a particularly important advancement, although the Dark Triad and other traits matter as well. Moreover, every trait has advantages and disadvantages for work behaviour. There's no perfect constellation of traits that's ideal in every situation. Personality can help you understand why people (including yourself!) act, think and feel the way you do, and the astute manager can put that understanding to use by taking care to place employees in situations that best fit their personality. An understanding of personality can also help you understand what strengths you may have (and should strive for) when searching for a job.

Values often underlie and explain attitudes, behaviours and perceptions. Values tend to vary internationally along dimensions that can predict organisational outcomes; however, an individual may or may not hold values that are consistent with the values of the national culture.

Implications for managers

- Consider screening job candidates for high conscientiousness—as well as the other Big Five traits, depending on the criteria your organisation finds most important. Other traits, such as core self-evaluation or narcissism, may be relevant in certain situations.

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- You need to evaluate your employees' jobs, their work groups and your organisation to determine the optimal personality fit.
- Take into account employees' situational factors when evaluating their observable personality traits, and lower the situation strength to better ascertain personality characteristics.
- Although the Myers–Briggs Type Indicator (MBTI) has been widely criticised, it may have a place in organisations. You may consider the results helpful for training and development; the results can also help employees better understand themselves, help team members better understand each other, open up communication in work groups and possibly reduce conflicts.

MILLENNIALS ARE MORE NARCISSISTIC

POINT

Students at university today have many good qualities: they're more technologically savvy, more socially tolerant and more balanced in their work and family priorities than previous generations. As such, those poised to enter the workforce today do so with some important virtues. Humility, however, isn't one of them.

Several large-scale, longitudinal studies found that students graduating from university today are more likely than those from previous generations to have seemingly inflated views of themselves. Take students in the United States, for example. Compared to previous generations, more US college students now rate themselves as above average on attributes such as academic ability, leadership, public speaking ability and writing ability. College graduates today are more likely to agree they would be 'very good' spouses (56%, compared to 37% among 1980 graduates), parents (54%, compared to 36% among 1980 graduates) and workers (65%, compared to 49% among 1980 graduates).

Studies measuring narcissism suggest that scores are rising, especially among younger generations. For example, by presenting a choice between two statements—'I try not to be a show-off' versus 'I will usually show off if I get the chance'—psychologists have found that narcissism has been growing since the early 1980s.

Another recent study found that compared to baby boomers and Generation X, students entering university today are more likely to emphasise extrinsic values (money, image, fame) and less likely to value intrinsic ones (concern for others, charity, jobs that contribute to society).

It doesn't paint a pretty picture, but data don't lie: the sooner we admit it, the sooner we can begin to address the problem in families, in education and at work.

COUNTERPOINT

'The youth of today are lost!' This argument is like a broken record that seems to play over and over: every generation tends to think the new generation is without values, and the new generation thinks the older one is hopelessly judgemental and out of touch. Didn't the supposed 'Me generation' occur a generation ago? Let's send the broken record to the recycling bin and review the evidence.

One study offered an interesting explanation for why people *think* millennials are more narcissistic. Specifically, young people in general are more self-focused, but as people age, they become more 'other' focused. So, we think young people are different when in fact they're just the way older people were when they were younger—in other words, 'Every generation is Generation Me'. Our level of narcissism appears to be one of the many things that change as we get older.

In fact, this raises an important point: values change over time as we age, but we shouldn't confuse that change with generational effects. One large-scale review of the literature revealed that during our university years, we place more weight on intrinsic values, and as we progress in our careers and start families, extrinsic values increase in importance.

Other research has found that people think the generations differ in their values much more than they actually do. One study found that of 15 work values, in every case the perceived differences among baby boomers, Generation Xers and millennials were greater than the actual differences.

More broadly, narcissistic individuals exist in every generation. We need to be careful when generalising about entire groups (whether one sex, one race, one culture or one generation). While generalisations have caused no small amount of trouble, we still like to simplify the world, sometimes for good reason. In this case, however, the good reason isn't there, especially considering the latest evidence.

SOURCES: J. M. Twenge, W. K. Campbell and E. C. Freeman, 'Generational differences in young adults' life goals, concern for others, and civic orientation, 1966–2009', *Journal of Personality and Social Psychology* 102, 2012, pp. 1045–62; J. Jin and J. Rounds, 'Stability and change in work values: a meta-analysis of longitudinal studies', *Journal of Vocational Behavior* 80, 2012, pp. 326–39; and S. W. Lester, R. L. Standifer, N. J. Schultz and J. M. Windsor, 'Actual versus perceived generational differences at work: an empirical examination', *Journal of Leadership & Organizational Studies* 19, 2012, pp. 341–54.

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Questions for review

1. What is personality? How do we typically measure it? What factors determine personality?
2. What are the strengths and weaknesses of the Myers–Briggs Type Indicator (MBTI) and the Big Five personality model?
3. How do the concepts of core self-evaluation (CSE), self-monitoring and proactive personality help us to understand personality?
4. What are the strongest predictors of job search behaviour?
5. How does the situation or environment affect the degree to which personality predicts behaviour?
6. What is the difference between terminal and instrumental values?
7. What are the differences between personality–job fit and person–organisation fit?
8. How do Hofstede's five value dimensions and the GLOBE framework differ?

Application and employability

An insight into your personality and values, along with how these are important in the workplace, can help you improve your employability skills. First, the workplace is a complex system filled with many interacting people. By understanding how these people have different values and behavioural tendencies, you will be better able to anticipate conflict and how to work among people with different personalities. Understanding that many organisations measure and assess personality is critical to knowing which elements of your personality to focus on developing to become more employable, depending on the position or work that you're interested in. Conversely, understanding how the situation either constrains or activates the expression of these behavioural traits or tendencies is also important for becoming more adaptable in the workplace. Understanding how people have values that vary in terms of their importance to organisations can help you make better decisions in deciding which companies you'd like to work for and understanding how you fit with the culture in an organisation you would like to work for. Cultures around the globe vary on the values that are important to them. Being aware of these different cultural values and spending time abroad can help you improve your cultural intelligence and interact more effectively with people of different cultural backgrounds.

In this chapter, you developed your critical thinking and knowledge application and analysis skills by finding out how to do well on personality tests and how personalities can be accurately judged within seconds after meeting someone, gaining insight into whether you have a cheating personality (and what you can do about it) and debating whether millennials are more narcissistic as a generation. Next, you'll develop these skills by exploring what values are most important to you and your classmates, examining the pitfalls of being nice and considering the role of personality in being a successful business consultant.

Experiential exercise

YOUR BEST SELF

The object of this game is to end up with the labels that best represent each person's values. The list of values, set out in numbered rows, on the opposite page represents 11 rounds of play. The game should be played in groups of four but can also be played in groups of three depending on the number of students in the class.

Each player will need a pen and a piece of paper on which to write the values they choose.

Refer to the list of values. For round 1, play begins with the person in the group whose name comes first in alphabetical order. That student picks one of the values in row 1 that represents them, crosses it off the list and writes it down. Values can only be used by one person at a time. Moving clockwise, the next person does the same, and so on, for row 1 until all the values have been taken.

For round 2, the first player can either choose a value from row 2, or take a value from one of the other players and add it to their list while the other player crosses that value off their list. The player whose value has been taken selects two new values from row 2. Play proceeds clockwise.

The rest of the rounds continue the same way, with a new row available for each round. At the end of the rounds, students rank the importance of the values they have accumulated.

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1.	Freedom	Integrity	Spirituality	Respect
2.	Loyalty	Achievement	Fidelity	Exploration
3.	Affection	Challenge	Serenity	Justice
4.	Charity	Discipline	Security	Mastery
5.	Prudence	Diversity	Kindness	Duty
6.	Wisdom	Inspiration	Harmony	Joy
7.	Depth	Compassion	Excellence	Tolerance
8.	Honesty	Success	Growth	Modesty
9.	Courage	Dedication	Empathy	Openness
10.	Faith	Service	Playfulness	Learning
11.	Discovery	Independence	Humour	Understanding

Questions

1. What are your top three values?
2. How well do they represent you?
3. Did you feel pressure to choose the values that might seem most socially acceptable?
4. Is there a value you would claim for yourself that's not on the list?
5. It's often argued that values are meaningful only when they conflict and we must choose between them. Do you think that was one of the objectives of this game? Do you agree with the premise of this argument for the game?

Case study 1

ON THE COSTS OF BEING NICE

Agreeable people tend to be kinder and more accommodating in social situations, which you might think could add to their success in life. However, one downside of agreeableness is potentially lower earnings. Research has shown the answer to this and other puzzles; some of them may surprise you.

First, and perhaps most obvious, agreeable individuals are less adept at a type of negotiation called distributive bargaining. As we discuss in Chapter 13, distributive bargaining is less about creating win–win solutions and more about claiming as large a share of the pie as possible. Because salary negotiations are generally distributive, agreeable individuals often negotiate lower salaries for themselves than they might otherwise get.

Second, agreeable individuals may choose to work in industries or occupations that earn lower salaries, such as the 'caring' industries of education and health care. Agreeable individuals are also attracted to jobs both in the public sector and in non-profit organisations. Third, the earnings of agreeable individuals may also be reduced by their lower drive to emerge as leaders and by their tendency to engage in lower degrees of proactive task behaviours, such as thinking of ways to increase organisational effectiveness.

While being agreeable certainly doesn't appear to help your pay cheque, it does provide other benefits. Agreeable individuals are better liked at work, more likely to help others at work, and generally happier at work and in life.

Nice guys and girls may finish last in terms of earnings, but wages don't define a happy life and, on that front, agreeable individuals have the advantage.

Questions

1. Do you think employers must choose between agreeable employees and top performers? Why or why not?
2. The effects of personality often depend on the situation. Can you think of some job situations where agreeableness is an important virtue and some where it's harmful to job performance?
3. In some research we've conducted, the negative effect of agreeableness on earnings has been stronger for men than for women (i.e. being agreeable hurt men's earnings more than women's). Why do you think this might be the case?

SOURCES: Based on T. A. Judge, B. A. Livingston and C. Hurst, 'Do nice guys—and gals—really finish last? The joint effects of sex and agreeableness on income', *Journal of Personality and Social Psychology* 102, 2012, pp. 390–407; J. B. Bernerth, S. G. Taylor, H. J. Walker and D. S. Whitman, 'An empirical investigation of dispositional antecedents and performance-related outcomes of credit scores', *Journal of Applied Psychology* 97, 2012, pp. 469–78; J. Carpenter, D. Doverspike and R. F. Miguel, 'Public service motivation as a predictor of attraction to the public sector', *Journal of Vocational Behavior* 80, 2012, pp. 509–23; and A. Neal, G. Yeo, A. Koy and T. Xiao, 'Predicting the form and direction of work role performance from the Big 5 model of personality traits', *Journal of Organizational Behavior* 33, 2012, pp. 175–92.

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Case study 2

SUCCESS IN BUSINESS CONSULTING: PERSONALITY DOES MATTER!

Jemma King is the founder and CEO of BioPsychAnalytics (BPA), an Australian-based organisation specialising in Advanced Human Performance Optimisation. BPA has developed scientifically validated methodologies to reduce stress and burnout, manage complex change, educate on negotiation, influence and improve behavioural outcomes in high-performing individuals, teams and organisations. In addition to completing a PhD and being a mum to three teenagers, Jemma works as a consultant to a range of organisations, including the Special Operations Training and Education Centre at the Australian Defence Force and the Australian Institute of Sport, as well as national-level sporting teams, racing car drivers and business executives.

As a highly experienced human behaviour specialist and public speaker, Jemma believes that her personality was critical to her early success. 'Consulting is a demanding gig. You need to be able to sell yourself and have the confidence to walk into a room and know that you can deliver. This can be scary and intimidating the first time that you do it! Thankfully, I'm naturally pretty extroverted and I'm not afraid of challenging situations. I'm also very open to trying new things and taking risks, and this helped me enormously during the early stages of my career.'

Business consulting also involves working long hours and dealing with stressful situations, such as managing difficult clients and functioning on very little sleep, while at the same time trying to maintain work/life balance. Jemma says that her personality traits have helped her to perform at a high level, saying, 'I'm lucky in that I am a pretty calm person, even when I am faced with a really tough situation. I don't tend to sweat the small stuff; if I feel stressed, I try to breathe and focus on what is most important in that moment. That helps me cope when I am feeling overwhelmed, and I think that it has definitely helped my performance and overall well-being'.

Questions

1. Considering the personality traits discussed in this chapter, how do you think an 'ideal' business consultant should score on these traits and why?
2. How might some of the 'Dark Triad' traits be helpful to business consultants? Explain your answer.
3. Based on your own experience, how does your personality influence how you cope in stressful situations? What steps could you take to improve how you function under pressure?

SOURCE: Jemma King, personal communication, 30 August 2018.

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CHAPTER

5 Emotions and moods

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

5.1 Differentiate between emotions and moods.

5.2 Identify the sources of emotions and moods.

5.3 Show the impact emotional labour has on employees.

5.4 Describe affective events theory.

5.5 Describe emotional intelligence.

5.6 Identify strategies for emotion regulation.

5.7 Apply concepts about emotions and moods to specific OB issues.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking			✓	✓	✓	✓	✓
Communication	✓	✓		✓			
Collaboration	✓	✓		✓			
Knowledge application and analysis			✓	✓	✓	✓	✓
Social responsibility		✓	✓	✓			

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The highs and lows of entrepreneurship

Dr. Jenine Beekhuyzen, a CEO, author, research consultant and founder of the Tech Girls are Superheroes campaign, believes that her emotions play a big part in the decisions that she makes. Tired of hearing that statistics say fewer than one in 20 girls in Australia consider pursuing careers in the science, technology, engineering and maths (STEM) fields, Beekhuyzen decided to find a way to encourage girls to explore STEM careers and capture their interest. As she told the ABC, 'I devised the Tech Girls Movement and Tech Girls are Superheroes campaign to present women who work in STEM as superhero characters … It's about empowering individuals, but hopefully [we can] create a critical mass where we can change the culture of the technology industry, which at the moment has a very skewed view of diversity'.



Creator of the Tech Girls are Superheroes campaign Dr. Jenine Beekhuyzen
SOURCE: Courtesy of Jenine Beekhuyzen.

Launched in 2014, Beekhuyzen's campaign is engaging and interactive. She regularly delivers presentations at schools around Australia in which she encourages girls to talk about technology and how they see themselves as cartoon superheroes. Additionally, girls are invited to create an app to enter in the Search for the Next Tech Girl Superhero competition. In order to participate, girls must work through a 12-week program that teaches them how to design, develop and build a prototype of an app that will make a positive difference to the community.

While there are plenty of positive experiences, Beekhuyzen notes that she experiences frustration almost on a daily basis in seeking funding and support for her work, explaining, 'I have a solution to a really important social problem which I'm implementing through a not-for-profit that I set up and run. Although I've been successful in implementing it on some level, everyone complains about the problem and it is difficult to get organisations to commit and seriously invest in my proven solution'. She admits that she has learned emotion regulation strategies over time, explaining that she has learned to walk away from a situation when she is angry and come back when she is feeling calmer. She also observes that her work is an emotional rollercoaster, saying, '[Some days I experience] pure joy that it results in tears and goosebumps. Seeing our tech girls pitch in Silicon Valley recently—girls as young as nine knocking the socks off execs and engineers at NASA and Google. Could not be prouder that I helped to make that happen. I feel like I jump from one end to the other end of the spectrum in terms of emotions pretty regularly … deep, deep highs and deep, deep lows'.

Overall, Beekhuyzen also believes that success has increased her confidence and ability to cope during challenging moments. 'The more successful the program I run, the easier it is to deal with negative emotions as I believe in myself far more than I used to.' Based on her extensive experiences, she recommends to other entrepreneurs that they should accept that emotions are a normal part of the journey, and learn how to use emotions to help them achieve success. 'Ride the emotion out. Accept it as a part of the journey

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and know that you cannot appreciate the highs without experiencing the lows. They balance each other out … Be proud of yourself often and don't buy into the 'I'm not good enough' talk in your head. Just do good work and good things will happen. Work hard and care as much as you can. It matters. You matter. The world needs more innovative people willing to take risks and think outside of the box. Use your positive emotions to leave the world a better place than when you arrived here.'

SOURCES: A. Funnell and R. Ryan, 'Superheroes summoned to engage girls in science and technology', ABC Radio National, 6 November 2015, <www.abc.net.au/radionational/programs/futuretense/superheroes-summoned-to-engage-girls-in-science-and-technology/6912876>; 'Tech girls are superheroes', Australian National University, 16 May 2014, <www.anu.edu.au/news/all-news/tech-girls-are-superheroes>; and Jenine Beekhuyzen, personal communication, 31 August 2018.

WHETHER OR NOT YOUR employer has a sensor trained on you to gauge them, your emotions do matter in the workplace. Emotions can greatly influence our attitude towards others, our decision making and our behaviours. They can even spark conflict with potentially disastrous consequences. In truth, we can't set aside our emotions, but we can acknowledge and work with them. And not all emotions have negative influences on us.

Given the obvious role emotions play in our lives, it might surprise you that, until recently, the field of Organisational Behaviour (OB) hasn't given the topic of emotions much attention, mainly because emotions in the workplace were historically thought to be detrimental to performance. Although managers knew emotions were an inseparable part of everyday life, they tried to create organisations that were emotion-free. Researchers tended to focus on strong negative emotions—especially anger—that interfered with an employee's ability to work effectively.

Thankfully, this type of thinking is changing. Certainly, some emotions can hinder performance, particularly those exhibited at the wrong time. Other emotions are neutral, and some are constructive. Employees bring their emotions to work every day, so no study of OB would be comprehensive without considering the role of emotions in workplace behaviour.

5.1 Differentiate between emotions and moods.

What are emotions and moods?

First, we need to discuss three terms that are closely intertwined: affect, emotions and moods. Affect is a generic term that covers a broad range of feelings, including both emotions and moods.[1] Emotions are intense, discrete and short-lived feeling experiences that are often caused by a specific event.[2] Moods are longer lived and less intense feelings than emotions and often arise without a specific event acting as a stimulus.[3] Exhibit 5.1 shows the relationships between affect, emotions and moods.

affect A broad range of feelings that people experience.

emotions Intense, discrete and short lived feeling experiences that are often caused by a specific event.

moods Feelings that tend to be longer lived and less intense than emotions and that lack a contextual stimulus.

Affect, emotions and moods are separable in theory; in practice the distinction isn't always clear. When we review the OB topics on emotions and moods, you may see more information about emotions in one area and moods in another. This is simply the state of the research. Let's start with a review of the basic emotions, then consider a particular type of emotions, labelled 'moral emotions'.

The basic emotions

There are dozens of emotions, including anger, contempt, enthusiasm, envy, fear, frustration, disappointment, embarrassment, disgust, happiness, hate, hope, jealousy, joy, love, pride, surprise and sadness. Numerous researchers have tried to limit them to a fundamental set.[4] Other scholars argue that by thinking in terms of 'basic' emotions, we lose sight of the bigger picture because emotions can mean different things in different contexts and may vary across cultures.[5]

Psychologists have tried to identify basic emotions by studying how we express them. Facial expressions have proved difficult to interpret.[6] One problem is that some emotions are too complex

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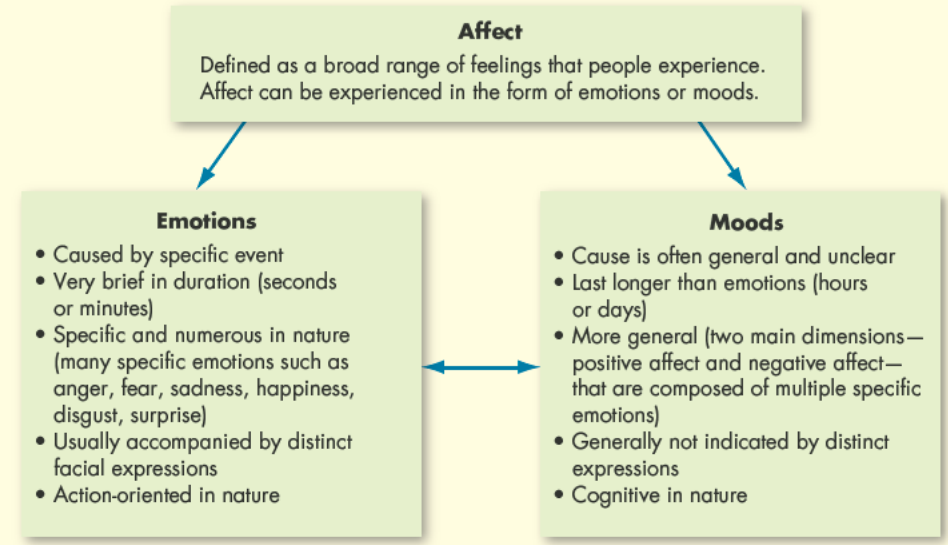
EXHIBIT 5.1 Affect, emotions and moods



to be easily represented on our faces. Second, although people can, for the most part, recognise emotions across cultures, this accuracy is worse for cultural groups with less exposure to one another.[7] Cultures also have norms that govern emotional expression, so the way we recognise an emotion isn't always the same as the way we show it. For example, in collectivist countries, where emotional restraint is the norm, people focus more strongly on the eyes, whereas in individualistic countries, where emotional expression is the norm, people focus more strongly on the position of the mouth.[8]

It's unlikely that psychologists or philosophers will ever completely agree on a set of basic emotions or even on whether there is such a thing. Still, many researchers agree on six universal emotions: anger, fear, sadness, happiness, disgust and surprise.[9] We sometimes mistake happiness for surprise, but rarely do we confuse happiness and disgust.

Moral emotions

We may tend to think our internal emotions are innate. For instance, if someone jumped out at you from behind a door, wouldn't you feel surprised? Maybe you would, but you may also feel any of the other five universal emotions—anger, fear, sadness, happiness or disgust—depending on the circumstance. Our experiences of emotions are closely tied to our interpretations of events. Researchers have been furthering this idea by studying moral emotions; that is, emotions that have moral implications because of our instant judgement of the situation that evokes them. Examples of moral emotions include sympathy for the suffering of others, guilt about our own immoral behaviour, anger about injustice done to others and contempt for those who behave unethically.

moral emotions Emotions that have moral implications.

Research indicates that our responses to moral emotions differ from our responses to other emotions.[10] When we feel moral anger, for instance, we may be more likely to confront the situation that causes it than when we just feel angry. However, we can't assume our emotional reactions to events on a moral level will be the same as someone else's. Moral emotions are developed during childhood as children learn moral norms and standards, so moral emotions depend on the situation and normative context more than other emotions. Because morality is

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a construct that differs from one culture to the next, so do moral emotions. Therefore, we need to be aware of the moral aspects of situations that trigger our emotions and make certain we understand the context before we act, especially in the workplace.[11]

You can think about this research in your own life to see how moral emotions operate. Consider a time when you've done something that hurt someone else. Did you feel angry or upset with yourself? Or think about a time when you saw someone else treated unfairly. Did you feel contempt for the person acting unfairly, or did you engage in a cool, rational calculation of the justice of the situation? Most people who think about these situations have some sense of an emotional stirring that might prompt them to engage in ethical actions such as donating money to help others, apologising and attempting to make amends, or intervening on behalf of those who have been mistreated. So we can conclude that people who are behaving ethically are at least partially making decisions based on their emotions and feelings.

Experiencing moods and emotions

positivity offset The tendency of most individuals to experience a mildly positive mood at zero input (when nothing in particular is going on).

The reality is that we all experience moods and emotions differently. For most people, positive moods are somewhat more common than negative moods. Indeed, research finds a positivity offset—meaning that at zero input (when nothing in particular is going on) most individuals experience a mildly positive mood.[12] This appears to be true for employees in a wide range of job settings. For example, one study of customer service representatives in a British call

Myth or science?

'Smile, and the work world smiles with you'



It's true that a smile isn't always an emotional expression. Smiles are used as social currency in most organisations to create a positive atmosphere, and a smile usually evokes an unconscious reflexive return smile. However, anyone who has ever smiled at an angry manager knows this doesn't always work. In truth, the giving and withholding of smiles is often an unconscious power play of office politics.

Research on the 'boss effect' suggests that the amount of power and status a person feels over another person dictates who will smile. Subordinates generally smile more often than their bosses smile back at them. This may happen in part because workers are increasingly expected to show expressions of happiness with their jobs. However, the relationship is complex and varies by national culture. In one study, Chinese workers reflexively smiled only at bosses who had the power to give them negative job evaluations, while US participants smiled mostly at managers perceived to have higher social power. Other researchers found that when individuals felt powerful, they usually didn't return even a high-ranking individual's smile. Conversely, when people felt powerless, they returned everyone's smiles. 'Your feelings about power and status seem to dictate how much you are willing to return a smile to another person,' cognitive neuroscientist Evan Carr affirmed.

The science of smiling transcends the expression of emotion. While an angry manager may not smile back, a happy manager might not either, according to 'boss effect' research.

'The relationship of what we show on our face and how we feel is a very loose one,' said Arvid Kappas, a professor of emotion research at Jacobs University Bremen in Germany. This suggests that, when we want to display positive emotions to others, we should do more than smile, as service representatives do when they try to create happy moods in their customers with excited voice pitch, encouraging gestures and energetic body movement.

The science of smiling is an area of current research, but it's clear already that knowing about the 'boss effect' suggests many practical applications. For one, managers and employees can be made more aware of ingrained tendencies towards others and, through careful self-observation, change their habits. Comprehensive displays of positive emotion using voice inflection, gestures and word choice may also be more helpful in building good business relationships than the simple smile.

SOURCES: Based on R. L. Hotz, 'Too important to smile back: the "boss effect"', *The Wall Street Journal,* 16 October 2012, p. D2; P. Jaskunas, 'The tyranny of the forced smile', *The New York Times,* 15 February 2015, p. 14; and E. Kim and D. J. Yoon, 'Why does service with a smile make employees happy? A social interaction model', *Journal of Applied Psychology* 97, 2012, pp. 1059–67.

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centre revealed that people reported experiencing positive moods 58% of the time despite the stressful environment.[13] Another research finding is that negative emotions lead to negative moods. Perhaps this happens because people think about events that created strong negative emotions five times as long as events that created strong positive ones.[14]

The degree to which people experience positive and negative emotions varies across cultures. This is not because people of various cultures are inherently different: people in most cultures appear to experience certain positive and negative emotions, and people interpret them in much the same way worldwide. We all view negative emotions such as hate, terror and rage as dangerous and destructive, and we desire positive emotions such as joy, love and happiness. However, an individual's experience of emotions appears to be culturally shaped. Some cultures value certain emotions more than others, which leads individuals to change their perspective on experiencing these emotions.

The function of emotions

In some ways, emotions are a mystery. What function do they serve? As we discussed, OB researchers have found that emotions can be critical to an effectively functioning workplace. For example, a large number of reviews suggest that happy employees tend to have positive job attitudes, to engage in fewer withdrawal and counterproductive work behaviours, to engage in more task and citizenship performance and even to be more successful than their unhappy counterparts.[15] Individuals who tend to experience positive affect consistently as part of their personalities (see Chapter 4) tend to have positive job attitudes, experience good social integration with their supervisor and co-workers, experience good treatment from their organisations and engage in more task and citizenship performance.[16] Let's discuss two critical areas—rationality and ethicality—in which emotions can enhance performance.

positive affect A mood dimension that consists of specific positive emotions such as excitement, self assurance and cheerfulness at the high end and boredom, sluggishness and tiredness at the low end.

Do emotions make us irrational?

How often have you heard someone say, 'Oh, you're just being emotional'? You might have been offended. Observations such as this suggest that rationality and emotion are in conflict and that by exhibiting emotion you're acting irrationally. The perceived association between the two is so strong that some researchers argue that displaying emotions such as sadness to the point of crying is so toxic to a career that we should leave the room rather than allow others to witness it.[17] This perspective suggests that the demonstration, or even experience, of emotions can make us seem weak, brittle or irrational. However, this is wrong. Our emotions actually make our thinking more rational because they provide important information about how we understand the world around us and they help guide our behaviours. For instance, individuals in a negative mood may be better able to discern truthful from inaccurate information than people in a happy mood.[18]

Do emotions make us ethical?

A growing body of research has begun to examine moral emotions and moral attitudes.[19] It was previously believed that, like decision making in general, most ethical decision making was based on higher order cognitive processes, but the research on moral emotions increasingly questions this perspective. Numerous studies suggest that moral judgements are largely based on feelings rather than on cognition, even though we tend to see our moral boundaries as logical and reasonable, not as emotional.

To some degree, our beliefs are shaped by the groups we belong to, which influence our perceptions of the ethicality of certain situations, resulting in unconscious responses and shared moral emotions. Unfortunately, these shared emotions may allow us to justify purely emotional reactions as rationally 'ethical' just because we share them with others.[20] We also tend to judge (and punish) outgroup members (anyone who is not in our group) more harshly for moral transgressions than ingroup members, even when we're trying to be objective.[21] In addition, we tend to glorify ingroup members (anyone who is part of our group) and are more lenient when judging their misdeeds, often leading to a double-standard in ethicality.[22]

When we can identify the sources of emotions and moods, we're better able to predict behaviour and manage people well. Let's explore that topic next.

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5.2 Identify the sources of emotions and moods.

Sources of emotions and moods

Have you ever said, 'I got up on the wrong side of the bed today'? Have you ever snapped at a colleague or family member for no particular reason? If you have, it probably makes you wonder where emotions and moods come from. Here, we discuss some of the primary influences.

Personality

Moods and emotions have a trait component: most people have built-in tendencies to experience certain moods and emotions more frequently than others do. People also experience the same emotions with different intensities; the degree to which they experience them is called their affect intensity.[23] Affectively intense people experience both positive and negative emotions more deeply: when they're sad, they're really sad, and when they're happy, they're really happy.

affect intensity Individual differences in the strength with which individuals experience emotions.

Time of the day

Are you a morning person? Or do you feel best later in the day? People do vary in their moods by time of day. However, research suggests most of us actually follow the same pattern, and the nature of this pattern may surprise you. Levels of positive affect tend to peak in the late morning (between 10 am and noon) and then remain at that level until early evening (around 7 pm). Starting about 12 hours after waking, positive affect begins to drop until midnight, and then, for those who remain awake, the drop accelerates until positive mood picks up again after sunrise.[24] As for negative affect, most research suggests it fluctuates less than positive affect,[25] but the general trend is for it to increase over the course of a day, so that it is lowest early in the morning and highest late in the evening.[26]

negative affect A mood dimension that consists of emotions such as nervousness, stress and anxiety at the high end and relaxation, tranquillity and poise at the low end.

A fascinating study assessed mood by analysing 509 million Twitter messages from 2.4 million individuals across 84 countries.[27] The researchers assessed mood by noting the presence of words connoting positive affect (happy, enthused, excited) and negative affect (sad, angry, anxious). Daily fluctuations in mood tended to follow a similar pattern in most countries, including Australia. Specifically, regardless of the day of the week, positive affect increased after sunrise, tended to peak mid-morning, remained stable until roughly 7 pm and then tended to increase again until the midnight drop. These results are similar to what we reported above from previous research. A major difference, though, was what happens in the evening. As we noted earlier, most research suggests that positive affect tends to drop after 7 pm, whereas this study suggests that it increases before the midnight decline. We'll have to wait for further research to see which description is accurate. The negative affect trends in this study were more consistent with past research, showing that negative affect is lowest in the morning and tends to increase over the course of the day and evening.

You may wonder what happens for people who work the third shift at night. When our internal circadian process is out of line with our waking hours, our moods and well-being are likely to be negatively affected. However, researchers studying how the body's inner clock can be adjusted have found that governing our exposure to light may allow us to shift our circadian rhythms.[28] So, by manipulating light and darkness, someone who is awake at night might have a similar mood cycle to someone who sleeps at night.

Day of the week

In most cultures people are in their best moods on the weekend: adults tend to experience their highest positive affect on Friday, Saturday and Sunday and their lowest on Monday.[29] As shown in Exhibit 5.2, again based on the study of more than 500 million Twitter messages, that tends to be true in several other cultures as well. For Germans and Chinese, positive affect is highest from Friday to Sunday and lowest on Monday. The same pattern even seems to hold in countries—such as many Muslim countries—where the weekend occurs on different days. This isn't the case in all cultures, however. As Exhibit 5.2 shows, in Japan, positive affect is higher on Monday than on either Friday or Saturday.

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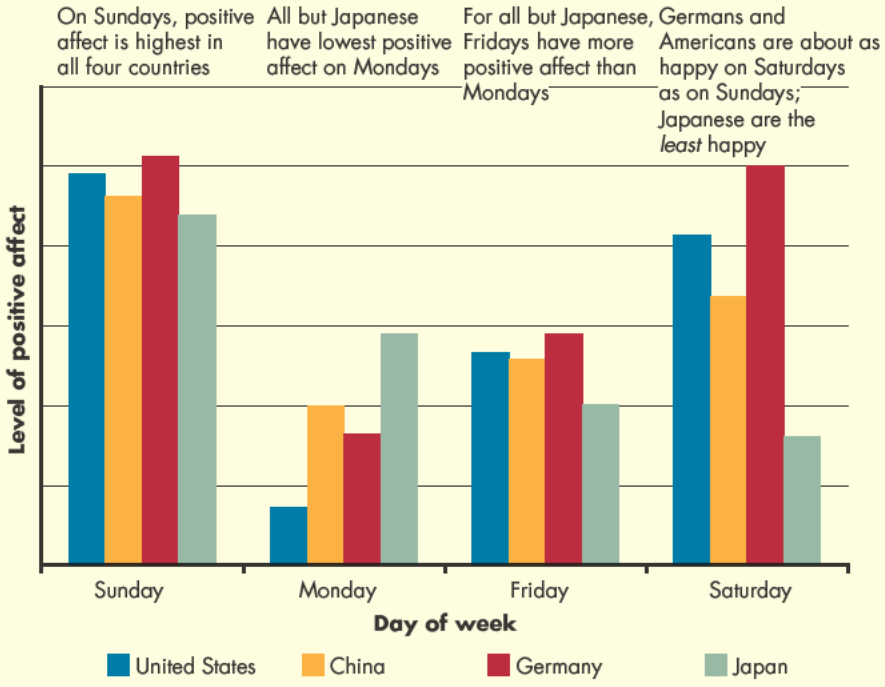
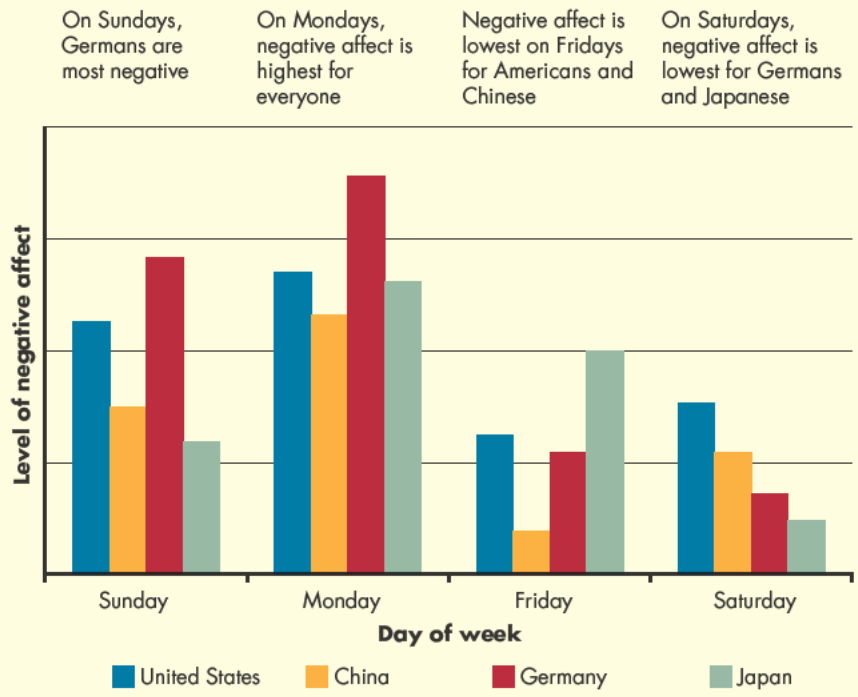
EXHIBIT 5.2 Day-of-week mood affects across four cultures





SOURCES: Based on S. A. Golder and M. W. Macy, 'Diurnal and seasonal mood vary with work, sleep and day length across diverse cultures', *Science* 333, 2011, pp. 1878–81; and A. Elejalde-Ruiz, 'Seize the day', *Chicago Tribune*, 5 September 2012.

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As for negative affect, Monday is the highest negative-affect day across most cultures. However, in many countries, negative affect is lower on Friday and Saturday than on Sunday. It may be that while Sunday is enjoyable as a day off (resulting in a higher positive affect), we also get a bit stressed about the week ahead (which is why negative affect is higher).

Weather

When do you think you would be in a better mood: when it's 25° Celsius and sunny, or on a gloomy, cold, rainy day? Many people believe their mood is tied to the weather. However, a fairly large and detailed body of evidence conducted by multiple researchers suggests weather has little effect on mood, at least for most people.[30] One expert concluded, 'Contrary to the prevailing cultural view, these data indicate that people do not report a better mood on bright and sunny days (or, conversely, a worse mood on dark and rainy days)'.[31] Illusory correlation, which occurs when we associate two events that in reality have no connection, explains why people tend to think nice weather improves their mood. For example, employees may be more productive on bad weather days, a study in Japan and the United States indicated, but not because of mood—instead, the worse weather removed some work distractions.[32]

illusory correlation The tendency of people to associate two events when in reality there is no connection.

Stress

As you might imagine, stressful events at work (a nasty email, impending deadline, loss of a big sale, reprimand from the boss, etc.) negatively affect moods. A review of nearly 100 studies on 25 000 employees suggested that the effects of chronic stress also build over time. As the authors of one such study noted, 'A constant diet of even low-level stressful events has the potential to cause workers to experience gradually increasing levels of strain over time'.[33] Mounting levels of stress can worsen our moods as we experience more negative emotions. Although sometimes we thrive on it, most of us find stress usually takes a toll on our mood. In fact, when situations are overly emotionally charged and stressful, we have a natural response to disengage, to literally look away.[34]

Social activities

Do you tend to be happiest when you're out with friends? For most people, social activities increase a positive mood and have little effect on a negative mood. But do people in positive moods seek out social interactions, or do social interactions cause people to be in good moods? It seems both are true,[35] although the type of social activity does matter. Activities that are physical (skiing or hiking with friends), informal (going to a party) or culinary (eating with others) are more strongly associated with increases in positive mood than events that are formal (attending a meeting) or sedentary (watching television with friends).[36]

Sleep

In 2016, the Sleep Health Foundation reported that 33–45% of adults experience inadequate sleep; this included poor sleep duration and quality, as well as daytime consequences.[37] On average, Australians sleep for 7 hours per weekday night, which is below the recommended 8 hours. Medical sleep conditions are also prevalent in Australian society, with 20% of adults reporting significant insomnia and 18% reporting restless leg syndrome. Add to the sleep problems the rising obesity problem, which in turn is rapidly increasing the incidence of obstructive sleep apnoea, and it's no surprise that people aren't getting enough sleep.

Sleep quality affects moods and decision making, and increased fatigue puts workers at risk of disease, injury and depression.[38] Poor or reduced sleep also makes it difficult to control emotions. Even one bad night's sleep makes us angrier and risk-prone,[39] possibly because poor sleep impairs job satisfaction and renders us less able to make ethical judgements.[40]

On the positive side, increased regular sleep enhances creativity, performance and career success. University of California–San Diego researchers calculated that, for employees who do not sleep enough, 'a one-hour increase in long-run average sleep increases wages by 16%, equivalent to more than a year of schooling'.[41] Other researchers are trying to reduce how much

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sleep is needed for high-functioning individuals through drug therapy, hoping to find 'something better than caffeine' said Ying-Hui Fu of the University of California–San Francisco.[42]

Exercise

You often hear that people should exercise to improve their mood. Does 'sweat therapy' really work? It appears so. Research consistently shows that exercise enhances peoples' positive moods.[43] While not terribly strong overall, the effects are strongest for those who are depressed.

Age

Do young people experience more extreme positive emotions (so-called youthful exuberance) than older people? Surprisingly, no. Older adults tend to focus on more positive stimuli (and on fewer negative stimuli) than younger adults, a finding confirmed across nearly 100 studies. These older adults tend to self-regulate by actively trying to increase the positivity (and decrease the negativity) in their attention and memory.[44]

Gender

Many people believe women are more emotional than men. Evidence does confirm women are more emotionally expressive than men;[45] they experience emotions more intensely, they tend to 'hold onto' emotions longer than men do, and they display more frequent expressions of both positive and negative emotions, except anger.[46] Evidence from a study of participants from 37 countries found that men consistently report higher levels of powerful emotions, such as anger, whereas women report more powerless emotions, such as sadness and fear.[47] As one review notes, however, some of these findings (such as that women tend to experience more shame and guilt than men) may be due to how emotions are measured and contextualised, and what the emotions are targeted for.[48] Thus, there are some apparent sex differences in the experience and expression of emotions, but these may be obscured by how emotions are measured.

People also tend to attribute men's and women's emotions in ways that might be based on stereotypes of typical emotional reactions. One study showed that when viewing pictures of faces, participants interpreted the women's emotional expressions as being dispositional (related to personality), whereas the men's expressions were interpreted as situational.[49] For example, a picture of a sad woman led observers to believe she had an emotional personality, whereas a picture of sadness in a man was more likely to be attributed to having a bad day. Another study showed that participants were quicker to detect angry expressions on male faces and happy expressions on female faces; neutral faces on men were attributed as being angrier and neutral faces on women were interpreted as being happy.[50]

It might seem by now that we all—leaders, managers and employees alike—operate as unwitting slaves to our emotions and moods. On an internal experiential level, this may be true. Yet we know from our workplace experiences that people aren't expressing every brief emotion that flits through their consciousness. Let's put together what we've learned about emotions and moods with workplace coping strategies, beginning with emotional labour.

Emotional labour

5.3 Show the impact emotional labour has on employees.

If you've ever had a job in retail sales or waited on tables in a restaurant, you know the importance of projecting a friendly demeanour and smiling. Even though there were days when you didn't feel cheerful, you knew management expected you to be upbeat when dealing with customers. So you faked it. Every employee expends physical and mental labour by putting body and mind, respectively, into the job. But jobs also require **emotional labour**, an employee's expression of organisationally desired emotions during interpersonal transactions at work.

emotional labour When an employee expresses organisationally desired emotions during interpersonal transactions at work.

The concept of emotional labour emerged from studies of service jobs. We expect flight attendants to be cheerful, funeral directors to be sad and doctors to be emotionally neutral.

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emotional dissonance Inconsistencies between the emotions people feel and the emotions they project.

But emotional labour is relevant to almost every job. At the least, your managers expect you to be courteous, not hostile, in your interactions with co-workers. The true challenge arises when employees have to project one emotion while feeling another. This disparity—called emotional dissonance—can take a heavy toll. Bottled-up feelings of frustration, anger and resentment can eventually lead to emotional exhaustion and burnout. Emotional dissonance is like cognitive dissonance, except that emotional dissonance concerns feelings rather than thinking. It's from the increasing importance of emotional labour as a key component of effective job performance that we've come to understand the relevance of emotion within OB.

Emotional labour creates dilemmas for employees. Sometimes you have to work with people you don't like. Maybe you consider their personality abrasive. Maybe you know they've said negative things about you behind your back. Regardless, your job requires you to interact with these people on a regular basis. So you're forced to feign friendliness.

felt emotions An individual's actual emotions.

displayed emotions Emotions that are organisationally expected and considered appropriate for the job.

The way we experience an emotion is obviously not always the same as the way we show it. To analyse emotional labour, we divide emotions into felt or displayed emotions.[51] Felt emotions are our actual emotions. In contrast, displayed emotions are those an organisation expects workers to project and that are considered appropriate for the job. They're not innate; they're learned, and they may or may not coincide with felt emotions.

Research suggests that Western workplaces expect employees to display positive emotions such as happiness and excitement, and suppress negative emotions such as fear, anger, disgust and contempt.[52] Effective managers have learned to look serious when they give an employee a negative performance evaluation, and to look calm when they're berated by their bosses, because the organisation expects this. Of course, this doesn't apply to all workplace situations. Does your employer dictate what emotions you display when you are, say, heading out for lunch? Probably not. Many workplaces have explicit display rules, but usually only for interactions that matter, particularly between employees and customers. Although you might expect that the more an employer dictates salespeople's emotional displays, the higher the sales, employees under very high or very low display rules don't perform as well in sales situations as employees who have moderate display rules and a high degree of discretion in their roles.[53] Displaying fake emotions requires us to suppress real ones. Surface acting is hiding feelings and emotional expressions in response to display rules—that is, smiling at customers even when you don't feel like it. Deep acting is trying to modify your true feelings based on display rules. Surface acting deals with displayed emotions, and deep acting deals with felt emotions.

surface acting Hiding your inner feelings and forgoing emotional expressions in response to display rules.

deep acting Trying to modify your true inner feelings based on display rules.

Displaying emotions we don't really feel can be exhausting. Surface acting is associated with increased stress and decreased job satisfaction.[54] Daily surface acting can also lead to emotional exhaustion at home, work–family conflict, absenteeism and insomnia.[55] On the other hand, deep acting has a positive relationship with job satisfaction (especially when the work is challenging), job performance, and even better customer treatment and tips.[56]

The disparity between employees having to project one emotion while feeling another is called emotional dissonance. Bottled-up feelings of frustration, anger and resentment can lead to emotional exhaustion. Long-term emotional dissonance is a predictor for job burnout, decline in job performance and lower job satisfaction.[57] However, research from Germany and Australia suggests that employees who have a high capacity for self-control, who regularly get a good night's sleep and who have strong relationships with their customers or clients tend to be buffered to some degree from the negative side effects of emotional dissonance.[58]

Affective events theory, discussed in the next section, fits a job's emotional labour requirements into a construct with implications for work events, emotional reactions, job satisfaction and job performance.

5.4 Describe affective events theory.

Affective events theory

affective events theory (AET) A model that suggests workplace events cause emotional reactions on the part of employees, which then influence workplace attitudes and behaviours.

We've seen that emotions and moods are an important part of our lives and our work lives. But how do they influence our job performance and satisfaction? Affective events theory (AET) proposes that employees react emotionally to things that happen to them at work, and these reactions influence their job performance and satisfaction.[59] Say you just found out your company is downsizing. You might experience a variety of negative emotions, causing you to worry that you'll lose your job. Because it's out of your hands, you may feel insecure and fearful, and spend much of your time worrying rather than working. Needless to say, your job satisfaction will be lower.

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Prior research supports the notion that the extent to which someone's personality is negative or positive is related to emotional reactions when experiencing workplace events and that these are related to workplace attitudes and behaviours.[60] However, we experience some events more often than others, so does this have an effect on the types of affective reactions, attitudes and behaviours at work? Some research supports the idea that it does, given that interpersonal mistreatment by customers of part-time workers accounted for nearly 50% of negative affective work events.[61]

In summary, AET offers two important messages.[62] First, emotions provide valuable insights into how workplace events influence employee performance and satisfaction. Second, employees and managers shouldn't ignore emotions or the events that cause them, even when they appear minor, because they accumulate.

Emotional intelligence is another framework that helps us understand the impact of emotions on job performance, so we'll look at that topic next.

Emotional intelligence

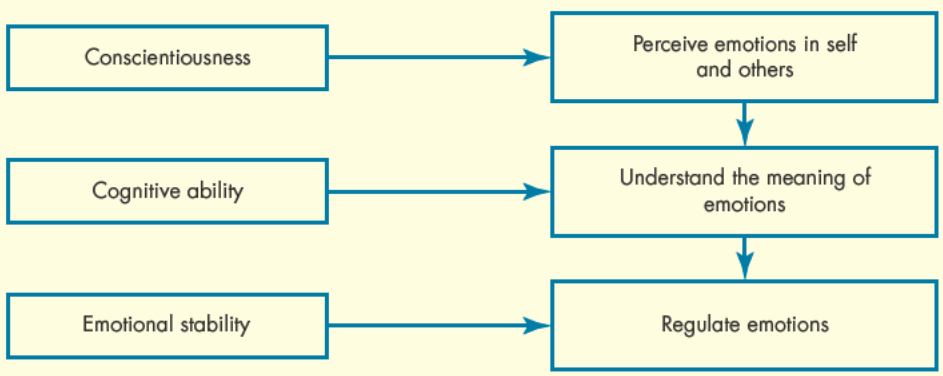
5.5 Describe emotional intelligence.

As the CEO of an international talent company, Terrie Upshur-Lupberger was at a career pinnacle. So why was she resentful and unhappy? A close friend observed, 'Terrie, you were out on the skinny branch—you know, the one that breaks easily in a strong wind. You were so busy and overwhelmed and out of touch with your own values, cares and guiding beliefs that you failed to pay attention to the branch that was about to break'.[63] According to Upshur-Lupberger, she had failed to notice that her moods constantly swung towards frustration and exhaustion. Her job satisfaction, productivity and relationships suffered. Worse, she was too busy to realise the deficiencies until she was completely depleted. She said, 'I learned that, as a leader, you either pay attention to and manage the moods (including your own) in the organisation, or … you ignore them and pay the price'. Upshur-Lupberger learned the value of emotional intelligence.

Emotional intelligence (EI) is a person's ability to (1) perceive emotions in yourself and others, (2) understand the meaning of these emotions and (3) regulate your own emotions accordingly[64], as you can see in Exhibit 5.3. People who know their own emotions and are good at reading emotional cues—for instance, knowing why they're angry and how to express themselves without violating norms—are most likely to be effective.[65]

emotional intelligence (EI) The ability to detect and manage emotional cues and information.

EXHIBIT 5.3 A cascading model of emotional intelligence



SOURCE: Based on D. L. Joseph and D. A. Newman, 'Emotional intelligence: an integrative meta-analysis and cascading model', *Journal of Applied Psychology* 95, no. 1, 2010, pp. 54–78.

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Ethical choice



Should managers use emotional intelligence (EI) tests?

As we've seen, the concept of emotional intelligence has raised some debate. One of the topic questions for managers is whether to use EI tests in the selection process. Here are some ethical considerations:

- There is no commonly accepted test. For instance, researchers have used the Mayer–Salovey–Caruso Emotional Intelligence Test (MSCEIT), the Trait Emotional Intelligence Questionnaire and the newly developed Situational Judgment Test of Emotional Intelligence (SJT of EI) in studies. Researchers believe EI tests may need to be culturally specific because emotional displays vary by culture, meaning that the interpretation of emotional cues differs. A recent study in India comparing the emotional intelligence scores for Indian and North American executives using the Emotional Competence Inventory (ECI-2) test found the results were similar but not the same, suggesting the need for modification.
- Applicants may react negatively to taking an EI test in general, or to parts of it. The face recognition test, for example, may seem culturally biased to some if the subject photos are not diverse. Also, participants who score high on EI tests tend to consider them fair; applicants who score lower may not perceive the tests to be fair and may consequently consider the hiring organisation unfavourably—even if they score well on other assessments.
- EI tests may not be predictive of performance for all types of jobs. In a study of 600 Romanian participants, results indicated that EI was valid for salespeople, public servants and CEOs of public hospitals, but these were all roles requiring significant social interaction. EI tests may need to be tailored for each position category or not be used when the position description doesn't warrant its use.
- It remains somewhat unclear what EI tests are actually measuring. They may reflect personality or intelligence, in which case other measures might be better.
- There isn't enough research on how emotional intelligence affects, for instance, counterproductive work behaviours. It may not be prudent to test and select applicants who are rated high on EI when we aren't yet certain that everything about EI leads to desired workplace outcomes.

These concerns suggest EI tests should be avoided in hiring decisions. However, because research has indicated that emotional intelligence does predict job performance to some degree, managers should not be too hasty to dismiss the tests. Rather, those wishing to use EI in hiring decisions should be aware of these issues in order to make informed and ethical decisions about not only whom to hire, but how.

SOURCES: D. Iliescu, A. Ilie, D. Ispas and A. Ion, 'Emotional intelligence in personnel selection: applicant reactions, criterion, and incremental validity', *International Journal of Selection and Assessment*, September 2012, pp. 347–58; R. Sharma, 'Measuring social and emotional intelligence competencies in the Indian context', *Cross Cultural Management* 19, 2012, pp. 30–47; and S. Sharma, M. Gangopadhyay, E. Austin and M. K. Mandal, 'Development and validation of a situational judgment test of emotional intelligence', *International Journal of Selection and Assessment*, March 2013, pp. 57–73.

Several studies suggest that EI plays an important role in job performance, although the survey items are often strikingly similar to items from personality, intelligence and self-perception tests.[66] Other reviews suggest that EI is related to teamwork effectiveness as well as deviant and citizenship behaviour.[67] South Korean managers with high EI tend to have better sales figures than those with low EI because they are able to create more cohesive stores and improved sales-directed behaviour.[68] EI is also attracting positive attention in the political arena. For example, when asked in a television interview how he would relate to everyday Australians despite being extremely wealthy, then Australian Prime Minister Malcolm Turnbull stated, 'The important thing is to have the emotional intelligence and the empathy and the imagination that enables you to walk in somebody else's shoes … Emotional intelligence is probably the most important asset for—certainly for anyone in my line of work.'[69]

Although the field is progressing in its understanding of EI, many questions haven't been answered.[70] One relates to a better understanding of EI. For example, we need to be precise when

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we talk about EI. Are we referring to EI in general? Or to regulating emotions, understanding emotions or perceiving emotions specifically? A second question is about the reliability of EI testing. For example, part of the reason EI has only a modest correlation with job effectiveness is that it's hard to measure—mostly it's measured with self-report inventories, which, of course, are often far from objective!

All questions aside, EI is wildly popular among consulting firms and in the popular press, and it has accumulated some support in the research literature. Love it or hate it, one thing is for sure: EI is here to stay. Our next topic, emotion regulation, is also being increasingly studied as an independent concept.[71]

Emotion regulation

5.6 Identify strategies for emotion regulation.

Have you ever tried to cheer yourself up when you're feeling down, or calm yourself when you're feeling angry? If so, you've engaged in emotion regulation. The central idea behind emotion regulation is to identify and modify the emotions you feel. Research suggests that emotion management ability is a strong predictor of task performance for some jobs and for organisational citizenship behaviour (OCB).[72] Therefore, in our study of OB, we're interested in whether and how emotion regulation should be used in the workplace. We begin by identifying which individuals might naturally employ it.

Emotion regulation influences and outcomes

As you might suspect, not everyone is equally good at regulating emotions. Individuals who are higher in the personality trait of neuroticism have more trouble doing so and often find their moods are beyond their ability to control. Individuals who have lower levels of self-esteem are also less likely to try to improve their sad moods, perhaps because they're less likely than others to feel they deserve to be in a good mood.[73]

The workplace environment influences an individual's tendency to employ emotion regulation. In general, diversity in work groups increases the likelihood that you will regulate your emotions. For example, younger employees are likely to regulate their emotions when their work groups include older members.[74] Racial diversity also has an effect: if diversity is low, the minority employee will engage in emotion regulation, perhaps to 'fit in' with the majority employees as much as possible; if diversity is high and many different races are represented, the majority employee will employ emotion regulation, perhaps to integrate themselves with the whole group.[75] These findings suggest a beneficial outcome of diversity—it may cause us to regulate our emotions more consciously and effectively.

While regulating your emotions might seem beneficial, research suggests there's a downside to trying to change the way you feel. Changing your emotions takes effort and, as we noted when discussing emotional labour, this effort can be exhausting. Sometimes attempts to change an emotion actually make the emotion stronger; for example, trying to talk yourself out of being afraid can make you focus more on what scares you, which makes you more afraid.[76] From another perspective, research suggests that avoiding negative emotional experiences is less likely to lead to positive moods than does seeking out positive emotional experiences.[77] For example, you're more likely to experience a positive mood if you have a pleasant conversation with a friend than if you avoid an unpleasant conversation with a hostile colleague.

Emotion regulation techniques

Researchers of emotion regulation often study the strategies people employ to change their emotions (for example, as we discussed earlier in the chapter, deep acting and

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surface acting are emotion regulation techniques). One technique of emotion regulation is emotional suppression, or suppressing initial emotional responses to situations. This response seems to facilitate practical thinking in the short term. However, it appears to be helpful only when a strongly negative event would elicit a distressed emotional reaction during a crisis.[78]

Cognitive reappraisal, or reframing our outlook on an emotional situation, is another way to regulate emotions effectively.[79] Cognitive reappraisal ability seems to be the most helpful to individuals in situations where they can't control the sources of stress.[80]

Another technique with potential for emotion regulation is social sharing, or venting. Research shows that the open expression of emotions can help individuals to regulate their emotions as opposed to keeping emotions 'bottled up'. Social sharing can reduce anger reactions when people can talk about the facts of a bad situation, their feelings about the situation or any positive aspects of the situation.[81] Caution must be exercised, though, because expressing your frustration affects other people. In fact, whether venting emotions helps the 'venter' feel better depends very much on the listener's response. If the listener doesn't respond (many refuse to respond to venting), the venter feels worse. So, if you're going to vent to a colleague, you need to choose someone who'll respond sympathetically.

mindfulness Reception, attention and awareness of the present moment, events and experiences.

A final emotion regulation technique, mindfulness—receptively paying attention to and being aware of the present moment, events and experiences—has started to become popular in organisations.[82] Mindfulness has roots in traditional Buddhist meditative techniques—in fact, it's the literal translation of the Vedic word *sati*, or 'intentness of mind'.[83] Claims of the impact of mindfulness have been quite head-turning. For example, past research suggests that mindfulness can slow ageing, bolster test performance and aid in facilitating neuroplasticity (i.e. producing actual changes in the brain).[84] The key mechanisms responsible for its effectiveness can be found in being able to separate yourself from the moment, decrease the use of automatic thoughts and increase awareness of your own body.[85]

While emotion regulation techniques can help us cope with difficult workplace situations, research indicates that the effect varies. For example, one study in Taiwan found that all participants who worked for abusive supervisors reported emotional exhaustion and work-withdrawal tendencies, but to different degrees based on the emotion regulation strategies they employed. Employees who used suppression techniques suffered greater emotional exhaustion and work withdrawal than employees who used cognitive reappraisal. This suggests that more research on the application of techniques needs to be done to help employees increase their coping skills.[86]

So, while there's much promise in emotion regulation techniques, the best route to a positive workplace is to recruit positive-minded individuals and train leaders to manage their moods, job attitudes and performance.[87] The best leaders manage emotions as much as they do tasks and activities. The best employees can use their knowledge of emotion regulation to decide when to speak up and how to express themselves effectively.[88]

Ethics of emotion regulation

Emotion regulation has important ethical implications. On one end of the continuum, some people might argue that controlling your emotions is unethical because it requires a degree of acting. On the other end, people might argue that all emotions should be controlled so you can take a dispassionate perspective. Both arguments—and all arguments in between—have ethical pros and cons that you'll have to decide for yourself. Consider the reasons for emotion regulation and the outcomes. Are you regulating your emotions so you don't react inappropriately, or are you regulating your emotions so no one knows what you're thinking? Consider this: you may be able to 'fake it til you make it'. Recent research has found that acting like you're in a good mood might put you in a good mood. In one study, a group of participants was asked to hold only an efficient conversation with a barista serving them at Starbucks, while another group was asked to act happy. The happy actors reported later that they were in a much better mood.[89]

Now that we've studied the role of emotions and moods in organisational behaviour, let's consider the opportunities for more specific applications that our understanding provides.

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OB applications of emotions and moods

5.7 Apply concepts about emotions and moods to specific OB issues.

In this section, we assess how an understanding of emotions and moods can improve our ability to explain and predict the selection process in organisations, decision making, creativity, motivation, leadership, negotiation, customer service, work–life balance, deviant workplace behaviours, and safety and injury at work. We also look at how managers can influence our moods.

Selection

One implication from the evidence on EI to date is that employers should consider it a factor in hiring employees, especially for jobs that demand a high degree of social interaction. In fact, more employers are starting to use EI measures to hire people, and even to select students for positions in university courses. In an Australian first, Bond University included emotional intelligence testing in its selection process for medical students, in addition to their high-school results. According to Dean of Medicine Kirsty Forrest, 'While some people called it "naval gazing", [EI] skills ... are critical to a medical career'.[90]

Decision making

Moods and emotions have effects on decision making that managers should understand. Positive emotions and moods seem to help people make sound decisions. Positive emotions also enhance problem-solving skills, so positive people find better solutions.[91]

OB researchers continue to debate the role of negative emotions and moods in decision making. One recent study suggested that people who are saddened by events may make the same decisions as before, while people who are angered by events might make stronger (though not necessarily better) choices than before.[92] Another study found that participants made choices reflecting more originality in a negative mood.[93] Still other research indicated that individuals in a negative mood may take higher risks than they do when in a positive mood.[94] Taken together, these and other studies suggest negative (and positive) emotions affect decision making but that there are other variables that require further research.[95]

Creativity

As we'll see throughout this book, one goal of leadership is to maximise employee productivity through creativity. Creativity is influenced by emotions and moods, but there are two schools of thought on the relationship. Much research suggests that people in good moods tend to be more creative than people in bad moods.[96] People in good moods produce more ideas and more options, and others think their ideas are original.[97] It seems that people experiencing positive moods or emotions are more flexible and open in their thinking, which may explain why they're more creative.[98] Supervisors should actively try to keep employees happy because doing so creates more good moods (employees like their leaders to encourage them and provide positive feedback on a job well done), which in turn leads people to be more creative.[99]

Some researchers, however, don't believe a positive mood makes people more creative. They argue that, when people are in positive moods, they may relax ('If I'm in a good mood, things must be going okay, and I don't need to think of new ideas') and not engage in the critical thinking necessary for some forms of creativity.[100] Individuals who worry more may perform better on creative tasks than those who worry less.

Motivation

Several studies have highlighted the importance of moods and emotions for motivation. One study set involved two groups of people being asked to solve word puzzles. The first group saw a funny video clip intended to put them in a good mood first. The other group wasn't

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shown the clip and started working on the puzzles straight away. The results? The positive-mood group (which saw the video clip beforehand) reported higher expectations of being able to solve the puzzles, worked harder at them and did solve more as a result.[101]

Another study looked at the moods of insurance sales agents in Taiwan.[102] Agents in a good mood were found to be more helpful towards their co-workers and also felt better about themselves. These factors in turn led to superior performance in the form of higher sales and better supervisor reports of performance.

Giving people performance feedback—whether real or fake—influences their mood, which then influences their motivation.[103] A cycle can be created in which positive moods cause people to be more creative, leading to positive feedback from those observing their work. The feedback further reinforces the positive mood, which makes people perform even better, and so on. Overall, the findings suggest a manager may enhance employee motivation—and performance—by encouraging good moods.

Leadership

Research indicates that putting people in a good mood makes sense. Leaders who focus on inspirational goals generate greater optimism, cooperation and enthusiasm in employees, leading to more positive social interactions with co-workers and customers.[104] A study with Taiwanese military participants indicates that, by sharing emotions, transformational leaders inspire positive emotions in their followers, which in turn leads to higher task performance.[105]

Leaders are perceived as more effective when they share positive emotions, and followers are more creative in a positive emotional environment. What about when leaders are sad? Research found that leader displays of sadness increased the analytic performance of followers, perhaps because followers attended more closely to tasks to help the leaders.[106]

Corporate executives know emotional content is critical for employees to buy into their vision of the company's future and accept change. When managers offer new visions, especially with vague or distant goals, it's often difficult for employees to accept the changes they will bring. By arousing emotions and linking them to an appealing vision, leaders may help managers and employees alike to accept change and feel connected to the new plan.

Negotiation

Have you considered the potential of using emotions and moods to enhance your negotiation skills? Several studies have shown that negotiators who feign anger have an advantage over their opponents because when negotiators show anger, their opponents conclude they have conceded all they can, and so give in.[107] However, anger should be used selectively in negotiation: angry negotiators who have less information or less power than their opponents have significantly worse outcomes.[108]

As in the use of any emotion, context matters. Displaying a negative emotion (such as anger) can be effective, but feeling bad about your performance appears to impair future negotiations. Individuals who do poorly in negotiation experience negative emotions, develop negative perceptions of their counterparts and are less willing to share information or be cooperative in future negotiations.[109]

Altogether, the best negotiators are probably those who remain emotionally detached. One study of people who suffered damage to the emotional centres of their brains suggested that unemotional people may be the best negotiators because they're not likely to overcorrect when faced with negative outcomes.[110]

Customer service

Workers' emotional states influence the level of customer service they give, which in turn influences levels of repeat business and customer satisfaction.[111] Employees' emotions can transfer to the customer. This result is primarily due to emotional contagion—the 'catching' of emotions from others.[112] When someone experiences positive emotions and laughs and smiles at you, you tend to respond positively. Of course, the opposite is true as well.

emotional contagion The process by which people's emotions are caused by the emotions of others.

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Studies indicate a matching effect between employee and customer emotions. In the employee-to-customer direction, research finds that customers who catch the positive moods or emotions of employees shop longer. In the other direction, when an employee feels unfairly treated by a customer, it's harder for them to display the positive emotions their organisation expects.[113] High-quality customer service makes demands on employees because it often puts them in a state of emotional dissonance, which can be damaging to the employee and the organisation. Managers can interrupt negative contagion by fostering positive moods.

Work–life balance

There's good news and bad news about the relationship between moods and work–life balance: both are affected by work and home events. The advice, 'Never take your work home with you'—meaning you should forget about work once you go home—is easier said than done. The good news is that a positive mood at work can apparently spill over to your off-work hours, and a negative mood at work can be restored to a positive mood after a break. Several studies have shown that people who had a good day at work tend to be in a better mood at home that evening, and vice versa.[114] Other research has found that, although people do emotionally take their work home with them, by the next day the effect is usually gone.[115] The bad news is that the moods of other people may interfere with yours. As you might expect, one study found that if one member of a couple was in a negative mood during the workday, the negative mood spilled over to the spouse at night.[116]

Career OBjectives



How do I deal with a shouting boss?

My boss shouts a lot. One time, he kicked my chair and shouted at me to get out of the office because I'd forgotten to tell him that lunch had been delivered. His rage makes me so mad I want to shout back, but I don't because it isn't professional. Is there a way to get him to think before he fumes?

—Lee

Dear Lee,

We feel for you! Actually, your internal anger response is perfectly normal. Almost everyone has an emotional reaction to shouting, and other situations of workplace incivility such as swearing and rude behaviour, and a majority of employees react somehow. For example, 66% of participants in one study reported that their performance declined when they were the recipients of incivility, and 25% admitted they took their frustration out on customers. Another study found that verbal aggression reduces victims' working memory, making even simple instructions difficult to follow. So you're right to want to strategise how to calm the situation since it hurts you, your colleagues and the company.

The good news is that you can work on your reactions to deescalate an episode. Experts suggest empathising with your boss (often we find if we try to understand where someone is coming from, it helps us deal with the emotions more effectively), apologising if you've done something wrong and not talking back. Find situations where you can laugh over mutual frustrations and don't take his outbursts personally.

The bad news is that you probably can't change his emotional response to incidents, but you may be able to help him see the error of his ways by modelling better behaviour. Of course, there are situations in which you can't and shouldn't tolerate uncivil behaviour (such as when you're being threatened or when the behaviour becomes truly abusive). In those cases, you may need to deal with the situation more directly by first calmly confronting your boss or, if that fails, seeing someone in human resources. But short of that breaking point, our experience and the research suggest that your best response is not to respond outwardly but rather to rethink the way you're responding inwardly. As the British poster says, 'Keep calm and carry on!'

SOURCES: Based on C. Porath and C. Pearson, 'The price of incivility', *Harvard Business Review*, January–February 2013, pp. 114–21; A. Rafaeli et al., 'When customers exhibit verbal aggression, employees pay cognitive costs', *Journal of Applied Psychology*, September 2012, pp. 931–50; S. Shellenbarger, '"It's not my fault!" A better response to criticism at work', *The Wall Street Journal*, 18 June 2014, pp. D1, D4; and S. Shellenbarger, 'When the boss is a screamer', *The Wall Street Journal*, 15 August 2012, pp. D1, D2.

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Deviant workplace behaviours

Anyone who has worked in an organisation will know that people can behave in ways that violate established norms and threaten the organisation, its members or both. These actions are called counterproductive work behaviours (CWBs).[117] They can be traced to negative emotions and can take many forms. People who experience negative emotions are more likely than others to engage in short-term deviant behaviour at work, such as gossiping or excessively surfing the Internet instead of working,[118] although negative emotions can also lead to more serious forms of CWB.

For instance, envy can come from resenting someone for having something you don't have but strongly desire—such as a better work assignment, larger office or higher salary. It can lead to malicious deviant behaviours. An envious employee could backstab another employee, negatively distort others' successes and positively distort their own accomplishments. Angry people look for other people to blame for their bad mood, interpret other people's behaviour as hostile and have trouble considering others' points of view.[119] It's not hard to see how these thought processes, too, can lead directly to verbal or physical aggression.

Safety and injury at work

Research relating negative affectivity to increased injuries at work suggests employers might improve health and safety (and reduce costs) by ensuring workers aren't engaged in potentially dangerous activities when they're in a bad mood. Bad moods can contribute to injury at work in several ways.[120] Individuals who are in a negative mood tend to be more anxious, which can make them less able to cope effectively with hazards. A person who is always fearful will be more pessimistic about the effectiveness of safety precautions because they feel they will get hurt anyway, or they might panic or freeze up when confronted with a threatening situation. Negative moods also make people more easily distracted, and distractions can obviously lead to careless behaviours.

Selecting positive team members can contribute towards a positive work environment because positive moods transmit from team member to team member. One study of 130 leaders and their followers found that leaders who are charismatic transfer their positive emotions to their followers via a contagion effect.[121] It makes sense, then, to choose team members predisposed to positive moods.

Summary

Emotions and moods are similar because both are affective in nature. But they're also different: moods are more general and less contextual than emotions. The time of day, stressful events and sleep patterns are some of the factors that influence emotions and moods. OB research on emotional labour, affective events theory, emotional intelligence and emotion regulation helps us understand how people deal with emotions. Emotions and moods have proven relevant for virtually every OB topic we study, with implications for managerial practices.

Implications for managers

- Recognise that emotions are a natural part of the workplace, and good management doesn't mean creating an emotion-free environment.
- To foster effective decision making, creativity and motivation in employees, model positive emotions and moods as much as is authentically possible.

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- Provide positive feedback to increase the positivity of employees. Of course, it also helps to hire people who are predisposed to positive moods.
- In the service sector, encourage positive displays of emotion, which make customers feel more positive and improve customer-service interactions and negotiations.
- Understand the role of emotions and moods to significantly improve your ability to explain and predict your colleagues' and others' behaviour.

SOMETIMES LOSING YOUR TEMPER IS A GOOD THING

POINT

Anger is discussed throughout this chapter for a reason: it's an important emotion. There are benefits to expressing anger. For instance, research indicates that only employees who are committed to their organisations tend to express their anger, and generally only towards leaders who created the situation. This type of expression of anger could lead to positive organisational change. In addition, suppressed anger can lower job satisfaction and lead to a feeling of hopelessness about things improving.

Even with these findings, we hear a lot about not responding emotionally to work challenges. Work cultures teach us to avoid showing any anger at all for fear of being seen as poor workers or, worse, unprofessional or even deviant or violent. While, of course, there are times when the expression of anger is harmful or unprofessional, we've taken this view so far that we now teach people to suppress perfectly normal emotions and to ignore the effectiveness of some emotional expression.

Emerging research shows that suppressing anger takes a terrible internal toll on individuals. For example, one Stanford University study found that when individuals were asked to wear a poker face during the showing of a movie clip depicting the atomic bombings of Japan during World War II, they were much more stressed in conversations after the video. Other research shows that university students who suppress emotions such as anger have more trouble making friends and are more likely to be depressed, and that employees who suppress anger feel more stressed by work.

For the good of organisations and their employees, we should encourage people not to hold back their emotions but to share them constructively.

COUNTERPOINT

Yes, anger is a common emotion. But it's also a toxic one for the giver and the receiver. Angry outbursts can compromise the heart and contribute to diabetes, among other things. The experience of someone else's anger and its close correlate, hostility, is also linked to many counterproductive behaviours in organisations. Furthermore, evidence suggests that workplace bullying and harassment are relatively common in Australia, with around 9% of employees reporting bullying over a period of 6 months. Bullying and harassment are also frequently associated with negative outcomes for employees, including poor mental health and exhaustion. That's why many organisations have developed counteractive techniques—to blunt the harmful effects of anger in the workplace.

To reduce outcomes, many companies develop policies that govern conduct such as shouting, swearing and making hostile gestures. Others institute anger-management programs. For example, one organisation conducted mandatory in-house workshops that showed individuals how to deal with conflicts in the workplace before they boil over. The director who instituted the training said that it 'gave people specific tools for opening a dialogue to work things out'.

In the end, everyone wins when organisations seek to diminish both the experience and the expression of anger at work. The work environment becomes less threatening and stressful to employees and customers. Employees are likely to feel safer, and the angry employee is often helped as well.

SOURCES: R. Potter, M. Dollard and M. Tuckey, 'Bullying & harassment in Australian workplaces: results from the Australian workplace barometer project, 2014/15', Safe Work Australia, 2016, p. 21; B. Carey, 'The benefits of blowing your top', *The New York Times*, 6 July 2010, p. D1; R. Y. Cheung and I. J. Park, 'Anger suppression, interdependent self-construal, and depression among Asian American and European American college students', *Cultural Diversity and Ethnic Minority Psychology* 16, no. 4, 2010, pp. 517–25; D. Geddes and L. T. Stickney, 'The trouble with sanctions: organizational responses to deviant anger displays at work', *Human Relations* 64, no. 2, 2011, pp. 201–30; and J. Fairley, 'Taking control of anger management', *Workforce Management*, October 2010, p. 10; L. T. Stickney and D. Geddes, 'Positive, proactive, and committed: the surprising connection between good citizens and expressed (vs. suppressed) anger at work', *Negotiation and Conflict Management Research* 7, no. 4, November 2014, pp. 243–64; Kathryn Tyler, 'Helping employees cool it', *HR Magazine*, 1 April 2010; and J. Whalen, 'Angry outbursts really do hurt your health, doctors find', *The Wall Street Journal*, 24 March 2015, pp. D1, D4.

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Questions for review

1. How are emotions different from moods?
2. What are the sources of emotions and moods?
3. What impact does emotional labour have on employees?
4. What is affective events theory?
5. What is emotional intelligence?
6. What are some strategies for emotion regulation?
7. How do you apply concepts about emotions and moods to specific OB issues?

Application and employability

An understanding, or even awareness, of other people's emotions and moods can help improve your effectiveness in the workplace. As we've seen, employees react to events as they happen in the workplace, and these affective reactions can have a large impact on outcomes that are important to organisations. Employees may need to regulate their emotions (especially in positions that require interacting with clients) and this regulation may have an impact on employee performance and well-being. Emotional intelligence—a skill, ability or set of competencies that is related to many outcomes in the workplace—may vary among employees. In this chapter, you've improved many skills, including your communication and collaboration skills, by discovering the impact of a smile (and the air of office politics surrounding it), learning how to deal with an angry boss, deciding whether to use an EI test to assess applicants before hiring, and discussing the benefits and pitfalls of expressing anger in the workplace. Next, you'll have more opportunities to develop your critical-thinking and knowledge-application skills by learning mindfulness techniques for emotion regulation and stress reduction, learning about the benefits of pet-friendly workplaces and becoming aware of the insidious effects of boredom as well as remedies for being bored.

Experiential exercise

MINDFULNESS AT WORK

The concept of mindfulness emphasises trying to focus your mind in the present moment, immersing yourself in what's going on around you. Core principles include suspending immediate judgement of the environment and your own thoughts, and keeping yourself open to what's around you. The benefits of mindfulness can reach beyond reducing stress to include increased creativity, longer spans of attention, reductions in procrastination and improved performance.

The procedure

Start this exercise individually and then form groups of three or four to discuss what you've found. Although full workplace mindfulness interventions can take several weeks, some basic starting exercises can be done in a relatively short period to give you a feeling for what a full course of mindfulness would be like. Here are three simple exercises to try. For all of these, everyone needs to put everything away (especially phones, tablets and computers) and focus on what's going on in the immediate environment.

- *Mindful breathing.* Clear your head of everything except thoughts of your own breaths. Concentrate on how you are inhaling and exhaling. It's sometimes helpful to count how long each breath takes. Try to maintain this mindful breathing for 3 minutes. Then, in groups, take 3 minutes to discuss how this made you feel.
- *Mindful listening.* Now clear your head of everything except what's going on in the immediate environment. Try to hear as many sounds around you as you can, without judging or evaluating them. Try to maintain this mindful listening for 3 minutes. Then, in groups, take 3 minutes to discuss some of the details you noticed.
- *Mindful thinking.* As with listening, clear your head of everything, but now focus just on your ideas about mindfulness and stress. Don't talk about or write down what you're thinking; just focus your whole quiet attention on this exercise and what it means. Try to maintain this mindful thinking for 3 minutes. Then, in groups, take 3 minutes to talk about what this experience was like.

As noted earlier, these are just brief examples of what mindfulness exercises are like. In a full mindfulness program, you would go through several sessions of up to an hour each. Now that you have an idea of what it feels like to do mindfulness work, consider the following questions in groups.

1. Were there any aspects of the mindfulness practice sessions that you found especially pleasant or useful? Were there any aspects of the sessions that you found unpleasant or uncomfortable?
2. What concerns might you have about implementing a mindfulness intervention in the workplace? What are some of the obstacles you might face in trying to have employees engage in a mindfulness stress-reduction program?
3. Discuss your responses as a class.

SOURCES: Based on E. Langer, 'Mindfulness in the age of complexity', *Harvard Business Review*, March 2014, pp. 68–73; H. J. E. M. Alberts and U. R. Hülsheger, 'Applying mindfulness in the context of work: mindfulness-based interventions', in J. Reb and P. W. B. Atkins, *Mindfulness in Organizations*, Cambridge, UK: Cambridge University Press, 2015, pp. 17–41; K. A. Aikens, J. Astin, K. R. Pelletier, K. Levanovich, C. M. Baase, Y. Y. Park and C. M. Bodnar, 'Mindfulness goes to work: impact of an online workplace intervention', *Journal of Occupational and Environmental Medicine* 56, 2014, pp. 721–31.

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Case study 1

FURRY FRIENDS IN THE WORKPLACE

Until fairly recently, the idea of allowing dogs in the workplace would have been met with surprise, amusement or even outright criticism. Yet many organisations in the 21st century are beginning to recognise the value of permitting workers to bring their dogs (and other pets) to work.

In Australia, it's estimated that around 60% of households have at least one pet, and there are more than 24 million pets in total. There's also evidence that more millennials own pets than ever before, and research suggests that this generation of workers in particular are searching for pet-friendly workplaces. In Australia, a number of organisations have recognised this trend and allow their employees to bring their pets to work. These include Inkspot Franchising, PetCloud, Forrest Marketing Group, *Style* magazine, Google Sydney, Vinomofo, Business Chicks, Folk and Cotton On Group.

Both research and anecdotal evidence indicate that allowing pets in the workplace can bring benefits. According to researcher Stephen Colarelli from Central Michigan University, 'First, dogs lower stress, heart rate and blood pressure, and make individuals who work alone feel less lonely. Second, people are perceived as more friendly and approachable when a dog is present in the office. Finally, it's likely to increase cooperation and other positive behaviours among members of work groups'.

In light of the popularity of having dogs in the office, 22 June has been declared international Take Your Dog to Work Day. Officially celebrated in Australia, the United States, Canada, New Zealand, the United Kingdom and Israel, it's designed to promote the benefits of dog ownership, and participants are encouraged to raise money for animal charities. RSPCA South Australia spokesperson Carolyn Jones explained, '[The event] raises awareness of what great companions dogs make, and of their need for human company. We'd love it if more dogs went to work with their owners, where possible, rather than being left alone at home all day'.

Overall, there's strong evidence that allowing dogs in work settings can be beneficial to employees, and may lead to greater team cohesion and reduced stress in organisations. And as any dog owner will know, a cuddle or a lick from a furry friend can almost always improve your mood. As Eliza Viola, an executive assistant at Cotton On headquarters noted, 'There are squeals [of excitement] when a new dog comes in and people crowd around. It's such a buzz'.

Questions

1. If you were designing a policy to allow animals in your workplace, what are some key points that you would include?
2. Are there certain industries or occupations where it would be more helpful to have pets in the workplace than others? Which ones can you think of, and why?
3. Can you think of some of the disadvantages or challenges of allowing animals in an organisational setting? How could these be addressed?

SOURCES: 'How many pets are there in Australia?', RSPCA, 7 May 2018, <http://kb.rspca.org.au/how-many-pets-are-there-in-australia_58.html>; 'Take Your Dog to Work Day celebrates 20 years of promoting animal adoptions', RSPCA, 14 June 2018, <www.rspcasa.org.au/take-your-dog-to-work-day-2018/>; PetCloud, '9 of the most enviable Australian pet-friendly workplaces', 26 June 2016, <www.petcloud.com.au/blog/9-australian-pet-friendly-workplaces>; G. Callaghan, 'How dogs at work are "strengthening relationships in the office"', *Sydney Morning Herald*, 9 March 2018; J. Davies, 'Pet friendly offices: benefits from having dogs in the workplace', Canstar, 27 April 2016; D. Ferguson, 'Paws for thought: why allowing dogs in the office is a good idea', *The Guardian*, 18 May 2016; D. McPhee, 'The growing demand for pet-friendly workplaces', *The Conversation*, 5 February 2018; and A. Young, 'A furry phenomenon is making its way around the world's work spaces and boosting staff morale', Dexus, 15 August 2017.

Case study 2

WHEN THE GOING GETS BORING

We've all been there—whether your job itself is unfulfilling or if it's a particularly slow day at work, boredom strikes the best of us in the workplace. In fact, recent research indicates that Australian employees spend up to 6 hours a week bored in the workplace. The most common reasons for boredom are uninteresting work, too many meetings and lack of diversity within the job. Boredom can hit organisations hard. A study by Udemy, an online teaching and learning organisation, found that employees who are bored tend to be twice as likely to leave their organisations within 3 to 6 months. Young millennial employees were especially prone to becoming bored at work and were much more likely to become bored than their baby-boomer counterparts. In another study by the Intelligence Group, 64% of millennials would forego a $100 000 salaried position that they think is boring for a $40 000 position that they love.

Being bored at work can have unacceptable consequences that can cause a lot of trouble. First, you can let your colleagues down when you're unresponsive and they need you, especially when they can't move forward without you. Second, boredom can at times lead to complaining. Although this may seem common in organisations (due to media portrayals on television and movies of complaining employees), it can be irritating to many employees, especially those who are happy with their work. Third, research shows that boredom can lead to the commission of CWBs, especially psychologically withdrawing from the job, sabotaging work equipment and abusing co-workers. Fourth, if work is central to an employee's life and if employees are not getting their needs met in their personal and work lives, boredom can lead to depression. Finally, some people just tend to be more bored than others—boredom-prone people experience a variety of

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undesirable outcomes, such as receiving less support from their organisations, underemployment and lower performance ratings.

So how can you get on track if you're bored in the workplace? One of the keys to tackling boredom is to take control and be proactive. Research on more than 1500 employees in Finland (tracked over 3 years) suggests that taking control of your job and setting challenges for yourself, along with acquiring the resources you need to do the job well, reduces boredom gradually over time. Part of this involves forcing yourself to be more curious and looking outside your own responsibilities. When we become overwhelmed by the monotony of familiar work, it's time to find new insights, perspectives and ways of approaching our tasks. Offering learning opportunities and reducing consistent hours worked, especially for millennials, may also be effective in reducing boredom at work. Notably, the Udemy survey found that 80% of employees would become more interested in their tasks if they were given the opportunity to learn more skills. These results echo calls for gamification of the workplace, by which everyday tasks can be altered to include game mechanics, potentially leading to a reduction in boredom and an increase in cognitive control.

Questions

1. Who is responsible for reducing boredom in the workplace and why? Is it the employer? The one who is bored?
2. Do you think certain tasks are inherently boring and can't be changed? If yes, what are they? If there are tasks that can't be made more interesting, how can the negative effects of boredom be mitigated for the employees who must perform those tasks?
3. Which emotion-regulation technique do you think would be the most successful in mitigating boredom and why?

SOURCES: Based on R. Half, 'Bored at work? You're not alone', Robert Half website, 12 February 2018; K. Bruursema, S. R. Kessler and P. E. Spector, 'Bored employees misbehaving: the relationship between boredom and counterproductive work behaviour', *Work & Stress* 25, no. 2, 2011, pp. 93–107; A. Gaskell, 'How gamification can drive workplace performance', *Forbes*, 21 February 2017; L. K. Harju, J. J. Hakanen and W. B. Schaufeli, 'Can job crafting reduce job boredom and increase work engagement? A three-year cross-lagged panel study', *Journal of Vocational Behavior* 95–6, 2016, pp. 11–20; S. Harrison, '6 ways the most successful people conquer boredom at work', *Fast Company*, 13 November 2015; J. Lumsden, E. A. Edwards, N. S. Lawrence, D. Coyle and M. R. Munafò, 'Gamification of cognitive assessment and cognitive training: a systematic review of applications and efficacy', *JMIR Serious Games* 4, no. 2, 2016, pp. e11; R. Moy, '3 inexcusable mistakes you're probably making if you're bored at work', *Forbes*, 27 October 2016; M. L. M. van Hooff and E. A. J. van Hooff, 'Boredom at work: proximal and distal consequences of affective work-related boredom', *Journal of Occupational Health Psychology* 19, no. 3, 2014; pp. 348–59; M. L. M. van Hooff and E. A. J. van Hoof, 'Work-related boredom and depressed mood from a daily perspective: the moderating roles of work centrality and need satisfaction', *Work & Stress* 30, no. 3, 2016, pp. 209–27; J. D. Watt and M. B. Hargis, 'Boredom proneness: its relationship with subjective underemployment, perceived organizational support, and job performance', *Journal of Business and Psychology* 25, no. 1, 2010, pp. 163–74; E. Wiechers, '2016 Udemy workplace boredom study', *Udemy Blog*, 26 October 2016; and K. Zimmerman, 'What to do with a millennial employee that's bored at work', *Forbes*, 13 November 2016.

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CHAPTER

6

Perception and individual decision making

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

6.1 Explain the factors that influence perception.

6.2 Describe attribution theory.

6.3 Explain the link between perception and decision making.

6.4 Contrast the rational model of decision making with bounded rationality and intuition.

6.5 Explain how individual differences and organisational constraints affect decision making.

6.6 Contrast the three ethical decision criteria.

6.7 Describe the three-stage model of creativity.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓	✓		✓	✓	✓	✓
Communication					✓		
Collaboration					✓		
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility	✓	✓	✓	✓	✓	✓	✓

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Domino's pizza: creativity key in the kitchen

When you think of innovation and creative decision making in organisations, a pizza chain is probably not the first thing that comes to mind. At Domino's Australia, however, creativity is essential in helping the company keep up with—and even ahead of—competitors in a dynamic and fast-paced market. Domino's is currently a major player in the Australian pizza landscape, with recent numbers showing that almost one-third of pizza orders in the country are delivered by the industry giant. In addition to meeting major sales milestones in 2018, Domino's Enterprises released annual results revealing that it made a record net profit after tax of $136.2 million, a 15% increase on previous annual earnings. But what has led to this extraordinary success?



Domino's Australia is a major force in the competitive pizza industry.
SOURCE: DARREN ENGLAND/ AAP Images.

The pizza industry in Australia is a highly competitive market, with major chains vying aggressively for customers' dollars. In a recent interview, Andrew Ledovskikh, a senior industry analyst at IBISWorld, said that Domino's use of technology and its innovative delivery system helped it to beat major competitors. 'Domino's invested very heavily in its online platform and its delivery system, and that played very well for it. Their platform was extremely advanced and extremely innovative, and very easy to use. That was the core of their business.'

One of the biggest creative innovations is the introduction of an interactive online tool known as 'Pizza Chef', which uses 'augmented reality' to allow customers to build then order their own pizza. While augmented reality is usually used in gaming, Domino's found a way to use it to their advantage. Speaking before its introduction, Domino's CMO Allan Collins said that use of the technology will ultimately improve the customer experience. 'Users will be able to visually create their favourite pizza by dragging toppings onto a virtual pizza, selecting their preferred crust, sauce, cheese and swirls and see it being created first-hand … [We ensure that] each ingredient shown reflects the weight we use in store, [which] means that the pizza a customer receives looks the same as the one they created; and that makes for a more satisfied customer.'

Although Domino's strives for perfection in the creation of its delicious products, a perfect pizza is difficult to guarantee—which can sometimes result in unhappy customers. Therefore another creative idea implemented in practice is the 'Pizza Checker', which involves taking a photo of each pizza then using artificial intelligence to evaluate the quality of the pizza, including its type, topping distribution and temperature. This information is then transmitted to the store manager for review, and the photo can also be sent to the customer. According to CEO Don Meij, this innovation will reduce customer dissatisfaction and improve performance standards. 'It will dramatically improve the quality and consistency of handmade pizzas—cooked and cut to perfection.'

The Domino's website includes a specific area that highlights their use of technology to drive customer engagement and satisfaction. These specific technologies include multiple digital apps for ease of ordering, SMS ordering, GPS tracking technology in delivery cars and 'On-Time Cooking'. The latter service in particular is designed to reduce the time that a pizza is left waiting for collection in stores. If customers choose to use this

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technology, and share their geographical location and mode of transport with Domino's, they can 'opt-in to the service to ensure their local store starts making their order only when they are close to their store'. With these innovations in place, and new technologies planned for the future, Domino's is proof that creativity really can pay off.

SOURCES: B. Brook, '3 and 10: numbers key to Domino's domination of Australia's pizza delivery market', <news.com.au>, 16 August 2018; J. Fernyhough 'How Domino's crushed Pizza Hut to become the king of Aussie takeaway', *The New Daily*, 20 July 2018; N. Cameron, 'Domino's debuts augmented reality pizza ordering', CMO from IDG, 8 November 2018; J. Cartwright, 'Dominos commits to roll out Pizza checker AI to every store in the country', *TechAU*, 10 November 2017; P. Terlato, '5 weird ways Domino's uses technology to enhance pizza delivery', *finder*, 26 August 2016; <https://www.dominos.com.au/inside-dominos/technology>; <https://www.dominos.com.au/about-us/technology/ontimecooking>; 'Domino's launches high-tech solution to common pizza gripe', <news.com.au>, 8 November 2017; A. Ledovskikh, 'How Domino's crushed Pizza Hut to become the king of Aussie takeaway', 28 July 2018; N. Cameron, 'Domino's debuts augmented reality pizza ordering', CMO, 8 November 2018; and 'Say cheese! Domino's new AI camera technology helps solve customer's number one frustration', <https://newsroom.dominos.com.au/home/2017/12/27/say-cheese-dominos-new-ai-camera-technology-helps-solve-customers-number-one-frustration>; Time is the enemy of food: Domino's tech series delivers global innovation & tasty tech convenience!, <www.dominos.com.au/inside-dominos/media/june-2016-time-is-the-enemy-of-food-domino-s-tech-series-delivers-global-innovation-tasty-tech-convenience>, June 2016.

THE DOMINO'S VIGNETTE illustrates how important creativity can be to an organisation, especially when operating in a highly competitive market. As we'll see later in the chapter, the creativity of individuals can lead to true innovation that solves problems and allows companies to become market leaders. To better understand this, we'll first explore our perceptions and how they affect our decision-making processes.

6.1 Explain the factors that influence perception.

What is perception?

perception A process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment.

Perception is a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment. However, what we perceive can be substantially different from objective reality. For example, all employees in an organisation may view it as a great place to work—favourable working conditions, interesting job assignments, good pay, excellent benefits, understanding and responsible management—but, as most of us know, it's very unusual to find such agreement.

Perception is important in the study of OB because people's behaviour is based on their perception of what reality is, not on reality itself. The world as it is perceived is the world that is behaviourally important. To understand what all of us have in common in our interpretations of reality, we need to begin with the factors that influence our perceptions.

Factors that influence perception

How do we explain the fact that individuals can look at the same thing yet perceive it differently? A number of factors operate to shape and sometimes distort perception. These factors can reside in the perceiver; in the object, or target, being perceived; or in the context of the situation in which the perception is made (see Exhibit 6.1).

When you look at a target and attempt to interpret what you see, your interpretation is heavily influenced by your personal characteristics. Characteristics that affect perception include your attitudes, personality, motives, interests, past experiences and expectations. For instance, if you expect police officers to be authoritative, young people to be lazy or politicians to be untrustworthy, you may always perceive them as this, regardless of their actual traits. In some ways, we hear what we want to hear[1] and we see what we want to see—not because it's the truth, but because it conforms to our thinking.

The characteristics of the observed target can affect what we perceive. Loud people are more likely to be noticed in a group than quiet ones. So, too, are extremely attractive or unattractive individuals. Because we don't look at targets in isolation, the relationship of a target to its background also influences perception, as does our tendency to group close things and similar things together. For instance, we often perceive women, men, Indigenous Australians, Asians or members of any other group that has clearly distinguishable characteristics to be alike and similar in other, unrelated ways as well.

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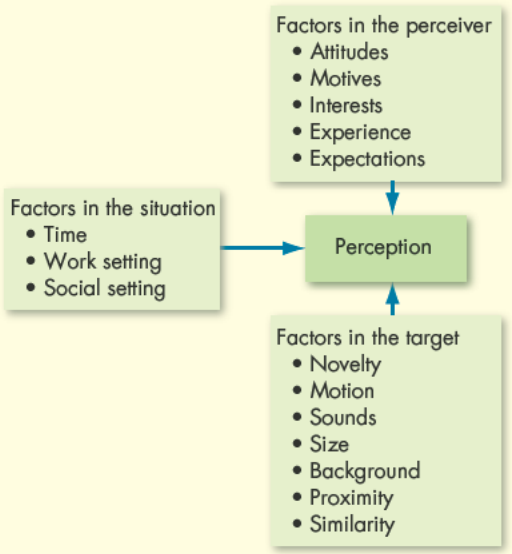
EXHIBIT 6.1 Factors that influence perception



Context is also important. The actual time of day or night when we see an object or event can influence our attention, as can location, light, heat or any number of situational factors. At a nightclub on a Saturday night, you might not notice a young patron dressed in the latest designer fashion. Yet if that same person wore the same clothes and attended your Monday morning management theory class it would certainly catch everyone's attention. Neither the perceiver nor the target has changed between Saturday night and Monday morning, but the situation is different. Let's next consider how we make perceptions of others.

Person perception: making judgements about others

6.2 Describe attribution theory.

The perception concepts most relevant to OB include person perceptions, or the perceptions people form about each other. Many of our perceptions of others are formed by first impressions and small cues that have little supporting evidence. This is particularly troublesome—but common—when we infer another person's morality. Research indicates we form our strongest impressions based on what we perceive about another's moral character, but our initial information about this can be sketchy and unfounded.[2] Let's unravel some of our other human tendencies that interfere with correct person perception, beginning with the evidence behind attribution theory.

Attribution theory

Inanimate objects, such as desks, machines and buildings, are subject to the laws of nature, but they have no beliefs, motives or intentions. People do. That's why when we observe people, we attempt to explain why they behave in certain ways. Our perception and judgement of a person's actions will therefore be significantly influenced by the assumptions we make about that person's internal state.

Attribution theory tries to explain the ways in which we judge people differently, depending on the meaning we attribute to a given behaviour.[3] It suggests that when we observe an individual's behaviour, we attempt to determine whether it was internally or externally caused. That determination, however, depends largely on three factors: (1) distinctiveness, (2) consensus

attribution theory An attempt to determine whether an individual's behaviour is internally or externally caused.

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and (3) consistency. First, let's clarify the differences between internal and external causation and then we'll elaborate on each of the three determining factors.

Internally caused behaviour is what we believe to be under the personal control of the individual. Externally caused behaviour is what we imagine the situation forced the individual to do. If one of your employees is late for work, you might attribute that to their partying until 3 am and then oversleeping. This is an internal attribution. But if you attribute their arriving late to a car accident that caused a traffic jam, you are making an external attribution.

Now let's discuss each of the three determining factors. 'Distinctiveness' refers to whether an individual displays different behaviours in different situations. Is the employee who arrives late today also the one that colleagues say regularly avoids or shirks commitments? What we want to know is whether this behaviour is unusual. If it is, we're likely to give it an external attribution. If it's not, we'll probably judge the behaviour to be internal.

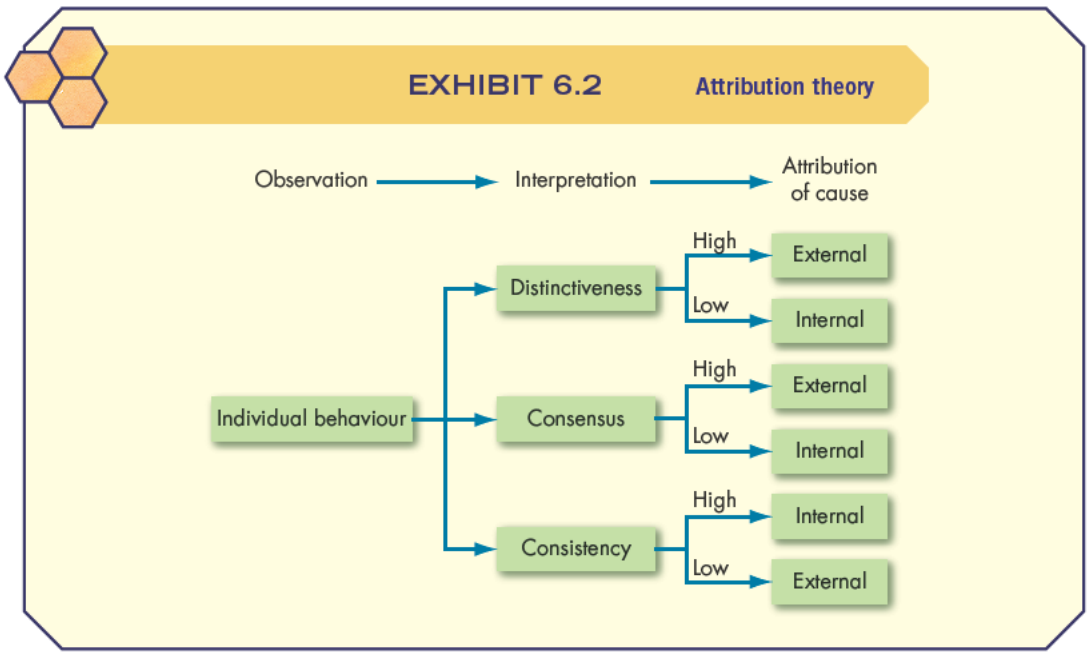
If everyone who faces a similar situation responds in the same way, we can say the behaviour shows consensus. The behaviour of our tardy employee meets this criterion if all employees who took the same route to work were also late. From an attribution perspective, if consensus is high, you would probably give an external attribution to the employee's tardiness, whereas if other employees who took the same route made it to work on time, you would probably attribute the employee's lateness to an internal cause.

Finally, an observer looks for consistency in a person's actions. Does the person respond the same way over time? Arriving 10 minutes late for work is not perceived in the same way for an employee who hasn't been late for several months as it is for an employee who is late two or three times a week. The more consistent the behaviour, the more we're inclined to attribute it to internal causes.

Exhibit 6.2 summarises the key elements in attribution theory. Let's consider an employee, Kim. The exhibit tells us, for instance, (1) that if Kim generally performs at about the same level on other related tasks as she does on her current task (low distinctiveness) and (2) that if other employees frequently perform differently—better or worse—than Kim does on this current task (low consensus) and (3) that if Kim's performance on this current task is consistent over time (high consistency), then anyone judging her work will probably hold her primarily responsible for her task performance (internal attribution).

fundamental attribution error The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgements about the behaviour of others.

One of the most interesting findings from attribution theory research is that errors or biases distort attributions. When we make judgements about the behaviour of other people, we tend to underestimate the influence of external factors and overestimate the influence of internal or personal factors.[4] This fundamental attribution error can explain why sales managers are prone



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to attribute the poor performance of their sales agents to laziness rather than to the innovative product line introduced by a competitor. Individuals and organisations also tend to attribute their own successes to internal factors such as ability or effort, while putting the blame for failure on external factors such as bad luck or unproductive colleagues. This is self-serving bias.[5] Researchers asked one group of people, 'If someone sues you and you win the case, should the other party pay your legal costs?' Eighty-five per cent responded 'yes'. Another group was asked, 'If you sue someone and lose the case, should you pay the other party's costs?' Only 44% answered 'yes'.[6]

self-serving bias The tendency for individuals to attribute their own successes to internal factors and put the blame for failures on external factors.

The evidence on cultural differences in perception is mixed, but most suggests there *are* differences across cultures in the attributions people make.[7] One study found that Korean managers were less prone to self-serving bias: they tended to accept responsibility for group failure 'because I was not a capable leader' instead of attributing failure to group members.[8] On the other hand, Asian managers are more likely to blame institutions or whole organisations, whereas Western observers believe individual managers should get blame or praise.[9] That probably explains why Australian and US newspapers feature the names of individual executives when firms do poorly, whereas Asian media cover how the firm as a whole has failed. This tendency to make group-based attributions also explains why individuals from Asian cultures are more likely to make group-based stereotypes.[10] Attribution theory was developed based on experiments with US and Western European workers. But these studies suggest caution in making attribution theory predictions in non-Western societies, especially in countries with strong collectivist traditions.

Having differences in attribution tendencies doesn't mean the basic concepts of attribution completely differ across cultures, though. Self-serving biases may be less common in East Asian cultures, but evidence suggests they still operate across cultures.[11] Studies indicate Chinese managers assess blame for mistakes using the same distinctiveness, consensus and consistency cues Western managers use.[12] They also become angry and punish those deemed responsible for failure, a reaction shown in many studies of Western managers. This means the basic process of attribution applies across cultures, but that it takes more evidence for Asian managers to conclude someone else should be blamed.

Common shortcuts in judging others

We use a number of shortcuts when we judge others. These techniques are frequently valuable. They allow us to make accurate perceptions rapidly and provide valid data for making predictions. However, they're not foolproof. They can and do get us into trouble. Understanding these shortcuts can help you recognise when they can result in significant distortions.

Selective perception

Any characteristic that makes a person, an object or an event stand out will increase the probability that we'll perceive it because it's impossible for us to assimilate everything we see—we can only take in certain stimuli. This tendency explains why you're more likely to notice cars like your own or why a boss may reprimand some people and not others who are doing the same thing. Because we can't observe everything going on around us, we engage in selective perception. But we don't choose randomly—we make selections based on our interests, background, experience and attitudes. By seeing what we want to see, we sometimes draw unwarranted conclusions from an ambiguous situation.

selective perception The tendency to selectively interpret what you see on the basis of your interests, background, experience and attitudes.

Halo and horns effects

When we draw a general impression about an individual on the basis of a single characteristic, such as intelligence, sociability or appearance, a halo effect is operating.[13] If you're a critic of the current prime minister or opposition leader, try listing ten things you admire about them. If you're an admirer, try listing ten things you dislike about them. No matter which alternative describes you, odds are you won't find this an easy exercise! That's the halo effect: our general views contaminate our specific ones. The horns effect, on the other hand, is when we draw a *negative* impression from a single characteristic.

halo effect The tendency to draw a general impression about an individual on the basis of a single characteristic.

horns effect The tendency to draw a negative general impression about an individual based on a single characteristic.

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Career OBjectives



So what if I'm a few minutes late to work?

I'm often late to work; something always comes up at the last minute. But my boss is such a jerk about it! He's threatening to install a time clock. This is so insulting—I'm in management, I'm a professional and I do the work! Please tell me how to talk some sense into him.

—Renée

Dear Renée,

This issue seems to be very frustrating to you, and we'd like to help you eliminate that dissatisfaction. Let's start by analysing why you and your boss think differently on the issue. You and he certainly perceive the situation differently: he sees your lateness as a violation, and you see it as a natural occurrence. In many other jobs, precise timing may not be expected, valued or needed. Perhaps your boss is trying to highlight the value he places on punctuality. Or maybe he sees your lateness as unethical behaviour that cheats your organisation of your valuable work time. According to Ann Tenbrunsel, Director of the Institute for Ethical Business Worldwide, the way we look at our decisions changes our perception of our behaviours. You view your tardiness as something that just happens, not part of a decision process. What if you looked at your tardiness as a daily ethical decision? Your organisation has a start time that you agreed to, as a condition of your employment, so coming in late is a deviation from the standard. There are actions you can take throughout your early morning that control your arrival time. So, by this model, your behaviour is unethical.

Your situation isn't uncommon; we all have moral blind spots, or situations with ethical ramifications we don't see. Also, as we said earlier, other organisations may not care about your arrival time, so it's not always an ethical situation. But for situations where ethics are in play, research indicates punishment doesn't work. Reframing your decisions so you see the ethical implications does work. Try these steps to gain insight:

- *Look at the motives for your decisions during your morning routine.* Can you see where you make choices?
- *Consider your past actions.* When you think about your early morning decisions, do you find yourself justifying your delays? Justification signals that our decisions might be suspect.
- *Look at the facts.* How do the reasons for your past delays reflect attitudes you've unconsciously acted on?

If you can see the ethical aspect of your daily lateness, you can work to meet the expectation. Think briefly about the ethics of your morning choices when you first wake up, and you'll be much more likely to be on time.

SOURCES: Based on C. Moore and A. E. Tenbrunsel, '"Just think about it"? Cognitive complexity and moral choice', *Organizational Behavior and Human Decision Processes* 123, no. 2, 2014, pp. 138–49; <www.ethicalsystems.org/content/ann-tenbrunsel>; and *Blind Spots: Why We Fail to Do What's Right and What to Do about It*, review and podcast, Princeton University Press, <http://press.princeton.edu/titles/9390.html>.

Contrast effects

contrast effects Evaluation of a person's characteristics that is affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics.

An old adage among entertainers says: 'Never follow an act that has kids or animals in it'. Audiences love children and animals so much that anyone else will look bad in comparison. This example demonstrates how contrast effects can distort perceptions. We don't evaluate a person in isolation. Our reaction to a person is influenced by other people we've recently encountered. For example, research on 22 teams in a Chinese hospitality organisation that was undergoing radical organisational change suggests that transformational leadership (see Chapter 11) is more effective in improving support for the changes among followers when the former leader was *not* transformational—when the former leader *was* transformational, the new leader behaviours were not as effective.[14]

In a series of job interviews, for instance, interviewers can make distortions in any given candidate's evaluation as a result of the candidate's place in the interview schedule. A candidate is likely to receive a more favourable evaluation if preceded by mediocre applicants and a less favourable evaluation if preceded by strong applicants.

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Stereotyping

When we judge someone on the basis of our perception of the group they belong to, we're using the shortcut called stereotyping.[15]

We rely on generalisations every day because they help us make decisions quickly; they're a means of simplifying a complex world. It's less difficult to deal with an unmanageable number of stimuli if we use heuristics or stereotypes. For example, it makes sense to assume that Trevor, the new employee from accounting, is going to know something about budgeting, or that Allie from finance will be able to help you work out a forecasting problem. The problem occurs, of course, when we generalise inaccurately or too much. In organisations, we frequently hear comments that represent stereotypes based on gender, age, race, religion, ethnicity and even weight;[16] for example, 'Women won't relocate for a promotion', 'Men aren't interested in child care', 'Older workers can't learn new skills', 'Asian immigrants are hardworking and conscientious' and 'Overweight people lack discipline'. Stereotypes can be deeply ingrained and powerful enough to influence life-or-death decisions. One of the problems of stereotypes is that they *are* widespread and are often useful generalisations, despite the fact that they may not contain a shred of truth when applied to a particular person or situation. So, we constantly have to check ourselves to make sure we're not unfairly or inaccurately applying a stereotype in our evaluations and decisions.

It should be obvious by now that our perceptions, many of which are near instantaneous and without conscious deliberation, colour our outlook. Sometimes they have little impact on anyone, but more often our perceptions greatly influence our decisions. The first step towards increasing the effectiveness of organisational decision making is to understand the perception process on an individualised level, a topic we'll discuss next.

Specific applications of shortcuts in organisations

It's common for people to judge each other in the workplace. Managers have to appraise their employees' performances. We evaluate how much effort our colleagues are putting into their jobs. Team members immediately 'size up' a new person. In many cases, our judgements have important consequences for the organisation. Let's look at the most obvious applications.

Employment interview

It's fair to say that few people are hired without an interview. But interviewers make perceptual judgements that are often inaccurate[17] and draw early impressions that quickly become entrenched. Research shows that people form impressions of others within one-tenth of a second, based on their first glance.[18] If these first impressions are negative, they tend to be more heavily weighted in the interview than if that same information came out later.[19] Research indicates that our individual intuition about a job candidate isn't reliable in predicting job performance, but that collecting input from multiple independent evaluators can be predictive.[20] Most interviewers' decisions change very little after the first 4 or 5 minutes of an interview. As a result, information elicited early in the interview carries greater weight than does information elicited later, and a 'good applicant' is probably characterised more by the absence of unfavourable characteristics than by the presence of favourable ones.

Performance expectations

People attempt to validate their perceptions of reality even when they are faulty.[21] The terms self-fulfilling prophecy and Pygmalion effect describe how an individual's behaviour is determined by others' expectations. If a leader expects big things from their team, the team members are unlikely to let their leader down. Similarly, if the leader expects only minimal performance, the team will probably meet those low expectations. Expectations become reality. The self-fulfilling prophecy has been found to affect the performance of students, defence personnel and even accountants.[22]

self-fulfilling prophecy
A situation in which a person inaccurately perceives a second person, and the resulting expectations cause the second person to behave in ways consistent with the original perception.

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Performance evaluation

An employee's future is closely tied to their performance appraisal—promotion, pay rises and continuation of employment are among the outcomes. Although the appraisal can be objective (e.g. salespeople are appraised on how many dollars of sales they generate in their department), many jobs are evaluated subjectively. Subjective evaluations, although often necessary, are problematic because of the errors we've discussed: selective perception, contrast effects, halo effects, and so on. Sometimes performance ratings say as much about the evaluator as they do about the employee!

6.3 Explain the link between perception and decision making.

The link between perception and individual decision making

Part of working in an organisation involves making decisions. Ideally, decision making would be an objective process, but the way individuals make decisions and the quality of their choices are largely influenced by their perceptions. Individual decision making is an important factor of behaviour at all levels of an organisation and it comes about as a reaction to a problem[23]—that is, a discrepancy exists between the current state of affairs and a desired state, requiring us to consider alternative courses of action. If your car breaks down and you rely on it to get to work, you have a problem that requires a decision on your part.

decision Making a choice from two or more alternatives.

problem A discrepancy between the current state of affairs and a desired state.

Unfortunately, most problems don't come neatly packaged as a 'problem'. One person's problem is another person's satisfactory state of affairs. One manager might view their division's 2% decline in quarterly sales as a serious problem requiring immediate action on their part. In contrast, their counterpart in another division, who also had a 2% sales decrease, might consider that quite acceptable. So, awareness that a problem exists and whether a decision needs to be made are perceptual issues.

Every decision requires us to interpret and evaluate information. We typically receive data from multiple sources and need to screen, process and interpret these data. Which data are relevant to the decision and which are not? The decision maker's perceptions will answer that question. We also need to develop alternatives and evaluate their strengths and weaknesses. Again, the individual's perceptual process will affect the final outcome. Finally, throughout the entire decision-making process, perceptual distortions often surface that can bias analysis and conclusions.

6.4 Contrast the rational model of decision making with bounded rationality and intuition.

Decision making in organisations

Business schools train students to follow rational decision-making models. While such rationalistic models have merit, they don't always describe how people make decisions. OB improves the way we make decisions in organisations by addressing the decision-making errors people make in addition to the perception errors we've discussed. First, we'll describe some decision-making constructs and then we'll outline a few of the most common errors.

The rational model, bounded rationality and intuition

Rational decision making

It's often thought that the best decision maker is rational and makes consistent, value-maximising choices within specified constraints.[24] These decisions follow a six-step rational decision-making model.[25] The six steps are listed in Exhibit 6.3.

rational Characterised by making consistent, value maximising choices within specified constraints.

rational decision-making model A decision making model that describes how individuals should behave in order to maximise an outcome.

The rational decision-making model relies on a number of assumptions, including that the decision maker has complete information, is able to identify all the relevant options in an unbiased manner and chooses the option with the highest utility.[26] As you might imagine, most decisions in the real world don't follow the rational model. People are usually content to find an acceptable or a reasonable solution to a problem rather than an optimal solution. Choices tend to be limited to the neighbourhood of the problem symptom and the current alternative. As

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EXHIBIT 6.3 Steps in the rational decision-making model

1. Define the problem.
2. Identify the decision criteria.
3. Allocate weights to the criteria.
4. Develop the alternatives.
5. Evaluate the alternatives.
6. Select the best alternative.

one expert in decision making put it, 'Most significant decisions are made by judgment, rather than by a defined prescriptive model'.[27] What's more, people are remarkably unaware of making suboptimal decisions.[28]

Bounded rationality

The limited information-processing capability of human beings makes it impossible to assimilate and understand all the information necessary to optimise.[29] Most people respond to a complex problem by reducing it to a level where they can readily understand it. Also, many problems probably don't have an optimal solution because they're too complicated to be broken down into the parameters of the rational decision-making model. So, people satisfice—that is, they seek solutions that are satisfactory and sufficient.

satisfice to seek solutions that are satisfactory and sufficient.

When you considered which university or TAFE to attend, did you look at every viable alternative? Did you carefully identify all the criteria that were important in your decision? Did you evaluate each alternative against the criteria in order to find the best university or TAFE? You most likely didn't. Few people make their choice about tertiary education this way. Instead of optimising, you probably satisficed.

Because the human mind can't formulate and solve complex problems with full rationality, people operate within the confines of bounded rationality. They construct simplified models that extract the essential features from problems without capturing all their complexity.[30] They can then behave rationally within the limits of the simple model.

bounded rationality A process of making decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

How does bounded rationality work for the typical individual? Once we've identified a problem, we begin to search for criteria and alternatives. But the list of criteria is likely to be far from exhaustive. We identify a limited list of the most conspicuous choices, both easy to find and highly visible, that usually represent familiar criteria and tried-and-true solutions. Next, we begin reviewing them, but our review will not be comprehensive. Instead, we focus on alternatives that differ only in a relatively small degree from the choice currently in effect. Following familiar and well-worn paths, we review alternatives only until we identify one that's 'good enough'—that meets an acceptable level of performance. That ends our search. The solution represents a satisficing choice—the first acceptable one we encounter—rather than an optimal one.

This process of satisficing isn't always a bad idea; using a simple process may frequently be more sensible than the traditional rational decision-making model.[31] To use the rational model in the real world, you need to gather a great deal of information about all the options, work out applicable weights and then calculate values across a huge number of criteria. All these processes can cost time, energy and money. And if there are a great number of unknowns when it comes to weights and preferences, the fully rational model may not be any more accurate than a best guess. Sometimes a fast-and-frugal process of solving problems might be your best option.

Intuition

Perhaps the least rational way of making decisions is to rely on intuition. Intuitive decision making is a non-conscious process created from distilled experience.[32] Its defining qualities are that it occurs outside conscious thought, it relies on holistic associations (or links between disparate pieces of information), it's fast and it's affectively charged (meaning that it usually engages the emotions).[33]

intuitive decision making An unconscious process created out of distilled experience.

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While intuition isn't rational, it isn't necessarily wrong. Nor does it always operate in opposition to rational analysis; rather, the two can complement each other. But intuition is not superstition, nor is it the product of some magical or paranormal sixth sense. As one review noted, 'Intuition is a highly complex and highly developed form of reasoning that is based on years of experience and learning'.[34]

Researchers are divided about whether or not intuition helps effective decision making, but most experts are sceptical, in part because intuition is hard to measure and analyse (although expertise-based intuitive decisions tend to be more effective and accurate).[35] Probably the best advice from one expert is: 'Intuition can be very useful as a way of setting up a hypothesis but is unacceptable as "proof"'. Use hunches derived from your experience to speculate, yes, but always make sure to test those hunches with objective data and rational, dispassionate analysis.[36]

As you can see, the more we use objective processes for decision making, the more likely we are to correct some of the problems with our perceptual process. Just as there are biases and errors in the perception process, it stands to reason there are identifiable biases and errors in our decision making, which we will outline next.

Common biases and errors in decision making

Decision makers engage in bounded rationality, but they also allow systematic biases and errors to creep into their judgements.[37] To minimise effort and avoid difficult trade-offs, people tend to rely too heavily on experience, impulses, gut feelings and convenient rules of thumb. In many instances, these shortcuts are helpful. However, they can lead to severe distortions of rationality. Following are the most common biases in decision making.

Overconfidence bias

It has been said that 'no problem in judgment and decision making is more prevalent and more potentially catastrophic than overconfidence'.[38] When people are given factual questions and asked to judge the probability that their answers are correct, they tend to be far too optimistic, which demonstrates overconfidence bias. When people say they are 65% to 70% confident that they're right, they're actually correct only about 50% of the time.[39] When they say they're 100% sure, they tend to be 70% to 85% correct.[40]

overconfidence bias The tendency to overestimate the probability that your judgement in arriving at a decision is correct.

Anchoring bias

Anchoring bias is a tendency to fixate on initial information and fail to adequately adjust for subsequent information.[41] It occurs because our mind appears to give a disproportionate amount of emphasis to the first information it receives.[42] Anchors are widely used by people in professions where persuasion skills are important, such as advertising, management, politics, real estate and law. Assume that two pilots—Jason and Maddy—have been laid off their current jobs, and after an extensive search their best offers are from Tigerair. Each would earn the average annual pay for domestic pilots: $126 000. Jason was a pilot for Rex Airlines, a regional airline where the average annual salary is $82 000. Maddy was a pilot for FedEx, where the average annual salary is $200 000. Which pilot is more likely to accept, or be happier with, Tigerair's offer? It would obviously be Jason, because he is anchored by the lower salary.

anchoring bias A tendency to fixate on initial information, and then fail to adequately adjust for subsequent information.

Confirmation bias

The rational decision-making process assumes that we objectively gather information. But we don't. We selectively gather it. Confirmation bias represents a specific case of selective perception. We seek out information that reaffirms our past choices, and we discount information that contradicts them.[43] We also tend to accept at face value information that confirms our preconceived views, while we're critical and sceptical of information that challenges these views. Therefore, the information we gather is typically biased towards supporting views we already hold. We even tend to seek out sources most likely to tell us what we want to hear, and we give too much weight to supporting information and too little to contradictory information.

confirmation bias The tendency to seek out information that reaffirms past choices and to discount information that contradicts past judgements.

Availability bias

More people fear flying than driving in a car. But if flying on a commercial airline were as dangerous as driving, the equivalent of two 747 aircraft filled to capacity would crash every

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week, killing all on board. The media gives much more attention to air accidents, so we tend to overstate the risk of flying and understate the risk of driving.

The availability bias is our tendency to base judgements on information that is readily available.[44] A combination of readily available information and our previous direct experience with similar information has a particularly strong impact on our decision making. Also, events that evoke emotions, are particularly vivid or are more recent tend to be more available in our memory. This can lead us to over-estimate the chances of unlikely events, such as being in an aeroplane crash, suffering complications from medical treatment or getting fired.[45] Availability bias can also explain why managers give more weight in performance appraisals to recent employee behaviours than to behaviours of 6 or 9 months earlier.[46]

availability bias The tendency for people to base their judgements on information that is readily available to them.

Escalation of commitment

Another distortion that creeps into decisions is a tendency to escalate commitment, often for nonrational reasons.[47] Escalation of commitment refers to staying with a decision even when there's clear evidence that the decision is wrong. Consider a friend who has been in a relationship with his girlfriend for several years. Although he admits that things aren't going too well, he says he's still going to marry her. His justification: 'I have a lot invested in the relationship!'

escalation of commitment An increased commitment to a previous decision in spite of negative information.

Individuals escalate commitment to a failing course of action when they view themselves as responsible for the failure.[48] They throw good money after bad to demonstrate that their initial decision wasn't wrong and to avoid admitting they made a mistake.[49] In fact, people who carefully gather and consider information consistent with the rational decision-making

Myth or science?



'All stereotypes are negative'

The contention that all stereotypes are negative is false. Positive stereotypes exist just as much as negative ones.

A study of Princeton University students shows, for example, that even today we believe Germans are better workers, Italians and African Americans are more loyal, Jewish and Chinese people are more intelligent, and Japanese and English people are more courteous. What's surprising is that positive stereotypes aren't always positive.

Men are commonly believed to have higher maths ability than women. One study showed that when this stereotype was activated before men undertook a maths test, their performance on the test actually went down. Research revealed that when women or Asian-Americans heard positive stereotypes about themselves ('women are nurturing'; 'Asians are good at maths'), they felt depersonalised and reacted negatively to the individual expressing the positive stereotype. Another study showed that positive stereotypes about African-Americans actually solidified other, negative stereotypes because any stereotype tends to reinforce group-based differences, whether positive or negative.

This isn't to say that positive stereotypes can't have constructive consequences for some individuals. Sociologists Jennifer Lee and Min Zhou conducted research with adult children of Asian immigrants to the United States and found that stereotypes about academic success had a positive effect on some participants. In particular, Lee noted that, 'The Chinese and Vietnamese respondents in our study revealed that their teachers and guidance counselors perceived them as smart and promising. They expected them to excel and attend four-year universities'. Overall, the findings indicated that these strong expectations helped to facilitate the positive academic achievements of some students. Lee pointed out, however, that this was not true for all participants. For Asian-American students who struggled at school and failed to live up to the stereotype, they '[felt] like failures and ethnic outliers'.

Stereotypes are understandable. To function, we need shortcuts. This shortcut, however, runs both ways. Because stereotypes are socially learned, we need to be vigilant about not accepting or propagating them among our colleagues and peers.

SOURCES: A. C. Kay, M. V. Day, M. P. Zanna and A. D. Nussbaum, 'The insidious (and ironic) effects of positive stereotypes', *Journal of Experimental Social Psychology* 49, 2013, pp. 287–91; J. Lee, 'For Asian-American students, stereotypes help boost achievement', *The Conversation*, 21 August 2015; J. O. Sly and S. Cheryan, 'When compliments fail to flatter: American individualism and responses to positive stereotypes', *Journal of Personality and Social Psychology* 104, 2013, pp. 87–102; and M. J. Tagler, 'Choking under the pressure of a positive stereotype: gender identification and self-consciousness moderate men's math test performance', *Journal of Social Psychology* 152, 2012, pp. 401–16.

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model are *more* likely to engage in escalation of commitment than those who spend less time thinking about their choices.[50] Perhaps they've invested so much time and energy into making their decisions that they've convinced themselves they're taking the right course of action and don't update their knowledge in the face of new information. Many organisations have suffered because a manager was determined to prove their original decision was right by continuing to commit resources to a lost cause.

Randomness error

Human beings have difficulty dealing with chance. Most of us like to believe we have some control over our world and our destiny. Our tendency to believe we can predict the outcome of random events is called randomness error.

randomness error The tendency of individuals to believe they can predict the outcome of random events.

Decision making suffers when we try to create meaning from random events, particularly when we turn imaginary patterns into superstitions.[51] These can be completely contrived ('I never make important decisions on Friday the 13th') or evolve from a reinforced past pattern of behaviour (sportspeople often wear a particular item of clothing during a game because they have had success in the past when wearing the item). Superstitious behaviour can be debilitating when it affects daily judgements or biases major decisions.

Risk aversion

Mathematically, we should find a 50–50 flip of the coin for $100 to be worth as much as a sure promise of $50. After all, the expected value of the gamble over a number of trials is $50. However, most people don't consider these options equally valuable. Rather, nearly everyone but committed gamblers would rather have the sure thing than a risky prospect.[52] For many people, a 50–50 flip of a coin even for $200 might not be worth as much as a sure promise of $50, even though the gamble is mathematically worth twice as much as the sure thing! This tendency to prefer a sure thing over a risky outcome is called risk aversion.

risk aversion The tendency to prefer a sure gain of a moderate amount over a riskier outcome, even if the riskier outcome might have a higher expected pay off.

Risk aversion has important implications. Companies pay commissioned employees considerably more than they give those on straight salaries, to offset the risks inherent in a commission-based wage. Risk-averse employees will stick with the established way of doing their jobs, rather than taking a chance on innovative or creative methods. Sticking with a strategy that has worked in the past does minimise risk, but in the long run it will lead to stagnation. Ambitious people with power that can be taken away (most managers) appear to be especially risk-averse, perhaps because they don't want to lose everything they have worked so hard to achieve on a gamble.[53] CEOs at risk of being terminated are also exceptionally risk-averse, even when a riskier investment strategy is in their company's best interests.[54]

Hindsight bias

Hindsight bias is the tendency to believe falsely, after the outcome is known, that we would have accurately predicted it.[55] When we have accurate feedback on the outcome, we seem pretty good at concluding it was obvious.

hindsight bias The tendency to believe, falsely, after the outcome of an event is actually known, that you would have accurately predicted that outcome.

Hindsight bias reduces our ability to learn from the past. It lets us think we're better predictors than we actually are and can make us falsely confident. If your actual predictive accuracy is only 40% but you think it's 90%, you're likely to be less sceptical about your predictive skills.

6.5 Explain how individual differences and organisational constraints affect decision making.

Influences on decision making: individual differences and organisational constraints

We turn here to factors that influence how people make decisions and the degree to which they're susceptible to errors and biases, and discuss individual differences and organisational constraints.

Individual differences

Decision making in practice is characterised by bounded rationality, common biases and errors, and the use of intuition. In addition, individual differences create deviations from the rational model.

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Personality

The little research so far conducted on personality and decision making suggests that personality does influence our decisions. Let's look at conscientiousness and self-esteem (both discussed in Chapter 4).

Specific facets of conscientiousness, rather than the broad trait itself, may affect escalation of commitment (see above).[56] Two such facets—achievement striving and dutifulness—actually have opposite effects. Achievement-striving people are more likely to escalate their commitment, whereas dutiful people are less likely because, generally, achievement-oriented people hate to fail, so they escalate their commitment, hoping to forestall failure. Dutiful people, however, are more inclined to do what they see as best for the organisation. In addition, achievement-striving individuals appear to be more susceptible to hindsight bias, perhaps because they have a greater need to justify their actions.[57] Unfortunately, we don't have evidence on whether dutiful people are immune to this bias.

Finally, people with high self-esteem are strongly motivated to maintain it, so they use the self-serving bias to preserve it. They blame others for their failures while taking credit for successes.[58] In a more extreme case, those with the personality trait of grandiosity, a facet of narcissism (see Chapter 4), tend to engage in self-serving bias.[59]

Gender

Who makes better decisions: men or women? It depends on the situation. When the situation isn't stressful, decision making by men and women is about equal in quality. In stressful situations, it appears that men become more egocentric and make more risky decisions, while women become more empathetic and their decision making improves.[60]

Research on rumination, or reflecting on an issue at length, offers insights into gender differences in decision making.[61] More than two decades of study has found that women spend much more time than men analysing the past, the present and the future. They are more likely to overanalyse problems before making a decision and to rehash a decision once it's made. This can lead to more careful consideration of problems and choices. However, it can make problems harder to solve, increase regret over past decisions and increase depression. Women are nearly twice as likely as men to develop depression[62], but why they ruminate more than men is unclear; some research points to differences in the hypothalamus, pituitary and adrenal gland responses.[63] However, the gender difference seems to lessen with age. Differences are largest during young adulthood and smallest after age 65, when both men and women ruminate the least.[64]

Mental ability

We know that people with higher levels of mental ability are able to process information more quickly, solve problems more accurately and learn faster, so you might expect them to also be less susceptible to common decision errors. However, mental ability appears to help people avoid only some of these.[65] Smart people are just as likely to fall prey to anchoring, overconfidence and escalation of commitment, probably because being smart doesn't necessarily alert you to the possibility that you are too confident or emotionally defensive. That doesn't mean that intelligence never matters. Once warned about decision-making errors, more intelligent people learn more quickly to avoid them.

Cultural differences

The rational model makes no acknowledgement of cultural differences, nor does the bulk of OB research literature on decision making. But Indonesians, for instance, don't necessarily make decisions the same way Australians do. Therefore, we need to recognise that the cultural background of a decision maker can significantly influence the selection of problems, the depth of analysis, the importance placed on logic and rationality, and whether organisational decisions should be made autocratically by an individual manager or collectively in groups.[66]

Cultures differ in time orientation, the importance of rationality, belief in the ability of people to solve problems and preference for collective decision making. Differences in time orientation help us understand why managers in Egypt make decisions at a much slower and more deliberate pace than their Australian counterparts. While rationality is valued in Australia and North America, that's not true elsewhere.

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Also, some cultures emphasise solving problems, while others focus on accepting situations as they are. The United States and Australia fall into the first category; Thailand and Indonesia are examples of the second. Because problem-solving managers believe they can and should change situations to their benefit, Australian managers might identify a problem long before their Thai or Indonesian counterparts would choose to recognise it as such.

Organisational constraints

Organisations can constrain decision makers, creating deviations from the rational model. For instance, managers shape their decisions to reflect the organisation's performance evaluation and reward system, to comply with its formal regulations and to meet organisationally imposed time constraints. Precedent can also limit decisions.

Performance evaluation

Managers are strongly influenced by the criteria on which they are evaluated. If a division manager believes that the manufacturing plants under his responsibility are operating best when he hears nothing negative, we shouldn't be surprised to find his plant managers spending a good part of their time ensuring that negative information doesn't reach him.

Reward systems

The organisation's reward system influences decision makers by suggesting what choices have better personal pay-offs. If the organisation rewards risk aversion, managers are more likely to make conservative decisions. From the 1930s to the mid 1980s, General Motors consistently gave promotions and bonuses to managers who kept a low profile and avoided controversy. These people became very adept at dodging tough issues and passing controversial decisions on to committees.

Formal regulations

One manager at a McDonald's restaurant in Sydney describes constraints he faces in his job: 'I've got rules and regulations covering almost every decision I make—from how to cook fries to how often I need to clean the bathrooms. My job doesn't come with much freedom of choice'. His situation isn't unique. All but the smallest organisations create rules and policies to program decisions and get individuals to act in the intended manner. And, of course, in so doing they limit decision choices.

System-imposed time constraints

Almost all important decisions come with explicit deadlines. A report on new-product development may have to be ready for executive committee review by the first of the month. Such conditions often make it difficult, if not impossible, for managers to gather all the information they might like before making a final choice.

Historical precedents

Decisions aren't made in a vacuum; they have a context. In fact, individual decisions are points in a stream of choice. Those made in the past are like ghosts that haunt and constrain current choices. It's common knowledge that the largest determinant of the size of any given year's budget is last year's budget.[67] Choices made today are largely a result of choices made over the years.

6.6 Contrast the three ethical decision criteria.

Three ethical decision criteria

Ethical considerations should be an important criterion in all organisational decision making. There are three ways to frame decisions ethically.[68]

utilitarianism A system whereby decisions are made to provide the greatest good for the greatest number.

The first ethical yardstick is utilitarianism, whereby decisions are made solely on the basis of their outcomes, ideally to provide the greatest good for the greatest number. This view dominates business decision making. It's consistent with goals such as efficiency, productivity and high profits.

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Another ethical criterion is to make decisions consistent with fundamental rights and privileges, as declared in documents such as a Bill of Rights. An emphasis on rights in decision making means respecting and protecting the basic rights of individuals, such as the right to privacy, free speech or due process. This right to free speech protects **whistle-blowers** when they reveal an organisation's unethical practices to the press or government agencies.

whistle-blowers Individuals who report unethical practices by their employer to outsiders.

A third criterion is to impose and enforce rules fairly and impartially to ensure justice or an equitable distribution of benefits and costs. Union members typically favour this view. It justifies paying people the same wage for a given job regardless of performance differences, and using seniority as the primary determinant in staff redundancy decisions.

Each criterion has advantages and liabilities. A focus on utilitarianism promotes efficiency and productivity, but it can sideline the rights of some individuals, particularly those with minority representation. The use of rights protects individuals from injury and is consistent with freedom and privacy, but it can create a legalistic environment that hinders productivity and efficiency. A focus on justice protects the interests of the underrepresented and less powerful, but it can encourage a sense of entitlement that reduces risk taking, innovation and productivity.

Decision makers, particularly in for-profit organisations, feel comfortable with utilitarianism. The 'best interests' of the organisation and its shareholders can justify a lot of questionable actions, such as large lay-offs. But many critics feel that this perspective needs to change.[69] Public concern about individual rights and social justice suggests that managers should develop ethical standards based on non-utilitarian criteria. This presents a challenge because satisfying individual rights and social justice creates far more ambiguities than do utilitarian effects on efficiency and profits. This helps explain why managers are increasingly criticised for their actions. Raising prices, selling products with questionable effects on consumer health, closing down inefficient plants, laying off large numbers of employees, moving production overseas to cut costs and similar decisions can be justified in utilitarian terms. But that may no longer be the single measure by which good decisions are judged.

This is where corporate social responsibility (CSR) comes in to effect a positive change. As we can see by looking at utilitarian ideals, organisations are not motivated to respond equitably when they're looking only at a balance sheet. However, public pressure on organisations to behave responsibly has meant sustainability issues now affect the bottom line: consumers increasingly choose to purchase goods and services from organisations with effective CSR initiatives, high performers are attracted to work at CSR organisations, governments offer incentives to organisations for sustainability efforts, and so on. CSR is now beginning to make good business sense, folding ethics into utilitarian computations.

Researchers are turning increasingly to **behavioural ethics**—an area of study that analyses how people behave when confronted with ethical dilemmas. Their research tells us that, while ethical standards exist collectively in societies and organisations, and individually in the form of personal ethics, we don't always follow ethical standards promoted by our organisations, and we sometimes violate our own standards. Our ethical behaviour varies widely from one situation to the next.

behavioural ethics Analysing how people behave when confronted with ethical dilemmas.

So how can we increase ethical decision making in organisations? First, seemingly superficial aspects of the environment—such as lighting, outward displays of wealth and status, and cleanliness—can affect ethical behaviour in organisations.[70] Ethical behaviour can be affected by these signals; for example, if signs of status and money are everywhere, an employee may perceive those, rather than ethical standards, to be of highest importance. Second, managers should encourage conversations about moral issues; they may serve as a reminder and increase ethical decision making. One study found that simply asking business school students to think of an ethical situation had powerful effects when they were making ethical choices later.[71] We should be aware of our own moral 'blind spots'—the tendency to see ourselves as more moral than we are and others as less moral than they are. An environment that encourages open discussions and does not penalise people for coming forward is key to overcoming blind spots and increasing the ethicality of decision making.[72]

Behavioural ethics research stresses the importance of culture to ethical decision making. There are few global standards for ethical decision making,[73] as contrasts between Asia and the West illustrate. What is ethical in one culture may be unethical in another. For example,

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because bribery is more common in countries such as China, an Australian working in China might face a dilemma: Should I pay a bribe to secure business if it is an accepted part of that country's culture? Although some companies, such as IBM, explicitly address this issue, many don't. Without sensitivity to cultural differences as part of the definition of ethical conduct, organisations may encourage unethical conduct without even knowing it.

Lying

Are you a liar? Many of us wouldn't like to be labelled a liar. But if a liar is merely someone who lies, we're all liars. We lie to ourselves, and we lie to others. We lie consciously and unconsciously. We tell big lies and create small deceptions. Lying is one of the top unethical activities we likely indulge in daily, and it undermines all efforts towards sound decision making.

The truth is that one of the reasons we lie is because lying is difficult for others to detect. In more than 200 studies, individuals correctly identified people who were lying only 47% of the time, which is less than random picking.[74] This seems to be true no matter what lie-detection technique is employed. For example, one technique used by police officers is based on the theory that people look up and to the right when they lie. Unfortunately, researchers who tested the technique could not substantiate the underlying theory.[75]

The best hope for lie detection is to read a combination of cues unique to the person. Perhaps it's true that a mother can sometimes tell when her child is lying, for instance, because mothers know how their children's behaviour changes when they're stressed.

Lying is deadly to decision making, whether we sense the lies or not. Managers—and organisations—simply can't make good decisions when facts are misrepresented and people give false motives for their behaviours. Lying is a big ethical problem as well. From an organisational perspective, using fancy lie-detection techniques and entrapping liars when possible yields

Ethical choice



Choosing to lie

Mark Twain wrote, 'The wise thing is for us diligently to train ourselves to lie thoughtfully'. Not everyone agrees that lying is wrong. But we probably agree that people do lie, to varying degrees. And most of us probably agree that if we lied less, organisations and society would be better off. So, how might that be achieved? Research conducted by behavioural scientists suggests some steps to recovery.

1. *Stop lying to ourselves.* We lie to ourselves about how much we lie. Specifically, many studies reveal that we deem ourselves much less likely to lie than we judge others to lie. At a collective level, this is impossible—everyone can't be below or above average in their propensity to lie. So, step 1 is to admit the truth: we underestimate the degree to which we lie, we overestimate our morality compared to others and we tend to engage in what Bazerman and Tenbrunsel call 'moral hypocrisy'—we think we're more moral than we are.
2. *Trust, but verify.* A recent study showed that lying is learned at a very young age. When a toy was placed out of view, an experimenter told young children not to look at the toy and went out of sight. More than 80% of the children looked at the toy. When asked whether they had looked, 25% of two-and-a-half year-olds lied, compared to 90% of four-year-olds. Why do we learn to lie? Because we often get away with it. Negotiation research shows that we're more likely to lie in the future when our lies have succeeded or gone undetected in the past. Managers need to identify areas where lying is costly and find ways to shine a light on it when it occurs.
3. *Reward honesty.* 'The most difficult thing is to recognise that sometimes we too are blinded by our own incentives,' writes Dan Ariely, 'because we don't see how our conflicts of interest work on us.' So if we want more honesty, we have to provide greater incentives for the truth, and more disincentives for lying and cheating.

SOURCES: Based on D. Ariely, *The Honest Truth About Dishonesty: How We Lie to Everyone—and Especially Ourselves*, New York: Harper, 2012; K. Canavan, 'Even nice people cheat sometimes', *The Wall Street Journal*, 8 August 2012, p. 4B; M. H. Bazerman and A. E. Tenbrunsel, *Blind Spots: Why We Fail to Do What's Right and What to Do About It*, Princeton, NJ: Princeton University Press, 2012; A. D. Evans and K. Lee, 'Emergence of lying in very young children', *Developmental Psychology*, 2013; and L. Zhou, Y. Sung and D. Zhang, 'Deception performance in online group negotiation and decision making: the effects of deception experience and deception skill', *Group Decision and Negotiation* 22, 2013, pp. 153–72.

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unreliable results.[76] The most lasting solution comes from organisational behaviour, which studies ways to prevent lying by working with our natural propensities to create environments not conducive to lying.

Improving creativity in decision making

6.7 Describe the three-stage model of creativity.

Although the rational decision-making model will often improve decisions, a rational decision maker also needs creativity—the ability to produce novel and useful ideas;[77] in other words, ideas that are different from what's been done before but that are appropriate to the problem presented.

creativity The ability to produce novel and useful ideas.

Creativity is valuable in decision making because it allows the decision maker to more fully appraise and understand the problem, including seeing problems that others can't see. Global company L'Oréal puts its managers through creative exercises such as cooking or making music, and many business schools now require that MBA students express themselves creatively about their experiences through film, writing and even the performing arts.

Although all aspects of organisational behaviour have complexities, this is especially true for creativity. Exhibit 6.4 illustrates a three-stage model of creativity, a simplified model of creativity for use in organisations. The core of the model is creative behaviour, which has both causes (predictors of creative behaviour) and effects (outcomes of creative behaviour). In this section, we discuss the three stages of creativity, starting with the centre one in the model: creative behaviour.

three-stage model of creativity The proposition that creativity involves three stages: causes (creative potential and creative environment), creative behaviour and creative outcomes (innovation).

Creative behaviour

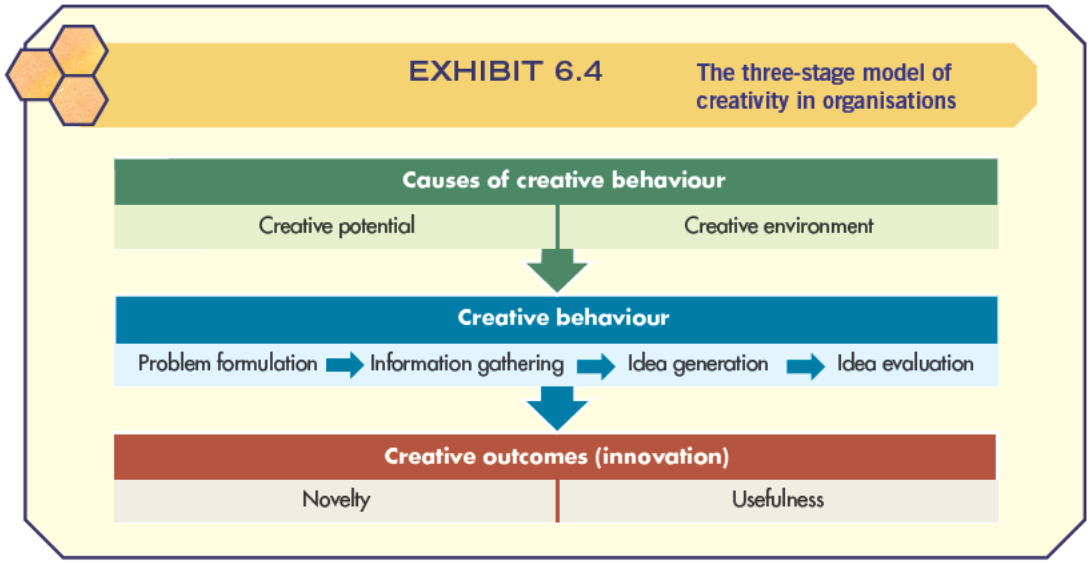
There are four steps to creative behaviour:

1. *Problem formulation.* Any act of creativity begins with a problem that the behaviour is designed to solve. Problem formulation is defined as the stage of creative behaviour where we identify a problem or opportunity that requires a solution as yet unknown. For example, many scientists, researchers and individual innovators around the world are currently working to design ways to reduce the enormous amount of plastic in the earth's oceans—a major environmental challenge today.[78]
2. *Information gathering.* Given a problem, the solution is rarely directly at hand. We need time to learn more and to process that learning. Information gathering is the stage of creative behaviour where possible solutions to a problem incubate in an individual's mind. Niklas Laninge of Hoa's Tool Shop, a Stockholm-based company that helps

problem formulation The stage of creative behaviour which involves identifying a problem or opportunity requiring a solution that is as yet unknown.

information gathering The stage of creative behaviour where possible solutions to a problem incubate in an individual's mind.

EXHIBIT 6.4 The three-stage model of creativity in organisations



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organisations become more innovative, argues that creative information gathering means thinking beyond usual routines and comfort zones. For example, have lunch with someone outside your field to discuss the problem. 'It's so easy, and you're forced to speak about your business and the things that you want to accomplish in new terms. You can't use buzzwords because people don't know what you mean,' Laninge says.[79]

3. *Idea generation.* Once we have collected the relevant information, it's time to translate knowledge into ideas. Idea generation is the process of creative behaviour where we develop possible solutions to a problem from relevant information and knowledge. Increasingly, idea generation is collaborative. For example, when NASA engineers developed the idea for landing a spacecraft on Mars, they did so collaboratively. Before coming up with the Curiosity—an SUV-sized rover that lands on Mars from a sky crane—the team spent three days scribbling potential ideas on whiteboards.[80]

idea generation The process of creative behaviour that involves developing possible solutions to a problem from relevant information and knowledge.

4. *Idea evaluation.* Finally, it's time to choose from the ideas we have generated. Idea evaluation is the process of creative behaviour where we evaluate potential solutions to identify the best one. Sometimes the method of choosing can be innovative. When Dallas Mavericks owner Mark Cuban was unhappy with the basketball team's uniforms, he asked fans to help design and choose the best uniform. Cuban said, 'What's the best way to come up with creative ideas? You ask for them. So we are going to crowd source the design and colours of our uniforms'.[81] Generally, you want those who evaluate ideas to be different from those who generate them, to eliminate the obvious biases.

idea evaluation The process of creative behaviour involving the evaluation of potential solutions to problems to identify the best one.

Causes of creative behaviour

Having defined creative behaviour—the main stage in the three-stage model—we'll now look back to the causes of creativity: creative potential and creative environment.

Creative potential

Is there such a thing as a creative personality? Indeed. While creative genius—whether in science (Albert Einstein), art (Pablo Picasso) or business (Steve Jobs)—is scarce, most people have some of the characteristics shared by exceptionally creative people. The more of these characteristics we have, the higher our creative potential.

1. *Intelligence and creativity.* Intelligence is related to creativity. Smart people are more creative because they're better at solving complex problems. However, intelligent individuals may also be more creative because they have greater 'working memory'; that is, they can recall more information that is related to the task at hand.[82]
2. *Personality and creativity.* The Big Five personality trait of openness to experience (see Chapter 4) correlates with creativity, probably because open individuals are less conformist in action and more divergent in thinking.[83] Other traits of creative people include proactive personality, self-confidence, risk taking, tolerance for ambiguity and perseverance.[84]
3. *Expertise and creativity.* Expertise is the foundation for all creative work and as such is the single most important predictor of creative potential. Film writer, producer and director Quentin Tarantino spent his youth working in a video rental store, where he built up an encyclopaedic knowledge of movies. The potential for creativity is enhanced when individuals have abilities, knowledge, proficiencies and expertise similar to their field of endeavour. You wouldn't expect someone with minimal knowledge of programming to be very creative as a software engineer. The expertise of others is important, too. People with larger social networks have greater exposure to diverse ideas and informal access to the expertise and resources of others.[85]

Creative environment

Most of us have creative potential that we can learn to apply, but as important as creative potential is, by itself it's not enough. We need to be in an environment where creative potential can be realised. Let's look at the environmental factors that affect whether creative potential translates into creative behaviours.

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First and perhaps most important is motivation. If you aren't motivated to be creative, it's unlikely you will be. A review of 26 studies revealed that intrinsic motivation, or the desire to work on something because it's interesting, exciting, satisfying and challenging (discussed in more detail in Chapter 7), correlates fairly strongly with creative outcomes. This link is true regardless of whether we're talking about student creativity or employee creativity.[86]

It's also valuable to work in an environment that rewards and recognises creative work. The organisation should foster the free flow of ideas, including providing fair and constructive judgement. Freedom from excessive rules encourages creativity; employees should have the freedom to decide what work is to be done and how to do it. One study of 385 employees working for several pharmaceutical companies in China revealed that both structural empowerment (in which the structure of the work unit allows sufficient employee freedom) and psychological empowerment (which lets the individual feel personally empowered) were related to employee creativity.[87] However, research in Slovenia found that creating a competitive climate where achievement is valued at any cost stymies creativity.[88]

You may be wondering about the link between organisational resources and creativity. While it is said that 'necessity is the mother of invention', research indicates that creativity can be inspired by an abundance of resources as well. Specifically, jobs that are complex, autonomous and have clear role expectations for innovation are related to innovative behaviour—these job characteristics can be especially important in inspiring creative behaviour.[89] It appears that managers greatly affect the outcomes. They may be able to heighten innovation when resources are limited by encouraging employees to find resources for their novel ideas and by giving direct attention to appropriate tools when resources are plentiful.[90]

What is the role of culture? A recent nation-level study suggests that countries scoring high on Hofstede's culture dimension of individuality are more creative.[91] Western countries such as Australia, Italy and Belgium score high on individuality, and South American and Eastern countries such as Colombia, China and Pakistan score low. Does this mean Western cultures are more creative? Some evidence suggests this is true. One study compared the creative projects of German and Chinese college students, some of whom were studying in their homeland, and some of whom were studying abroad. An independent panel of Chinese and German judges determined that the German students were most creative and that Asian German students were more creative than domestic Chinese students. This suggested that the German culture was more creative.[92] However, even if some cultures are more creative on average, there's always strong variation within cultures. Put another way, there are millions of Chinese who are more creative than their Australian or US counterparts.

Good leadership matters to creativity, too. One study of more than 100 teams working in a large bank revealed that when the leader behaved in a punitive, unsupportive manner, the teams were less creative.[93] On the other hand, when leaders are encouraging in tone, run their units in a transparent fashion and encourage the development of their employees, the individuals they supervise are more creative.[94]

As we will learn in Chapter 9, more work today is being done in teams, and many people believe diversity will increase team creativity. Past research, unfortunately, has suggested that diverse teams aren't more creative. More recently, however, one study of Dutch teams revealed that when team members were explicitly asked to understand and consider the point of view of the other team members (an exercise called perspective taking), diverse teams *were* more creative than those with less diversity.[95] A study of 68 Chinese teams reported that diversity was positively related to team creativity only when the team's leader was inspirational and instilled members with confidence.[96] Another study in a multinational pharmaceutical company found that teams from diverse business functions were more creative when they shared knowledge of each other's areas of expertise.[97] Collectively, these studies show that diverse teams can be more creative, but only under certain conditions.

Creative outcomes (innovation)

The final stage in our model of creativity is the outcome. Creative behaviour doesn't always produce a creative or innovative outcome. An employee might generate a creative idea and never share it. Management might reject a creative solution. Teams might squelch creative behaviours by isolating those who propose different ideas. One study showed that most

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people have a bias against accepting creative ideas because ideas create uncertainty. When people feel uncertain, their ability to see any idea as creative is blocked.[98]

We can define creative outcomes as ideas or solutions judged to be novel and useful by relevant stakeholders. Novelty itself doesn't generate a creative outcome if it isn't useful—in other words, 'off-the-wall' solutions are creative only if they help solve the problem. The usefulness of the solution might be self-evident (the iPad), or it might be considered successful by stakeholders before the actual success can be known.[99]

An organisation may harvest many creative ideas from its employees and call itself innovative. However, ideas are useless unless they are used. Soft skills help translate ideas into results. One researcher found that among employees of a large agribusiness company, creative ideas were most likely to be implemented when the individual was motivated to translate the idea into practice—and when they had strong networking ability.[100] Another important factor is organisational climate; a study of health-care teams found that team creativity translated into innovation only when the climate actively supported innovation.[101] These studies highlight an important fact: creative ideas don't implement themselves; translating them into creative outcomes is a social process that requires utilising other concepts addressed in this book, including power and politics, leadership and motivation.

Summary

Individuals base their behaviour not on the way their external environment actually is, but rather on the way they see it or believe it to be. An understanding of the way people make decisions can help us explain and predict behaviour, but few important decisions are simple or unambiguous enough for the rational model's assumptions to apply. We find individuals looking for solutions that satisfice rather than optimise, injecting biases and prejudices into the decision process, and relying on intuition. Managers should encourage creativity in employees and teams to create a route to innovative decision making.

Implications for managers

- Behaviour follows perception, so to influence behaviour at work, assess how people perceive their work. Often behaviours we find puzzling can be explained by understanding the initiating perceptions.
- Make better decisions by recognising the perceptual biases and decision-making errors we tend to commit. Learning about these problems doesn't always prevent us from making mistakes, but it does help.
- Adjust your decision-making approach to the national culture you're operating in and to the criteria your organisation values. If you're in a country that doesn't value rationality, don't feel compelled to follow the decision-making model or to try to make your decisions appear rational. Adjust your decision approach to ensure compatibility with the organisational culture.
- Combine rational analysis with intuition. These are not conflicting approaches to decision making. By using both, you can improve your decision-making effectiveness.
- Try to enhance your creativity. Actively look for novel solutions to problems, attempt to see problems in new ways, use analogies and hire creative talent. Try to remove work and organisational barriers that might impede creativity.

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IMPLICIT ASSESSMENT

POINT

As mentioned earlier in this chapter, some decisions are made intuitively—that is, they're made non-consciously, quickly and emotionally in the moment. So isn't it likely that we may be acting prejudicially towards others without even realising it?

Project Implicit, an initiative at Harvard started by Tony Greenwald, Mahzarin Banaji and Brian Nosek, sought to uncover hidden biases that are outside our conscious awareness. Much of this research has used the Implicit Association Test (IAT), which successfully enabled researchers to examine how quickly people make prejudicial decisions. The differences between decision speeds (in milliseconds) for some associations provides an estimate of a person's prejudice or bias.

The IAT has been very helpful in furthering research on nonconscious decision making and prejudice, suggesting that 'milliseconds matter' in understanding nonconscious, intuitive behaviour.

The IAT has helped us understand that people prefer women over men and mothers over fathers implicitly, but as soon as women are judged within a 'male' domain, the preferences shift: we tend to prefer male authority figures and leaders over female ones. A 2009 meta-analysis of nearly 15 000 people found that the IAT was moderately related to predicting future prejudiced judgements, behaviours and physiological indices.

COUNTERPOINT

Although intuition certainly plays a role in decision making, can a test actually tell us whether we are prejudiced? Is the number of milliseconds it takes to select an association between two concepts enough to tell someone that they are biased? This link between the IAT and biased behaviour has long been questioned by scholars, notably Hart Blanton.

Beyond the ethical implications of using a test to label someone as prejudiced or biased, which Emily Bazelon of *The New York Times* has likened to taking our societal discussions of bias and changing them 'from a psychological observation to a political accusation', Blanton notes that there are many issues with the measure itself: 'The IAT isn't even predicting the IAT two weeks later … how can a test predict behaviour if it can't even predict itself?' One study has also determined that it is impossible to separate true variability in the IAT versus variability due to faking (when people are instructed to fake the IAT).

In an updated meta-analysis published in 2015, Blanton and colleagues found that the IAT does very little to predict behaviour, perceptions, policy preferences, nonverbal behaviours and response times (although sometimes small effects can have societally large effects); the only element that the IAT seemed to predict moderately well was brain activity of some kind. Blanton has also sparked debate by reanalysing data from influential IAT tests from the earlier 2000s and found that some of the findings were smaller than anticipated and have changed substantially because of outliers and other factors (although this was debated by the original authors).

SOURCES: Based on T. Bartlett, 'Can we really measure implicit bias? Maybe not', *The Chronicle of Higher Education*, 5 January 2017; E. Bazelon, 'How "bias" went from a psychological observation to a political accusation', *The New York Times*, 18 October 2016; H. Blanton, J. Jaccard, J. Klick, B. Mellers, G. Mitchell and P. E. Tetlock, 'Strong claims and weak evidence: reassessing the predictive validity of the IAT', *Journal of Applied Psychology* 94, no. 3, 2009; pp. 567–82; D. Chugh, 'Societal and managerial implications of implicit social cognition: why milliseconds matter', *Social Justice Research* 17, no. 2, 2004, pp. 203–22; A. G. Greenwald, T. A. Poehlman, E. L. Uhlmann and M. R. Banaji, 'Understanding and using the implicit association test: III. meta-analysis of predictive validity', *Journal of Personality and Social Psychology* 97, no. 1, 2009, pp. 17–41; J. Kluger, 'There's a test that may reveal racial bias in police—and in all of us', *Time*, 8 July 2016; C. Mooney, 'Across America, whites are biased and they don't even know it', *The Washington Post*, 8 December 2014; F. L. Oswald, G. Mitchell, H. Blanton, J. Jaccard and P. E. Tetlock, 'Predicting ethnic and racial discrimination: a meta-analysis of IAT criterion studies', *Journal of Personality and Social Psychology* 105, no. 2, 2013, pp. 171–93; Project Implicit website, 2011; J. Röhner and T. Ewers, 'Trying to separate the wheat from the chaff: construct- and faking-related variance on the implicit association test (IAT)', *Behavioral Research* 48, 2016, pp. 243–58; and T. Shatseva, 'Don't think you're sexist? Sorry, we all are', *Popular Science*, 2 December 2016.

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Questions for review

1. What are the factors that influence our perception?
2. What is attribution theory?
3. What is the link between perception and decision making?
4. How is the rational model of decision making different from bounded rationality and intuition?
5. How do individual differences and organisational constraints influence decision making?
6. What are the three ethical decision criteria, and how do they differ?
7. What are the parts of the three-stage model of creativity?

Application and employability

Our perception is our first window into the world—it gives us a sense of the world around us, who we are interacting with, where we are and what we should or should not be doing. These perceptions are instrumental in guiding our decision making. In the world of business, the prevailing assumption is that when we make business decisions we do so rationally. However, additional research counters this assumption because many people are limited by their own perception and biases in the workplace. Following this line of thought, becoming aware of your own biases and limitations to your decision making can help you make better, more informed decisions and, in turn, make you more employable. This understanding can help you improve not only your ethical decision making but also your creative performance. In this chapter, you developed your social responsibility as well as your knowledge application and analysis skills by challenging the assumption that all stereotypes are negative, learned about how to reduce lying, pondered the ethicality of workplace tardiness and examined the feasibility of measuring prejudicial intuitions. Next, you'll continue to develop these skills, along with your communication and critical thinking skills. You'll gain insight into your own perception and decision making by playing the 'Mafia' game, consider the perils of collaboration overload, and examine how boredom and repetitive tasks can lead to unethical decisions.

Experiential exercise

MAFIA

Form groups of six with one member volunteering to be the narrator. The narrator keeps track of the identities of all the members and announces all events to the rest of the group. All the group members (not including the narrator) should be seated across from one another. There are two teams in Mafia: the mafia and the townsfolk. The narrator should write 'mafia' on two slips of paper and 'townsfolk' on three slips of paper. The narrator passes these out covertly to all group members, randomly assigning each member to either the mafia or townsfolk groups (and instruct everyone to keep their identities private).

In Mafia, there are two game phases: day and night.

During the day phase (which should be the first phase), all group members should try to figure out who are the mafia members. This might involve accusing other group members of being mafia and seeking a vote to 'imprison' one of them (keep in mind that two of the five members will secretly be mafia—it's in their best interests to conceal their identities). Once the group has come to a vote about which person they want to imprison, the imprisoned player reveals their identity and is removed from the game.

During the night phase, all the townsfolk put their heads down and close their eyes. The narrator then instructs the mafia to rise silently and slowly. The narrator asks the mafia who they would like to target. The mafia should respond by silently gesturing (or otherwise communicating covertly) who they would like to eliminate from the game. Once a decision has been made, the mafia members are instructed to put their heads down and close their eyes.

On the following day phase, the narrator requests that everyone open their eyes and lift their heads. At this point, the narrator announces who the mafia chose to eliminate. This person reveals their identity and is then removed from the game. The day phase then continues with the players (again) trying to figure out who the (remaining) mafia are. The game continues until all mafia or all townsfolk are removed from the game.

After one side has prevailed, groups answer the following questions.

Questions

1. Was it easy to tell when someone was lying in this game? Why or why not? How could you tell?
2. Could you identify any biases or misperceptions in any of the decisions you made during the game? What were they and what were their outcomes?
3. Do you think it's possible to be a good liar? What factors would a good liar have to control to pass off a lie as truth?

SOURCE: Based on Dmitry Davidoff's game, which he developed as a psychology student at Moscow State University in 1987 (see <www.wired.co.uk/article/werewolf>).

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Case study 1

WARNING: COLLABORATION OVERLOAD

'Regardless of what you're giving us, we're dying by email,' an executive told Jamie McLellan, a team leader at an advertising agency. McLellan invested in many different collaboration tools with the goal of helping the employees work more efficiently. Many organisations have taken this same approach with open-plan offices, such as those in many knowledge-intensive companies like Facebook, which has a notorious 430 000-square-foot open office space. Employees can use these tools to create internal team websites, chat and share documents. However, almost everyone tended to stick to what they knew and were used to using: email, with the employees sending and receiving between 3000 and 5000 emails per month.

This influx of various collaboration mechanisms has led to collaboration overload, which is a significant problem for organisations. According to data spanning two decades, employees spend 50% or more of their time collaborating with others. Although this may seem beneficial on the surface, this pattern has many drawbacks that aren't readily apparent. For one, 20 to 35% of collaborations that actually add value come from only 3 to 5% of employees. Unfortunately, people become known for their capabilities and willingness to help so the scope of their role increases due to a phenomenon known as escalating citizenship. Another major problem with collaboration overload is that time and energy spent collaborating with others (rather than working on your own work) translates to depleted personal resources.

Collaboration overload can have drastic effects on decision making within organisations. By increasing the number of collaboration tools and therefore increasing communication complexity, the number of people involved in decision making increases exponentially, requiring more meetings, emails and instant messages. Although there's much evidence that suggests we may need to tone down the richness, variety and depth of our communication due to how little 'deep' work can get done, there seems to be an escalation of commitment to the cult of collaboration, with not many offices agreeing to become at least partially unplugged.

Questions

1. In what ways do you think collaboration overload can have an impact on decision making?
2. What biases do you think play into managers' continued use of collaboration tools and modes?
3. How does collaboration overload (e.g. requiring employees to use multiple collaboration mechanisms or become employed in open-office environments) compare to the three ethical decision criteria (i.e. utilitarianism, liberties/rights and justice) discussed in this chapter?

SOURCES: Based on 'The collaboration curse', *The Economist* (Schumpeter Blog), 23 January 2016; R. Cross, R. Rebele and A. Grant, 'Collaborative overload', *Harvard Business Review*, January–February 2016; J. Greene, 'Beware collaboration-tool overload', *The Wall Street Journal*, 12 March 2017; and M. Mankins, 'Collaboration overload is a symptom of a deeper organizational problem', *Harvard Business Review*, 27 March 2017.

Case study 2

FEELING BORED AGAIN

Your awesome weekend has flown by, it's 8 pm on Sunday and you're dreading going to work tomorrow. You're not alone—a 2015 poll by Monster suggests that a staggering 76% of employees surveyed feel depressed and full of angst on Sunday evening in anticipation of work. Although people can be anxious about their work for many reasons, one major contributor can be found in whether you engage in boring or repetitive activities as part of your daily job. Feeling bored from time to time is not in itself bad, but the unethical behaviour that follows may be problematic.

Recent research suggests that when your work is routine and more automatic, intuitive cognitive processes are activated, leading to an increase in rule-breaking behaviour. On the other hand, multitasking may lead to less unethical decision making, a rare bright side for multitasking, which often results in negative outcomes such as decreases in performance and attention.

In a study of employees who processed mortgage applications at a Japanese bank, some were assigned to process only one part of the applications at a time, while others were assigned to work on more than one part of the applications. Using time card data, researchers found that when people worked on repetitive tasks, such as examining the same part of applications at a time, they took longer lunches than were allocated to them.

Another study suggests that boredom can lead to making unethical decisions in the workplace. It found that those who experience boredom in their jobs and who tend to be bored more because they perceive less stimulation from the external environment tend to engage in more CWB. Even your colleagues' boredom can influence your own unethical behaviours. Contrary to popular perception, bored individuals don't engage in significantly more horseplay while at work. However, they may be more prone to engage in abusive behaviours or otherwise psychologically withdraw.

Overall, the results suggest that one way employers might reduce the tendency to make unethical decisions in the workplace (especially those that are activated by intuitive processes) is to change the task or environment structure so that there's more variety and so that the work itself is less boring.

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Questions

1. How do you think boredom affects your decision making, beyond promoting unethical decisions?
2. Do you think boredom can help you be more creative? Why or why not?
3. Does it surprise you that boredom was not related to horseplay? Why or why not?

SOURCES: Based on K. Bruursema, S. R. Kessler and P. E. Spector, 'Bored employees misbehaving: the relationship between boredom and counterproductive work behavior', *Work & Stress* 25, no. 2, 2011, pp. 93–107; R. Derfler-Rozin, C. Moore and B. Staats, 'Does doing the same work over and over again make you less ethical?', *Harvard Business Review*, 28 March 2017; R. Derfler-Rozin, C. Moore and B. Staats, 'Reducing organizational rule breaking through task variety: how task design supports deliberative thinking', *Organization Science* 27, no. 6, 2016, pp. 1361–79; and M. Tabaka, '7 tips to avoid the Sunday night blues', *Inc* , 20 March 2017.

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CHAPTER

7

Motivation: from concept to application

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

7.1 Describe the three key elements of motivation.

7.2 Compare the early theories of motivation.

7.3 Describe and be able to apply the major elements of each contemporary theory of motivation.

7.4 Describe how the job characteristics model motivates by changing the work environment.

7.5 Compare the main ways jobs can be redesigned.

7.6 Explain how specific alternative work arrangements can motivate employees.

7.7 Describe how employee involvement measures can motivate employees.

7.8 Demonstrate how the different types of variable-pay programs, flexible benefits and intrinsic rewards can increase employee motivation.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking				✓	✓	✓	✓
Communication		✓			✓		
Collaboration	✓	✓			✓	✓	
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility	✓	✓	✓		✓	✓	

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Canva: the best place to work



Co-founder and CEO of Canva, Melanie Perkins
SOURCE: James Brickwood/AFR.

Named as the #1 Best Place to Work in Australia in 2018 for companies with between 100 and 999 employees, Canva is a graphic design start-up based in Sydney that's creating a huge buzz in the technology industry. Its co-founder, Melanie Perkins, was studying commerce and communications at the University of Western Australia when she and co-founder Cliff Obrecht launched an online design tool for school students and their teachers to create personalised yearbooks. After realising the wide applicability of the technology that they had created, they launched Canva alongside Cameron Adams, who had previously worked at Google. While well-known for its innovative, engaging and inclusive work culture, Canva is also exceptionally successful: it was recently named a tech 'unicorn' after it was valued at US$1 billion, and plans to expand its current workforce.

Canva Australia has also taken steps to design its offices to create a positive culture and unique workspace. For example, its Sydney headquarters includes a rock-climbing wall, open-plan dining areas to encourage communal eating and engagement, arcade games and even a massage chair. According to Chris Low, head of the 'Vibe Team' at Canva, the shared experience at lunch is particularly important in encouraging collaboration and relationship-building among employees: 'The big, shared serving plates make practical sense, but they also represent the way that a big family eats together ... [it really opens] up dialogue, camaraderie and good vibes generally'. Canva also deliberately sets team goals and rewards strong team performance to build a positive, collaborative culture. As Perkins wrote in a blog post, 'I love that every single team and group at Canva has "crazy big goals". Having new goals each season makes sure everyone has something concrete to pour their energy and creativity into'.

Canva also works hard to make sure that employees feel supported and part of the team. Upon commencing, new employees receive a tote bag containing Canva-branded merchandise and treats such as a box of chocolates or branded stickers. Balloons are also tied to their chairs to identify them as new hires. Christina Lai, one of Canva's HR team (also known as 'Team Happiness') says that it's important to take steps to make sure members of the Canva team feel welcome to reduce anxiety during their first few weeks on the job: 'We like to say that as long as someone's newbie balloon is up, there are no silly questions. This gives them a bit of confidence if they're ever in a situation where they need to ask a question but feel like they shouldn't'.

The perks don't stop there: other benefits include gym discounts, overseas holidays to celebrate major successes, flexible working hours (including the option to work from home several days a week) and employees can even have their bikes serviced for free if they choose to ride to work. Perkins notes that although people say the company offers a lot of benefits, the effects in the workplace are worth it: 'We do [have many rewards], but this misunderstands why we invest so much in our team and where we work. A happy, focused team is going to be able to get more done, take bigger risks and have a lot more fun along the way than one that is stressed and feels as though the company they work at doesn't care about them as humans'.

In between meetings with investors and running a multi-million dollar company, Perkins emphasises the importance of creating a 'fun' workplace with employees who

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genuinely want to make a difference. 'Because everyone does want to achieve incredible things at work, and if you can create an environment and a culture that enables that, well, it puts everyone in a great position.'

SOURCES: F. Chung, 'Canva named Australia's coolest tech company', <news.com.au>, 17 November 2016; <https://product.canva.com/onboarding-new-hires/>; <https://about.canva.com/story/>; M. Perkins, 'Creating a goal-driven culture at Canva', 3 March 2019, <https://product.canva.com/creating-a-goal-driven-culture-at-canva>; S. Kimmorley, 'Canva, Australia's best place to work, has a farm, indoor climbing wall, gives employees equity and birthday cocktails', *Business Insider Australia*, 19 September 2018; J. Naughton, 'Canva CEO Melanie Perkins on creating a multi-million dollar company', *Huffington Post*, 15 September 2016; No author, 'Billion-dollar baby: Canva becomes Australia's latest tech unicorn', *Sydney Morning Herald*, 9 January 2018; as told to news.com.au; C. Lai, Beyond the dotted line: Onboarding new hires to set them up for success, <https://product.canva.com/onboarding-new-hires>, 14 July 2018; and K. Stanton and H. Griffith, 'The 30-year-old woman who designed a $1bn business', *BBC News*, 10 January 2018.

AS YOU CAN SEE in the Canva vignette, there are many different ways to keep employees motivated in the workplace. While pay is a central means of motivation, working conditions and benefits matter too. The process of motivating employees is complex and, as the Canva vignette indicates, employees now expect greater flexibility and other work benefits to suit their lifestyles and family obligations.

7.1 Describe the three key elements of motivation.

Defining motivation

While motivation is one of the most frequently researched topics in OB,[1] there are many theories and ideas about how employee motivation works. Some argue that motivation is an exclusively individual trait, which the old saying, 'You can bring a horse to water, but you can't make it drink' illustrates. Others explain that it's the environment that will empower employees to motivate themselves. Another approach argues that different people are motivated by different things and a 'one size fits all' approach won't work. So which one is correct?

Money, fear, job satisfaction, incentives and perks, flexible timing, training and learning, and various other tools are used at random by organisations in the belief that a combination of these tools will motivate their employees. These tools in isolation indeed motivate people for a short while or even slightly longer. It's probable that one or two in combination will definitely work for an individual as long as all areas are covered. There's nothing wrong with this formula, but none of these tools works in isolation within the environment and culture of an organisation. So, as we explore and document the concept of motivation, we need to keep in mind that the level of motivation varies both between individuals and within individuals at different times.

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

We define motivation as the processes that account for an individual's intensity, direction and persistence of effort towards attaining a goal.[2] While general motivation is concerned with effort towards any goal, we'll narrow the focus to organisational goals in order to reflect our singular interest in work-related behaviour.

The three key elements in our definition are intensity, direction and persistence. Intensity describes how hard a person tries. This is the element that most of us focus on when we talk about motivation. However, high intensity is unlikely to lead to favourable job-performance outcomes unless the effort is channelled in a direction that benefits the organisation. Therefore, we consider the quality of effort as well as its intensity. Effort directed towards, and consistent with, the organisation's goals is the kind of effort managers are seeking. Finally, motivation has a persistence dimension. This measures how long a person can maintain effort. Motivated individuals stay with a task long enough to achieve their goal.

7.2 Compare the early theories of motivation.

Early theories of motivation

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

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SOURCE: Based on H. Skelsey, 'Maslow's hierarchy of needs—the sixth level', *Psychologist* 27, December 2014, pp. 982–3.

Hierarchy of needs theory

The best-known theory of motivation is Abraham Maslow's hierarchy of needs.[3] Maslow hypothesised that every human being has a hierarchy of five needs. Recently, a sixth need—intrinsic values—was proposed as the highest level. It's said to have originated from Maslow, but it has yet to gain widespread acceptance.[4] The five original needs are:

hierarchy of needs theory A hierarchy of five needs physiological, safety, social, esteem and self actualisation in which, as each need is substantially satisfied, the next need becomes dominant.

1. *physiological*—includes hunger, thirst, shelter, sex and other bodily needs
2. *safety-security*—security and protection from physical and emotional harm
3. *social-belongingness*—affection, belongingness, acceptance and friendship
4. *esteem*—internal factors such as self-respect, autonomy and achievement, and external factors such as status, recognition and attention
5. *self-actualisation*—the drive to become what we are capable of becoming; includes growth, achieving our potential and self-fulfilment.

self-actualisation The drive to become what a person is capable of becoming.

According to Maslow, as each need becomes substantially satisfied, the next one becomes dominant. So, if you want to motivate someone, you need to understand what level of the hierarchy that person is currently on and focus on satisfying the needs at or above that level. We depict the hierarchy as a pyramid in Exhibit 7.1 because this is its best-known presentation, but Maslow referred to the needs only in terms of levels.

Maslow's needs theory has received wide recognition, particularly among practising managers. It is intuitively logical and easy to understand and some research has validated it.[5] Unfortunately, however, most research hasn't, and it hasn't been frequently researched since the 1960s.[6] But old theories, especially intuitively logical ones, die hard. It's therefore important to be aware of the prevailing public acceptance of the hierarchy when discussing motivation.

Two-factor theory

Believing an individual's relationship to work is basic, and that the attitude towards work can determine success or failure, psychologist Frederick Herzberg wondered, 'What do people want from their jobs?' He asked people to describe, in detail, situations in which they felt exceptionally good or bad about their jobs. The responses differed significantly and led Hertzberg to his two-factor theory (also called motivation-hygiene theory, but this term is not used much today).[7]

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

As shown in Exhibit 7.2, intrinsic factors such as advancement, recognition, responsibility and achievement seem related to job satisfaction. Respondents who felt good about their work tended to attribute their positive feelings to these intrinsic factors. On the other hand, dissatisfied respondents tended to cite extrinsic factors, such as supervision, pay, company policies and working conditions.

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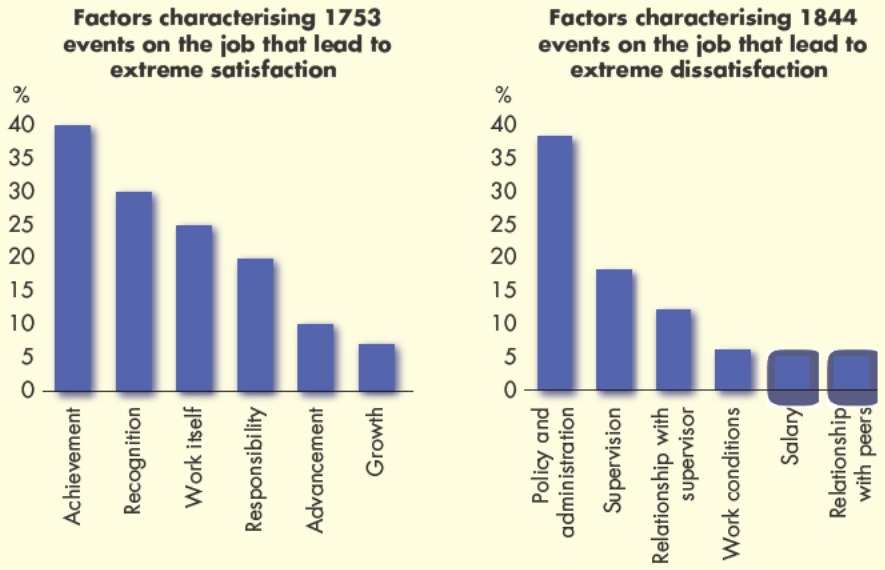
EXHIBIT 7.2 Comparison of satisfiers and dissatisfiers

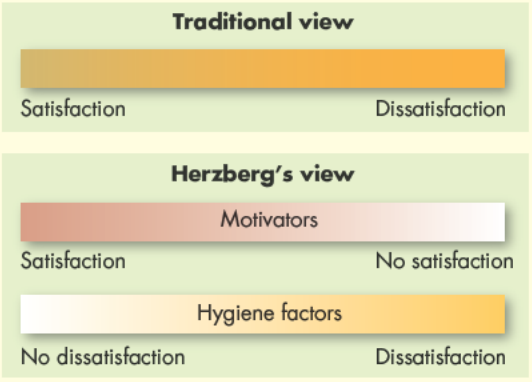


SOURCE: Based on 'Comparison of satisfiers and dissatisfiers', *Harvard Business Review*, an exhibit from *One More Time: How Do You Motivate Employees?* by Frederick Herzberg, January 2003. Copyright © 2003 by the Harvard Business School Publishing Corporation. All rights reserved.

According to Herzberg, the data suggest that the opposite of satisfaction is not dissatisfaction, as was traditionally believed. Removing dissatisfying characteristics from a job doesn't necessarily make the job satisfying. As illustrated in Exhibit 7.3, Herzberg proposed that his findings indicated the existence of a dual continuum: the opposite of 'satisfaction' is 'no satisfaction', and the opposite of 'dissatisfaction' is 'no dissatisfaction'.

Under two-factor theory, the factors that lead to job satisfaction are separate and distinct from those that lead to job dissatisfaction. Therefore, managers who seek to eliminate factors that can create job dissatisfaction may bring about peace but not necessarily motivation. They will be placating rather than motivating their workers. Conditions such as quality of supervision,

EXHIBIT 7.3 Contrasting views of satisfaction and dissatisfaction



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pay, company policies, physical work conditions, relationships with others and job security are known as hygiene factors. When they're adequate, people won't be dissatisfied; neither will they be satisfied. If we want to motivate people on their jobs, we should emphasise factors associated with the work itself or with outcomes directly derived from it, such as promotional opportunities, personal growth opportunities, recognition, responsibility and achievement. These are the characteristics people find intrinsically rewarding.

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

The two-factor theory hasn't been well supported in research. Criticisms centre on Herzberg's original methodology and his assumptions, such as how the participants may be biased in thinking back to times when they felt good or bad about their jobs.[8] Furthermore, if hygiene and motivational factors are equally important to a person, both should be capable of motivating.

Regardless of the criticisms, Herzberg's theory has been quite influential and has been used in many studies in Asian countries, such as Japan and India.[9] Few managers worldwide are unfamiliar with its recommendations.

McClelland's theory of needs

You have one beanbag and five targets set up in front of you; the targets (A to E) are lined up one behind the other, at an equal distance from each other. Target A sits almost within arm's reach. If you hit it, you get $2. Target B is a bit further out and pays $4, but only about 80% of the people who try can hit it. Target C pays $8, and about half the people who try can hit it. Very few people can hit Target D, but the payoff is $16 for those who do. Finally, Target E pays $32, but it's almost impossible to achieve. Which would you try for? If you selected C, you're likely to be a high achiever.

McClelland's theory of needs was developed by David McClelland and his associates.[10] Compared to Maslow's hierarchy, these three needs are more akin to motivating factors than strict needs for survival. They are:

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

- *need for achievement (nAch)*—the drive to excel: to achieve in relationship to a set of standards
- *need for power (nPow)*—the need to make others behave in a way they wouldn't have otherwise
- *need for affiliation (nAff)*—the desire for friendly and close interpersonal relationships.

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

need for power (nPow) The need to make others behave in a way that they wouldn't have behaved otherwise.

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

McClelland and subsequent researchers focused most of their attention on nAch. In general, high achievers perform best when they perceive their probability of success as 0.5—that is, a 50–50 chance. They dislike gambling with high odds because they get no achievement satisfaction from success that comes by pure chance. Similarly, they dislike low odds (high probability of success) because then there's no challenge to their skills. They like to set goals that require stretching themselves a little.

McClelland's theory has research support across cultures, particularly when cultural dimensions including power distance are considered.[11] Based on prior nAch research, we can predict some relationships between nAch and job performance. First, when employees have a high level of nAch, they tend to exhibit more positive moods and be more interested in the task at hand.[12] Second, employees high on nAch tend to perform very well in high-stakes conditions on the job such as work walkthroughs or sales encounters.[13]

The need for achievement has received a great deal of research attention and acceptance in a wide array of fields, including organisational behaviour, psychology and general business.[14] The nPow also has research support, but it may be more familiar to people in broad terms (e.g. a need to obtain power) than in relation to the original definition (e.g. a need to make others behave in a way that you want them to).[15] We'll discuss power more in Chapter 12. The nAff is also well established and accepted in research; for example, one study of 145 teams from Korean organisations suggests that, out of all the needs, groups composed of employees with a high nAff tend to perform the best, exhibit the most open communication and experience the least amount of conflict.[16] Both nAff and nPow tend to be closely related to managerial success. The best managers may be high in their need for power and low in their need for affiliation.[17]

Additional research on Cameroonian and German adults suggests that our personalities may affect whether we can satisfy these needs. For example, a high degree of neuroticism can

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Career OBjectives



Why won't he take my advice?

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

—James

Dear James,

It's great that you want to help, and we're sure you have wisdom to offer. But let's start with this: when is the last time you took someone else's advice?

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

There are two parts to the motivation equation for advice: what your colleague wants to hear, and how you can approach him. First, keep this rule in mind: he wants to hear that whatever decisions he's made are brilliant. If he hears anything different from that, he's likely to tune you out or keep talking until you come over to his side.

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

Take heart. The problem isn't that we don't like advice—we do, as long as we seek it. According to research, we're more motivated towards advice when we're facing important decisions, so good timing may work in your favour. When he does ask, you may suggest that he writes down the parameters of his choices and his interpretations of the ethics of each decision. Researcher Dan Ariely has found that we're much more motivated to make morally right decisions when we've considered the moral implications in a forthright manner. In this way, your colleague may motivate himself to make the right decisions.

Keep trying!

SOURCES: Based on D. Ariely, 'What price for the soul of a stranger?', *The Wall Street Journal*, 10–11 May 2014, p. C12; J. Queenan, 'A word to the wise', *The Wall Street Journal*, 8–9 February 2014, pp. C1–C2; and S. Reddy, 'The trick to getting people to take the stairs? Just ask', *The Wall Street Journal*, 17 February 2015, p. R4.

prevent someone from fulfilling the nAff, whereas agreeableness supports fulfilment of this need; interestingly, extraversion had no significant effect.[18]

The degree to which we have each of the three needs is difficult to measure, and therefore the theory is difficult to put into practice. A behaviour may be directed at satisfying many different needs, and many different behaviours may be directed at satisfying one given need, making needs difficult to isolate and examine.[19] It's more common to find situations where managers aware of these motivational drivers label employees based on observations made over time. Therefore, the concepts are helpful, but they're not often used objectively.

7.3 Describe and be able to apply the major elements of each contemporary theory of motivation.

Contemporary theories of motivation

Early theories of motivation haven't held up under close scrutiny or have become old-fashioned. In contrast, contemporary theories have one thing in common: each has a reasonable degree of research validity. This doesn't mean that they're unquestionably right. We call them 'contemporary theories' because they represent the current state of thinking in

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explaining employee motivation. In this section, we'll discuss some of the most prominent contemporary theories of motivation, and reveal different aspects of our motivational processes and tendencies. These are self-determination theory, goal-setting theory, self-efficacy theory, reinforcement theory, equity theory/organisational justice and expectancy theory.

Self-determination theory

Kylie has worked at the RSPCA for several years as a volunteer, assisting homeless and wounded animals. 'It's weird,' says Kylie. 'I've worked for the RSPCA as a volunteer for three years, and three months ago they employed me full-time at $15 per hour. I'm doing the same work I did before, but it's not so much fun and I don't know why.'

Does Kylie's reaction seem odd? There's an explanation for it. It's called self-determination theory, which proposes that people prefer to feel they have control over their actions, so anything that makes a previously enjoyed task feel more like an obligation than a freely chosen activity will undermine motivation.[20] Much research on self-determination theory in OB has focused on the cognitive evaluation hypothesis that extrinsic rewards will reduce intrinsic interest in a task. When people are paid for work, it may feel less like something they want to do and more like something they have to do. Self-determination theory also proposes that, in addition to being driven by a need for autonomy, people seek ways to achieve competence and positive connections to others. A large number of studies support self-determination theory.[21] As we'll show, its major implications relate to work rewards.

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

When organisations use extrinsic rewards as pay-offs for superior performance, employees feel less like they're doing a good job because of their own intrinsic desire to excel and more like they're doing a good job because the organisation wants them to. Similarly, an individual's perception of why they work on a task when extrinsic rewards are eliminated can shift from an external to an internal explanation. For instance, if you're reading one novel per week because your English literature lecturer expects you to, you can attribute your reading behaviour to an external source. However, if you find yourself continuing to read one novel per week after the course is over, your natural inclination is to say, 'I must enjoy reading novels because I'm still reading one a week'.

Recent studies examining how extrinsic rewards increased motivation for some creative tasks suggest that we might need to place cognitive evaluation theory's predictions in a broader context.[22] Goal setting is more effective in improving motivation, for instance, when we provide rewards for achieving the goals. The original authors of self-determination theory acknowledge that extrinsic rewards, such as verbal praise and feedback about competence, can improve even intrinsic motivation under specific circumstances. Deadlines and specific work standards do too, if people believe they are in control of their behaviour.[23] This is consistent with the central theme of self-determination theory: rewards and deadlines diminish motivation if people see them as coercive.

So what does self-determination theory suggest for providing rewards? Consider two situations. For Emily, an experienced salesperson who really enjoys selling and closing the deal, a commission indicates she's been doing a good job at this valued task. The reward will increase her sense of competence by providing feedback that could improve intrinsic motivation. On the other hand, Joanne, a business analyst, succeeds because she likes to solve problems, and if she works to an externally imposed standard that she doesn't accept, this could feel coercive, and her intrinsic motivation would suffer. She would be less interested in the task and might reduce her effort.

A recent outgrowth of self-determination theory is self-concordance, which considers how strongly people's reasons for pursuing goals are consistent with their interests and core values. If individuals pursue goals because of an intrinsic interest, they're more likely to attain their goals and are happy even if they don't because the process of striving towards them is fun. In contrast, people who pursue goals for extrinsic reasons (money, status or other benefits) are less likely to attain their goals and are less happy even when they do achieve them because the goals are less meaningful to them.[24] OB research suggests that people who pursue work goals for intrinsic reasons are more satisfied with their jobs, feel they fit into their organisations better and may perform better.[25]

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

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Myth or science?

'Helping others and being a good citizen is good for your career'



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

In some organisations, employees are evaluated more on how their work gets done than on how much they do. If they possess the requisite knowledge and skills, or if they demonstrate the right behaviours on the job (e.g. always greeting customers with a smile), they're determined by management to be motivated, 'good' performers. In these situations, OCBs are considered as the next higher level of good employee behaviour. As a result, employees' careers benefit because of their helpfulness towards colleagues.

In other organisations, however, employees are evaluated more on what gets done. Here, employees are determined to be 'good' performers if they meet objective goals such as billing clients a certain number of hours or reaching a certain sales volume. When managers overlook employee OCB, frown on helpful behaviours or create an overly competitive organisational culture, employees become unmotivated to continue their helpful actions. Those who still engage in OCB can find their career progress is slowed when they take time away from core tasks to be helpful.

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

SOURCES: Based on D. M. Bergeron, 'The potential paradox of organizational citizenship behaviour: good citizens at what cost?', *Academy of Management Review* 32, no. 4, 2007; and D. M. Bergeron, A. J. Shipp, B. Rosen and S. A. Furst, 'Organizational citizenship behaviour and career outcomes: the cost of being a good citizen', *Journal of Management* 39, no. 4, 2013, pp. 958–84.

What does all this mean? For individuals, it means choose your job for reasons other than extrinsic rewards. For organisations, it means managers should provide intrinsic as well as extrinsic incentives. They need to make the work interesting, provide recognition, and support employee growth and development. Employees who feel what they do is within their control and a result of free choice are likely to be more motivated by their work and more committed to their employers.[26]

Goal-setting theory

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

The research on goal-setting theory addresses the effects that goal specificity, challenge and feedback have on performance.

In the late 1960s, Edwin Locke proposed that intentions to work towards a goal are a major source of work motivation.[27] The evidence strongly supports the value of goals. More to the point, we can say that specific goals increase performance; that difficult goals, when accepted, result in higher performance than do easy goals; and that feedback leads to higher performance than does non-feedback.[28]

Specific goals produce a higher level of output than the generalised goal of 'do your best' because the specificity of the goal itself seems to act as an internal stimulus. For instance, when a heavy-manufacturing factory worker commits to processing a minimum number of vehicle parts with 0% defects per week, achieving this intention gives them a specific objective to attain. All other things being equal, the factory worker with a specific goal will outperform a counterpart with no goals or with the generalised goal of 'do your best'.

Why are people motivated by difficult goals?[29] First, challenging goals get our attention, helping us to focus. Second, difficult goals energise us because we have to work harder to attain them. Do you study as hard for an easy exam as you do for a difficult one? Probably not. Third, when goals are difficult, people persist in trying to attain them. Finally, difficult goals lead us to discover strategies that help us perform the job or task more effectively. If we have to struggle to solve a difficult problem, we often think of a better way to go about it.

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People do better when they get feedback on how well they're progressing towards their goals because feedback helps to identify discrepancies between what they've done and what they want to do—that is, feedback acts to guide behaviour. But all feedback is not equally potent. Self-generated feedback—with which employees are able to monitor their own progress—has been shown to be a more powerful motivator than externally generated feedback.[30]

Goal-setting theory assumes that an individual is committed to the goal and is determined not to lower or abandon it. In terms of behaviour, individuals (1) believe they can achieve the goal and (2) want to achieve it.[31] Goal commitment is most likely to occur when goals are made public, when the individual has an internal locus of control and when the goals are self-set rather than assigned.[32] Goal-setting theory doesn't work equally well on all tasks. The evidence suggests that goals seem to have a more substantial effect on performance when tasks are simple rather than complex, well learned rather than novel, and independent rather than interdependent.[33] On interdependent tasks, group goals are preferable.

Although goal setting has positive outcomes, some goals may be too effective.[34] When learning something is important, goals related to performance undermine adaptation and creativity because people become too focused on outcomes and ignore changing conditions. In this case, a goal to learn and generate alternative solutions will be more effective than a goal to perform. Some authors have also argued that goals can lead employees to be too focused on a single standard to the exclusion of all others. Of course, it's possible for organisations to establish goals for ethical performance. Despite differences of opinion, most researchers do agree that goals are powerful in shaping behaviour. Managers should make sure goals are actually aligned with the company's objectives.

shaping behaviour Systematically reinforcing each successive step that moves an individual closer to the desired response.

Research has demonstrated the motivating power of goal-setting theory in more than 100 tasks with more than 40 000 participants in many different kinds of industries—from forestry to insurance to car-making. Setting specific, challenging goals for employees is the best thing managers can do to improve performance.

Self-efficacy theory

Self-efficacy (also known as *social cognitive theory* or *social learning theory*) refers to an individual's belief that they are capable of performing a task.[35] The higher your self-efficacy, the more confidence you have in your ability to succeed. So, in difficult situations, people with low self-efficacy are more likely to lessen their effort or give up altogether, while those with high self-efficacy will try harder to master the challenge.[36] In addition, individuals high in self-efficacy seem to respond to negative feedback with increased effort and motivation, while those low in self-efficacy are likely to lessen their effort when given negative feedback.[37] Managers can help their employees achieve high levels of self-efficacy by bringing together goal-setting theory and self-efficacy theory.

self-efficacy An individual's belief that they are capable of performing a task; also known as *social cognitive theory* or *social learning theory*.

Goal-setting theory and self-efficacy theory don't compete with each other; rather, they complement each other. As Exhibit 7.4 shows, when a manager sets difficult goals for employees, they will have a higher level of self-efficacy and set higher goals for their own performance. Research shows that setting difficult goals for people communicates your confidence in them. Imagine you learn that your boss sets a higher goal for you than for your colleagues. How would you interpret this? As long as you didn't feel you were being picked on, you would probably think, 'Well, I guess my boss thinks I'm capable of performing better than the others'. This sets in motion a psychological process where you're more confident in yourself (higher self-efficacy) and you set higher personal goals, causing you to perform better both in the workplace and outside it.

The researcher who developed self-efficacy theory, Albert Bandura, proposes four ways for increasing self-efficacy:

1. enactive mastery
2. vicarious modelling
3. verbal persuasion
4. arousal.[38]

According to Bandura, the most important source of increasing self-efficacy is enactive mastery—that is, gaining relevant experience with the task or job. If you've been able to do the job successfully in the past, then you're more confident you'll be able to do it in the future.

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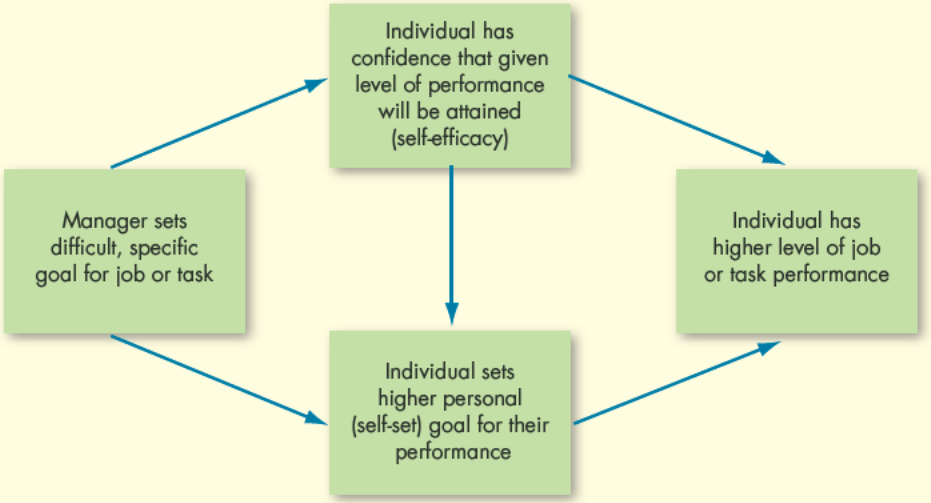
EXHIBIT 7.4 Joint effects of goals and self-efficacy on performance



SOURCE: Based on E. A. Locke and G. P. Latham, 'Building a practically useful theory of goal setting and task motivation: a 35-year odyssey', *American Psychologist*, September 2002, pp. 705–17.

The second source is vicarious modelling, or becoming more confident because you see someone else doing the task. For example, if your friend slims down, it increases your confidence that you can lose weight too. Vicarious modelling is most effective when you see yourself as similar to the person you're observing. Watching Adam Scott play a difficult golf shot might not increase your confidence in being able to play the shot yourself, but if you watch a golfer with a handicap similar to yours, it's persuasive.

The third source is verbal persuasion—that is, becoming more confident because someone convinces you that you have the skills necessary to be successful. Motivational speakers use this tactic a lot.

Finally, Bandura argues that arousal increases self-efficacy. Arousal leads to an energised state, which drives a person to complete a task. The person gets 'psyched up' and performs better. But if the task requires a steady, lower-key perspective (say, carefully editing a manuscript), arousal may in fact hurt performance.

What are the OB implications of self-efficacy theory? It's a matter of applying Bandura's sources of self-efficacy to the work setting. Training programs often make use of enactive mastery by having people practise and build their skills. In fact, one of the reasons training works is that it increases self-efficacy.[39]

The best way for a manager to use verbal persuasion is through the *Pygmalion effect* or the *Galatea effect*. The Pygmalion effect is a form of self-fulfilling prophecy in which believing something can make it true. The Pygmalion effect increases self-efficacy when we communicate to an individual's teacher or supervisor that the person is of high ability. In studies, teachers were told that their students had very high IQ scores when in fact they spanned a range—some high, some low, some in-between. Consistent with the Pygmalion effect, the teachers spent more time with the students they thought were smart, gave them more challenging assignments and expected more of them—all of which led to higher student self-efficacy and better student grades.[40] This strategy has also been used in the workplace.[41] The Galatea effect occurs when high performance expectations are communicated directly to an employee. Sailors who were told convincingly that they would not get seasick in fact were much less likely to.[42]

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Note that intelligence and personality are absent from Bandura's list. Much research shows that intelligence and personality (especially conscientiousness and emotional stability) can increase self-efficacy.[43] Those individual traits are so strongly related to self-efficacy (people who are intelligent, conscientious and emotionally stable are much more likely to have high self-efficacy than those who score low on these characteristics) that some researchers would argue that self-efficacy doesn't exist.[44] They believe it's simply a by-product in a smart person with a confident personality. Although Bandura strongly disagrees with this conclusion, more research is needed.

Reinforcement theory

A counterpoint to goal-setting theory is reinforcement theory. Goal setting is a cognitive approach, proposing that an individual's purposes direct their action. Reinforcement theory takes a behaviouristic approach, arguing that reinforcement conditions behaviour. The two theories are clearly at odds philosophically. Reinforcement theorists see behaviour as environmentally caused. You need not be concerned, they would argue, with internal cognitive events; what controls behaviour is reinforcers—any consequences that, when immediately following responses, increase the probability that the behaviour will be repeated.

reinforcement theory A theory that behaviour is a function of its consequences.

Reinforcement theory ignores the inner state of the individual and concentrates solely on what happens when they take some action. Because it doesn't concern itself with what initiates behaviour, it is not, strictly speaking, a theory of motivation. But it does provide a powerful means of analysing what controls behaviour, and this is why we typically consider it in discussions of motivation.[45]

Operant conditioning theory, probably the most relevant component of reinforcement theory for management, argues that people learn to behave to get something they want or to avoid something they don't want. Unlike reflexive or unlearned behaviour, operant behaviour is influenced by the reinforcement or lack of reinforcement brought about by its consequences. Therefore, reinforcement strengthens a behaviour and increases the likelihood that it will be repeated.[46] B. F. Skinner, one of the most prominent advocates of operant conditioning, argued that creating pleasing consequences to follow specific forms of behaviour would increase the frequency of that behaviour. He demonstrated that people will most likely engage in desired behaviours if they're positively reinforced for doing so; that rewards are most effective if they immediately follow the desired response; and that behaviour that is not rewarded, or is punished, is less likely to be repeated. We know a professor who places a mark by a student's name each time the student makes a contribution to class discussions. Operant conditioning would argue that this practice is motivating because it conditions a student to expect a reward (earning class credit) each time they demonstrate a specific behaviour (speaking up in class). The concept of operant conditioning was part of Skinner's broader concept of behaviourism, which argues that behaviour follows stimuli in a relatively unthinking manner. Skinner's form of radical behaviourism rejects feelings, thoughts and other states of mind as causes of behaviour. In short, people learn to associate stimulus and response, but their conscious awareness of this association is irrelevant.[47]

operant conditioning A type of conditioning where desired voluntary behaviour leads to a reward or prevents a punishment.

behaviourism A theory that argues that behaviour follows stimuli in a relatively unthinking manner.

You can see illustrations of operant conditioning everywhere showing that reinforcements are contingent on some action on your part. Your lecturer says that if you want a high grade in the course you must supply correct answers when tested. A commissioned salesperson wanting to earn a sizeable income finds doing so is contingent on generating high sales in their territory. Of course, the link can also teach individuals to engage in behaviours that work against the best interests of the organisation. Assume that your boss says that if you work overtime during the next 3-week busy season you will be compensated for it at your next performance appraisal. However, when performance-appraisal time comes, you're given no positive reinforcement for your overtime work. The next time your boss asks you to work overtime, what will you do? You'll probably decline! Your behaviour can be explained by operant conditioning: if a behaviour fails to be positively reinforced, the probability that the behaviour will be repeated declines.

Although reinforcers such as pay can motivate people, it's just as clear that the process is much more complicated than stimulus–response. In its pure form, reinforcement theory ignores feelings, attitudes, expectations and other cognitive variables known to affect behaviour. In fact, some researchers look at the same experiments that reinforcement theorists use to support their position and interpret the findings in a cognitive framework.[48]

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Reinforcement is undoubtedly an important influence on behaviour, but few scholars are prepared to argue that it's the only one. The behaviours you engage in at work and the amount of effort you allocate to each task are affected by the consequences that follow. If you're consistently reprimanded for outproducing your colleagues, you'll probably reduce your productivity. But your lower productivity might also be explained in terms of goals, inequity or expectancies.

Individuals can learn by being told or by observing what happens to other people, as well as through direct experiences. Much of what we have learned comes from watching models: parents, teachers, peers, film and television performers, bosses and so forth. This view that we can learn through both observation and direct experience is called social-learning theory.[49]

social-learning theory The view that people can learn through observation and direct experience.

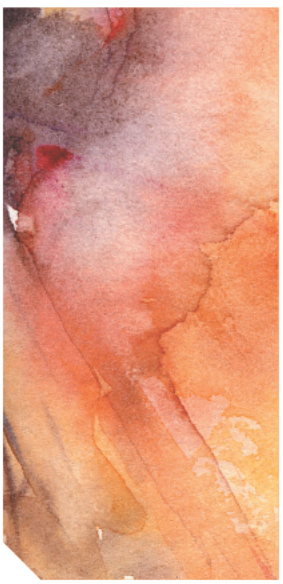
Although social-learning theory is an extension of operant conditioning—that is, it assumes behaviour is a function of consequences—it also acknowledges the effects of observational learning and perception. People respond to the way they perceive and define consequences, not to the objective consequences themselves.

Models are central to the social-learning viewpoint. Four processes determine their influence on an individual:

1. *Attentional processes.* People learn from a model only when they recognise and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly available, important to us or similar to us in our estimation.
2. *Retention processes.* A model's influence depends on how well the individual remembers the model's action after the model is no longer readily available.
3. *Motor reproduction processes.* After a person has seen a new behaviour by observing the model, watching must be converted to doing. This process demonstrates that the individual can perform the modelled activities.
4. *Reinforcement processes.* Individuals are motivated to exhibit the modelled behaviour if positive incentives or rewards are provided. Behaviours that are positively reinforced are given more attention, learned better and performed more often.

Ethical choice

Motivated by Big Brother



Technology is a great thing. The Internet provides us with instant access to an abundance of information, and smartphones enable us to stay connected with others through email, texting and tweeting. Yet that ease of connectivity has also given employees the sinking feeling they're being watched—and they're right. But is tracking employees ethical?

Some companies are using technology to track their employees' activities, and some of this tracking is done in the name of customer service. For example, the Fair Work Commission ruled in 2018 that Canon Australia was allowed to install GPS tracking devices on employees' company-issued mobile phones. In addition to improving scheduling of jobs, the Commission stated that Canon wanted to use the technology as it '... claims [that] it will be able to provide greater support for the technicians in the field by having a better understanding of their location at any point in time'.

Other companies track employees to ensure they're hard at work, which risks completely demotivating some. Accurate Biometrics, for example, uses computer monitoring to oversee its telecommuters. Says Timothy Daniels, VP of operations, looking at websites his employees have visited 'enables us to keep a watchful eye without being over invasive'.

Practically speaking, managers may not want to adopt technologies that demotivate their employees through micromanagement. Perhaps more importantly, though, how can they use monitoring technology ethically in workplace applications? First and foremost, employees should be informed that their activities will be tracked. Second, the purpose of tracking should be made clear to employees. Are workers being monitored to learn something that might help them and the organisation as a whole? Or are they being monitored to ensure that they never slack off? Finally, it should be made clear which behaviours are inappropriate. Taking a legitimate work break is different from spending hours on a social networking site. These guidelines should increase the likelihood that monitoring programs are accepted and perceived to be fair.

SOURCES: Based on D. Marin-Guzman, 'Canon gets go-ahead to track employees by phone', *Financial Review*, 16 July 2018; L. Spencer, 'Canon clashes with union over technician GPS tracking move', *ARN*, 22 May 2018; S. Shellenbarger, 'Working from home without slacking off', *The Wall Street Journal*, 13–15 July 2012, p. 29; R. Richmond, '3 tips for legally and ethically monitoring employees online', *Entrepreneur*, 31 May 2012; and R. E. Silverman, 'Tracking sensors invade the workplace', *The Wall Street Journal*, 7 March 2003.

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Equity theory/organisational justice

Employees perceive what they get from a job situation (salary levels, pay increases, recognition) in relationship to what they put into it (effort, experience, education, competence) and then compare their outcome–input ratio with that of relevant others. If we perceive our ratio to be equal to that of the relevant others we compare ourselves with, we create a state of equity—that is, we perceive that our situation is fair and justice prevails. When we see the ratio as unequal, we experience equity tension. When we see ourselves as under-rewarded, the tension creates anger; when we see ourselves as over-rewarded, it creates guilt. J. Stacy Adams has proposed that this negative state of tension provides the motivation to do something to correct it.[50]

The referent an employee selects adds to the complexity of equity theory.[51] There are four referent comparisons:

equity theory A theory that individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities.

1. *self–inside*—an employee's experiences in a different position inside their current organisation
2. *self–outside*—an employee's experiences in a situation or position outside their current organisation
3. *other–inside*—another individual or group of individuals inside the employee's organisation
4. *other–outside*—another individual or group of individuals outside the employee's organisation.

Employees might compare themselves with friends, neighbours or colleagues in other organisations or compare their present job with past jobs they themselves have had. Which referent an employee chooses will be influenced by the information the employee holds about referents as well as by the attractiveness of the referent. Four moderating variables are gender, length of tenure, level in the organisation and amount of education or professionalism.[52]

Research shows that both men and women prefer same-sex comparisons. Women are typically paid less than men in comparable jobs and have lower pay expectations than men for the same work.[53] So, a woman who uses another woman as a referent tends to calculate a lower comparative standard. This leads us to conclude that employees in jobs that are not sex-segregated will make more cross-sex comparisons than those in jobs that are either male- or female-dominated. This also suggests that if women are tolerant of lower pay, it may be due to the comparative standard they use. Of course, employers' stereotypes about women may also contribute to the pay gap (e.g. the belief that women are less committed to the organisation or that 'women's work' is less valuable).[54]

Employees with short tenure in their current organisation tend to have little information about others inside the organisation, so they rely on their personal experiences. Employees with long tenure rely more heavily on colleagues for comparison. Upper-level employees, those in the professional ranks and those with higher amounts of education tend to have better information about people in other organisations and will make more other–outside comparisons.

Based on the theory, employees who perceive inequity will make one of six choices:[55]

1. *change their inputs*—exert less effort if underpaid, or more if overpaid
2. *change their outcomes*—individuals paid on a piece-rate basis can increase their pay by producing a higher quantity of units of lower quality
3. *distort perceptions of self*—'I used to think I worked at a moderate pace, but now I realise I work a lot harder than everyone else'
4. *distort perceptions of others*—'Mike's job isn't as desirable as I thought'
5. *choose a different referent*—'I may not make as much as my brother-in-law, but I'm doing a lot better than my dad did when he was my age'
6. *leave the field*—quit the job.

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Some of these propositions have been supported, but others haven't.[56] First, inequities created by overpayment do not seem to have a very significant impact on behaviour in most work situations. Apparently, people have a great deal more tolerance of overpayment inequities than of underpayment inequities or are better able to rationalise them. It is somewhat damaging to a theory when half the equation (how people respond to over-reward) falls apart. Second, not all people are equity-sensitive.[57] A small part of the working population actually prefers outcome–input ratios lower than those of the referent comparison. Predictions from equity theory are not likely to be very accurate with these 'benevolent types'.

Note too that, while most research on equity theory has focused on pay, employees seem to look for equity in the distribution of other organisational rewards. High-status job titles and large and lavishly furnished offices may function as outcomes for some employees in their equity equation.[58]

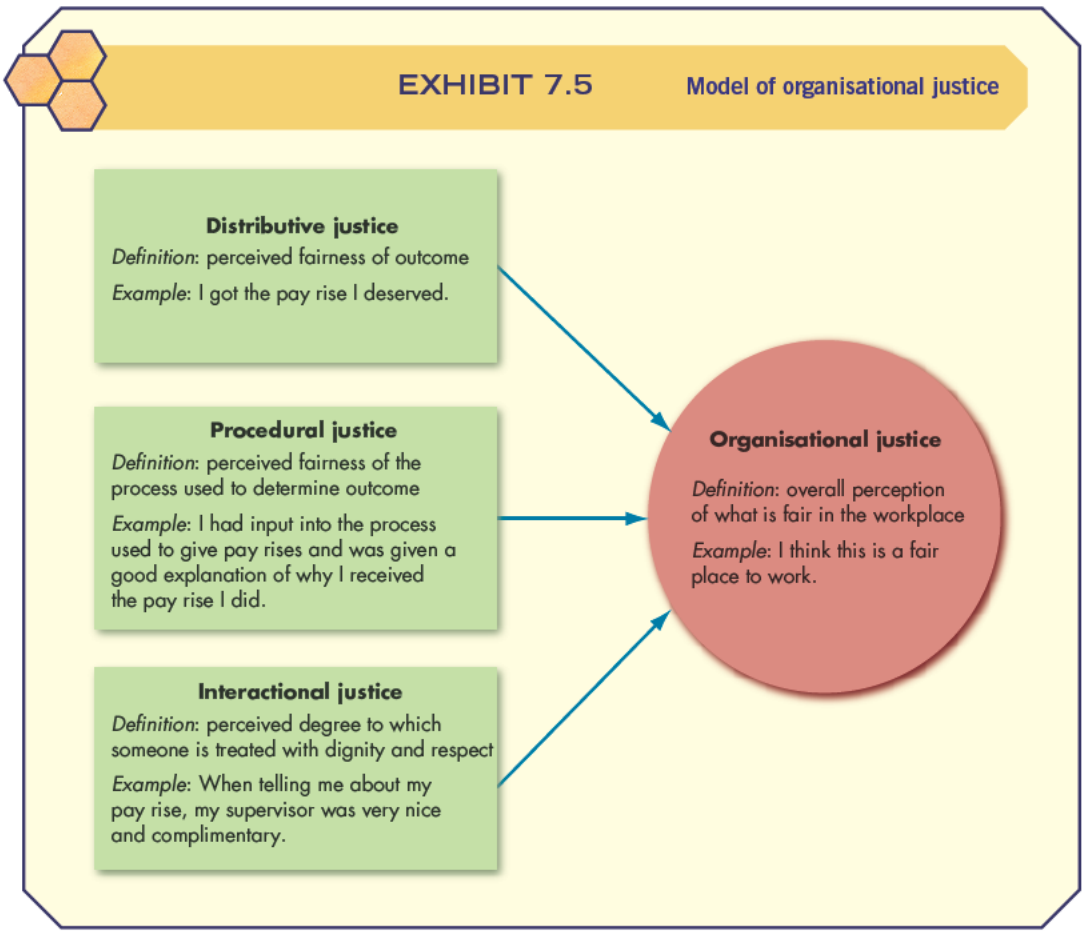
Finally, recent research has expanded the meaning of equity, or fairness.[59] Historically, equity theory focused on distributive justice, the employee's perceived fairness of the amount and allocation of rewards among individuals. But increasingly we think of equity from the standpoint of organisational justice, a larger perception of what's fair in the workplace. Employees perceive their organisations as fair when they believe that the outcomes they've received and the way they've received them are fair. One key element of organisational justice is an individual's perception of justice. In other words, fairness or equity can be subjective, residing in our perception. What one person sees as unfair another may see as perfectly appropriate. In general, people have an egocentric, or self-serving, bias. They see allocations or procedures favouring them as fair.[60] In one poll, 61% of respondents said they were paying their fair share of taxes, but an almost equal number (54%) felt the system as a whole was unfair, saying that some people skirt it.[61]

distributive justice Perceived fairness of the amount and allocation of rewards among individuals.

organisational justice An overall perception of what is fair in the workplace, comprised of distributive, procedural and interactional justice.

Beyond its focus on perceptions of fairness, the other key element of organisational justice is the view that justice is multidimensional. How much we are paid relative to what we think we should be paid (distributive justice) is obviously important. But, according to researchers, how we get paid is just as important. Thus, the model of organisational justice in Exhibit 7.5 includes

EXHIBIT 7.5 Model of organisational justice



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procedural justice—the perceived fairness of the process used to determine the distribution of rewards. Two key elements of procedural justice are process control and explanations. Process control is the opportunity to present your point of view about desired outcomes to decision makers. Explanations are clear reasons management gives for the outcome. Therefore, for employees to see a process as fair, they need to feel that they have some control over the outcome and that they were given an adequate explanation about why the outcome occurred. It's also important that a manager is consistent (across people and over time), is unbiased, makes decisions based on accurate information and is open to appeals.[62]

procedural justice The perceived fairness of the process used to determine the distribution of rewards.

The effects of procedural justice become more important when distributive justice is lacking. This makes sense. If we don't get what we want, we tend to focus on *why*. If your supervisor gives a cushy job to a colleague instead of you, you're much more focused on your supervisor's treatment of you than if you'd been given the job. Explanations are beneficial when they take the form of post-hoc excuses ('I know this is bad and I wanted to give you the job but it wasn't my decision') rather than justifications ('I decided to give the job to Sam, but having it isn't a big deal').[63]

A recent addition to research on organisational justice is interactional justice, an individual's perception of the degree to which they are treated with dignity, concern and respect. When people are treated in an unjust manner (at least in their own eyes), they retaliate (e.g. by badmouthing a supervisor).[64] Because people intimately connect interactional justice or injustice to the conveyer of the information, we'd expect perceptions of injustice to be more closely related to the supervisor. Generally, that's what the evidence suggests.[65]

interactional justice The perceived degree to which an individual is treated with dignity, concern and respect.

Of these three forms of organisational justice, distributive justice is most strongly related to organisational commitment and satisfaction with outcomes such as pay. Procedural justice relates most strongly to job satisfaction, employee trust, withdrawal from the organisation, job performance and citizenship behaviours. There is less evidence about interactional justice.[66]

Managers can help foster employees' perceptions of fairness. First, they should realise that employees are especially sensitive to unfairness in procedures when bad news has to be communicated (i.e. when distributive justice is low). Therefore, it is especially important to openly share information about how allocation decisions are made, follow consistent and unbiased procedures and engage in similar practices to increase the perception of procedural justice. Second, when addressing perceived injustices, managers need to focus their actions on the source of the problem.

Expectancy theory

One of the most widely accepted explanations of motivation is Victor Vroom's expectancy theory.[67] Although the theory has its critics, most of the evidence supports it.[68]

expectancy theory A theory that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

Expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of our expectation of a given outcome and the attractiveness of that outcome. In more practical terms, employees will be motivated to exert a high level of effort when they believe that doing so will lead to a good performance appraisal; that a good appraisal will lead to organisational rewards such as bonuses, salary increases or promotions; and that the rewards will satisfy the employees' personal goals. The theory, therefore, focuses on three relationships (see Exhibit 7.6):

1. *effort–performance relationship*—the probability perceived by the individual that exerting a given amount of effort will lead to performance
2. *performance–reward relationship*—the degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome
3. *rewards–personal goals relationship*—the degree to which organisational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards to the individual.[69]

Expectancy theory helps explain why a lot of workers aren't motivated in their jobs and do only the minimum necessary to get by. Let's frame the theory's three relationships as questions that employees need to answer in the affirmative if their motivation is to be maximised.

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First, *if I give a maximum effort, will it be recognised in my performance appraisal?* For many employees, the answer is 'no' because their skill level may be deficient, which means that no matter how hard they try they're not likely to be high performers. The organisation's performance appraisal system may be designed to assess non-performance factors, such as loyalty, initiative or courage, which means that more effort won't necessarily result in a higher evaluation. Another possibility is that employees, rightly or wrongly, perceive that the boss doesn't like them. As a result, they expect to get a poor appraisal, regardless of their level of effort. These examples suggest that one possible source of low motivation is that employees believe that, no matter how hard they work, the likelihood of getting a good performance appraisal is low.

Second, *if I get a good performance appraisal, will it lead to organisational rewards?* Many organisations reward a lot of things besides performance. When pay is based on factors such as having seniority, being cooperative or 'sucking up' to the boss, employees are likely to see the performance–reward relationship as weak and demotivating.

Finally, *if I'm rewarded, are the rewards attractive to me?* The employee works hard in the hope of getting a promotion but gets a pay increase instead. Or the employee wants a more interesting and challenging job but receives only a few words of praise. Or the employee puts in extra effort in order to be relocated to the Paris office but instead is transferred to Singapore. It's important to tailor rewards to individual employee needs. Unfortunately, many managers are limited in the rewards they can distribute, which makes this difficult. Some managers incorrectly assume that all employees want the same thing, thereby overlooking the motivational effects of differentiating rewards. In either case, employee motivation is diminished.

As a vivid example of how expectancy theory can work, consider share analysts. They make their living by trying to forecast the future of a share's price; the accuracy of their buy, sell or hold recommendations is what keeps them in work or gets them fired. But it's not quite that simple. Analysts place few sell ratings on shares although, in a steady market, by definition, just as many shares are falling as are rising. Expectancy theory provides an explanation. Analysts who place a sell rating on a company's shares have to balance the benefits they receive by being accurate against the risks they run by drawing the company's ire. What are these risks? They include public rebuke, professional blackballing and exclusion from information. When analysts place a buy rating on a company's shares, they face no such trade-off because, obviously, companies love that analysts are recommending investors buy their shares. The incentive structure suggests that the expected outcome of buy ratings is higher than the expected outcome of sell ratings, which is why buy ratings vastly outnumber sell ratings.[70]

The first part of this chapter focused on motivation theories. In this part, we'll start applying motivation concepts, and linking motivation theories to practices such as employee involvement and merit-based pay. This is important because, while it's one thing to know specific motivation theories, it's quite another to see how, as a manager and an employee, you can use them.

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Applied motivation: job design

7.4 Describe how the job characteristics model motivates by changing the work environment.

Increasingly, research on motivation has focused on approaches that link motivational concepts to changes in the way work is structured. Research in job design suggests that the way the elements in a job are organised can act to increase or decrease effort and also suggests what those elements are.

job design The way the elements in a job are organised.

The job characteristics model

Developed by J. Richard Hackman and Greg Oldham, the job characteristics model (JCM) says that we can describe any job in terms of five core job dimensions:[71]

job characteristics model (JCM) A model that proposes that any job can be described in terms of five core job dimensions: skill variety, task identity, task significance, autonomy and feedback.

1. Skill variety is the degree to which a job requires a variety of different activities so the worker can use a number of different skills and talent. For instance, the work of a motor mechanic who services and repairs prestigious European cars and interacts with customers scores high on skill variety. Conversely, a spray painter who spray paints cars for 8 hours a day scores low on this dimension.
2. Task identity is the degree to which a job requires completion of a whole and identifiable piece of work. A cabinet-maker who designs a piece of furniture, selects the wood, builds the object and finishes it to perfection has a job that scores high on task identity. A job scoring low on this dimension is operating a factory lathe solely to make table legs.
3. Task significance is the degree to which a job has an impact on the lives or work of other people. The job of an intensive-care nurse scores high on task significance. An assistant in nursing who is required to make hospital beds scores low.
4. Autonomy is the degree to which a job provides the worker freedom, independence and discretion with scheduling and planning their work. For example, Sally, who works in cosmetic sales, is able to schedule her own work each day and decide on the most effective sales approach for each customer without supervision. Her job in sales has high autonomy. Jim, who works in white goods sales, is given a set of leads each day by his sales director and is required to follow a standardised sales script with each potential customer. Jim's sales position is low on autonomy.
5. Feedback is the degree to which carrying out the work activities generates direct and clear information about the worker's own performance. A job with high feedback is assembling iPods and testing them to see whether they operate properly. Factory workers who assemble iPods but then route them to a quality-control inspector for testing and adjustments receive low feedback from their activities.

skill variety The degree to which a job requires a variety of different activities.

task identity The degree to which a job requires completion of a whole and identifiable piece of work.

task significance The degree to which a job has a substantial impact on the lives or work of other people.

autonomy The degree to which a job provides substantial freedom and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.

feedback The degree to which carrying out the work activities required by a job results in the individual obtaining direct and clear information about the effectiveness of their performance.

Exhibit 7.7 presents the job characteristics model. Note how the first three dimensions—skill variety, task identity and task significance—combine to create meaningful work that the employee will view as important, valuable and worthwhile. Note, too, that jobs with high autonomy give employees a feeling of personal responsibility for the results and that, if a job provides feedback, employees will know how effectively they're performing. From a motivational viewpoint, the job characteristics model says that individuals obtain internal rewards when they learn (knowledge of results) that they personally (experienced responsibility) have performed well on a task they care about (experienced meaningfulness).[72] The more these three psychological states are present, the greater will be the employees' motivation, performance and satisfaction, and the lower their absenteeism and likelihood of leaving. As Exhibit 7.7 shows, individuals with a high growth need are more likely to experience the critical psychological states when their jobs are enriched—and respond to them more positively—than are their counterparts with a low growth need.

We can combine the core dimensions into a single predictive index, called the motivating potential score (MPS), which is calculated as follows:

motivating potential score (MPS) A predictive index that suggests the motivating potential in a job.

$$\text{MPS} = \frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3} \times \text{Autonomy} \times \text{Feedback}$$

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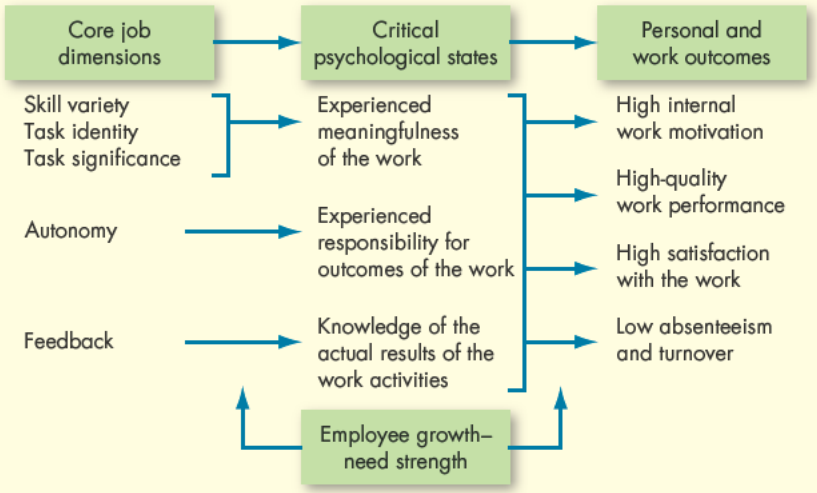
EXHIBIT 7.7 The job characteristics model



SOURCE: Based on J. L. Pierce, I. Jussila and A. Cummings, 'Psychological ownership within the job design context: revision of the job characteristics model', *Journal of Organizational Behavior* 30, no. 4, 2009, pp. 477–96.

To be high on motivating potential, jobs must be high on at least one of the three factors that lead to experienced meaningfulness and high on both autonomy and feedback. If jobs score high on motivating potential, the model predicts that motivation, performance and satisfaction will improve and absence and turnover will be reduced.

Much evidence supports the job characteristics model. That is, there's a set of job characteristics—variety, identity, significance, autonomy and feedback—and the presence of these characteristics does generate higher and more satisfying job performance.[73] But apparently we can better calculate motivating potential by simply adding the characteristics rather than using the formula.[74] Take some time to think about your job. Do you have the opportunity to work on different tasks or is your day very routine? Are you able to work independently or do you constantly have a supervisor or colleague monitoring your work? Your answers indicate your job's motivating potential.

How useful a tool is the job characteristics model in designing jobs? Recent research indicates that the model needs to be modified to include psychological aspects of job design. This research suggests there's a strong correlation between successful job design, the motives that facilitate psychological ownership, the way this ownership emerges and individual-level outcomes for the employee.[75] In other words, the degree to which an individual employee feels psychological ownership of their job is a powerful mediator in the job design–employee response relationship.

Now that we've reviewed the job characteristics model, let's discuss some ways jobs can be redesigned.

7.5 Compare the main ways jobs can be redesigned.

How can jobs be redesigned?

'Every day was the same thing,' Sue said. 'Stand on that assembly line. Wait for the vegetables to move along the line. Dip the lettuce in the solution. Lift the lettuce and move it onto the rack mechanism. Then repeat the same process three times. I did that for up to 8 hours a day. I know the pay was good but the work was driving me crazy. I did it for almost a year and a half. Finally, I just said to my partner that this isn't going to be the way I'm going to

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spend the rest of my life. My brain was starting to become like jelly. So I quit. Now I work for a large retail chain and I'm so much happier. I make about $8 an hour less than I did washing vegetables, but the work I do now is really interesting. The job changes all the time, I'm continually learning new things and the work really challenges me! I look forward every morning to going to work again.'

The repetitive tasks in Sue's job at the salad factory provided little variety, autonomy or motivation. In contrast, her job in the retail store is challenging and stimulating. Let's look at some of the ways to put the job characteristics model into practice to make jobs more motivating.

Job rotation

If employees suffer from over-routinisation of their work, one alternative is job rotation, or the periodic shifting of an employee from one task to another with similar skill requirements at the same organisational level (also called *cross-training*). At Singapore Airlines, a ticket agent may take on the duties of a baggage handler. Extensive job rotation is one of the reasons Singapore Airlines is rated one of the best airlines in the world and a highly desirable place to work. Many manufacturing firms have adopted job rotation as a means of increasing flexibility and avoiding lay-offs.[76]

job rotation The periodic shifting of an employee from one task to another.

The strengths of job rotation are that it reduces boredom, increases motivation and helps employees better understand how their work contributes to the organisation. An indirect benefit is that employees with a wide range of skills give management more flexibility in scheduling work, adapting to changes and filling vacancies.[77] However, job rotation is not without its disadvantages. It can mean increases in training costs and decreases in productivity, and there may be disruptions when members of the work group have to adjust to a new group member. Supervisors may also have to spend more time answering questions and monitoring the work of recently rotated employees.

Job enrichment

Think back to some of the motivation concepts discussed earlier in this chapter, including developing and nurturing intrinsic motivation. This major focus of self-determination theory can be put into action using the process of job enrichment. Job enrichment involves adding high-level responsibilities to a job to increase intrinsic motivation.[78]

job enrichment Adding high level responsibilities to a job to increase intrinsic motivation.

Enriching a job in this way is different from enlarging it, or adding more tasks and requirements. It involves adding another layer of responsibility and meaning. Job enrichment has its roots in Herzberg's theories of providing hygiene, or motivating factors, to the job to increase motivation. Sometimes, enrichment is not rigidly controlled by management; employees, especially those in occupations experiencing high industry growth, have been known to enrich their own jobs (and become satisfied as a result).[79]

Early reviews suggest that job enrichment can be effective at reducing turnover, almost twice as effective as giving employees a 'realistic preview' of the work before they join the organisation.[80] In a survey of more than 20 000 British employees, job enrichment practices were related to organisations' financial performance, labour productivity, absenteeism and output quality through improvements in job satisfaction.[81]

Alternative work arrangements

7.6 Explain how specific alternative work arrangements can motivate employees.

Beyond redesigning work itself and including employees in decisions, another approach to motivation is to alter work arrangements with flexitime, job sharing or telecommuting. These arrangements are likely to be especially important for employees who have competing and often conflicting work and non-work demands, such as parenting children and caring for older relatives.

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Flexitime

Helen is your classic 'morning person'. She gets up each day at 5 am sharp, full of energy. Her work schedule as an administrator at a global financial office allows her some degree of freedom as to when she arrives at work and when she leaves. Her office opens at 6 am and closes at 7 pm: it's up to her how she schedules her 8-hour day within this 13-hour period. Because Helen is a morning person and also has a 7-year-old son who gets out of school at 3 pm every day, she opts to work from 6 am to 3 pm. 'My work hours are perfect. I'm at the job when I'm mentally most alert, and I can be home to take care of my son after he comes home from school.'

flexitime Flexible work hours.

Helen's work schedule is an example of flexitime. The term is short for 'flexible work hours'. It allows employees some discretion over when they arrive at work and when they leave. As you may recall, this is an option offered to employees at Canva, the company highlighted at the beginning of this chapter. Employees have to work a specific number of hours per week, but they're free to vary the hours of work within certain limits. Each day consists of a common core, usually 6 hours, with a flexibility band surrounding the core. For example, exclusive of a 1-hour lunch break, the core may be 9 am to 3 pm, with the office actually opening at 6 am and closing at 6 pm. All employees are required to be at their jobs during the common core period, but they're allowed to accumulate their other two hours before and/or after the core time. Some flexitime programs allow extra hours to be accumulated and turned into a free day off each month.

Flexitime has become extremely popular: 85% of Australian employees believe they would be inclined to stay longer with an employer that offered flexible working arrangements. This may be because of the perceived benefits of flexible working arrangements to work–life balance. A little over half of those surveyed believed that flexible working arrangements would be the best policy an employer could introduce to improve work–life balance.[82]

There are many claims about the benefits of flexitime. These include reduced absenteeism, increased productivity, reduced overtime expenses, reduced hostility towards management, reduced traffic congestion around work sites, elimination of tardiness, and increased autonomy and responsibility for employees, which may increase employee job satisfaction.[83] Are these claims valid? Most of the evidence about the link between work performance and flexible hours is favourable. Flexitime tends to reduce absenteeism and frequently improves worker productivity.[84] Employees can schedule their work hours to align with personal demands and improve time management. Flexitime can also help employees to balance their work and family lives and is often used as a criterion for judging the 'family-friendly' nature of a workplace.

Flexitime's major drawback is that it doesn't suit every job. It works well with administrative tasks for which an employee's interaction with people outside their department is limited. It isn't a viable option for receptionists, sales staff in retail stores or similar jobs for which comprehensive service demands that people be at their workstations at predetermined times.

Job sharing

job sharing An arrangement that allows two or more individuals to split a traditional 40 hour a week job.

Job sharing enables two or more employees to split a traditional 40-hour-a-week job. Employee A might perform the job from 8 am to noon and Employee B from 1 pm to 5 pm, or the two could work full alternate days.

Job sharing is still not a widespread practice in Australia. The reasons for this include the difficulty of finding compatible partners to share a job and the historically negative perceptions of individuals not being completely committed to their job and their employer.

Job sharing allows an organisation to draw on the talents of more than one individual in a given job. A bank manager who oversees two job sharers describes it as an opportunity to get two heads but 'pay for one'.[85] It also opens up the opportunity to acquire skilled workers—for instance, women with young children, and retirees—who might not be available on a full-time basis. Many Japanese companies are considering job sharing—but for a very different reason.[86] Because Japanese executives are extremely reluctant to fire people, job sharing is seen as a potentially humanitarian means of avoiding lay-offs due to overstaffing.

From the employee's perspective, job sharing increases flexibility and can increase motivation and satisfaction when a 40-hour-a-week job is just not practical. But the major drawback

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from management's perspective is finding compatible pairs of employees who can successfully coordinate the intricacies of one job.[87]

Some Australian research shows that employees' preferences for working certain hours change in relation to important life events such as the birth of a child, the illness of an ageing parent or imminent retirement. For example, women often wish to reduce their hours of work after having children, but then later expand these hours when the children are older or leave home. Women also seek to reduce their working hours when they marry and increase them after separation or divorce. Men express increased preferences for work hours when they marry. This research also shows that many employees would take advantage of a phased or transition to retirement program, which would involve a combination of reduced hours and an early release of superannuation funds.[88]

Telecommuting

It might be close to the ideal job for many people. No commuting, flexible hours, freedom to dress as you please and few or no interruptions from colleagues. It's called telecommuting and it refers to working at home at least two days per week on a computer linked to the office.[89] (A closely related term—*the virtual office*—describes working from home on a relatively permanent basis.)

telecommuting Working from home at least two days per week on a computer linked to the employee's office.

It's interesting to note that telecommuting has been a popular topic lately not for its potential but for its organisational acceptance, or lack thereof. Despite the benefits of telecommuting, large organisations such as Yahoo! and Best Buy have eliminated it.[90] Yahoo! Former CEO Marissa Mayer discussed how telecommuting may undermine corporate culture, noting, 'People are more productive when they're alone, but they're more collaborative and innovative when they're together'.[91]

What kinds of jobs lend themselves to telecommuting? Writers, attorneys, analysts and employees who spend most of their time on computers or the telephone—including telemarketers, customer service representatives, reservation agents and product support specialists—are candidates. As telecommuters, they can access information on their computers at home as easily as in the company's office.

Telecommuting has several benefits. It is positively related to objective and supervisor rated performance and job satisfaction; to a lesser degree, it reduces role stress and turnover intentions.[92] Also, telecommuting has potential benefits to society. One study estimated that if people in the United States telecommuted half the time, carbon emissions would be reduced by approximately 51 metric tonnes per year. Environmental savings could come from lower office energy consumption, fewer traffic jams that emit greenhouse gases and a reduced need for road repairs.[93]

Telecommuting has several downsides too. In today's team-focused workplace, telecommuting may lead to social loafing (i.e. employees shirking responsibility in a team setting), especially when the employees have many family responsibilities but their teammates don't.[94] A manager working remotely can affect employees' performance negatively.[95] Contrary to Mayer's conclusions for Yahoo!, research indicates that more creative tasks may actually be best suited for telecommuting, whereas dull, repetitive tasks such as data entry decrease motivation and performance for remote workers.[96]

From the employee's standpoint, telecommuting can increase feelings of isolation as well as reduce job satisfaction and co-worker relationship quality.[97] Research indicates that if you're forced to work from home, you may experience more work–family conflict, perhaps because it often increases work hours beyond the contracted workweek.[98] Telecommuters are also vulnerable to the 'out of sight, out of mind' effect: employees who aren't at their desks miss meetings and don't share in day-to-day informal workplace interactions, which may put them at a disadvantage when it comes to pay rises and promotions because they're perceived as not putting in the requisite face time.[99]

The success of telecommuting always depends on the quality of communications to establish good, though remote, working relationships. Telecommuting certainly does appear to make sense given changes in technology, the nature of work and preferences of younger workers. Yet as the Yahoo! experience shows, some leaders don't think those benefits outweigh the costs.

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7.7 Describe how employee involvement measures can motivate employees.

Applied motivation: employee involvement

Employee involvement is a participative process that uses employees' input to increase their commitment to the success of an organisation. The logic is that if we engage employees in decisions that affect them and increase their autonomy and control over their work lives, they will become more motivated, more committed to the organisation, more productive and more satisfied with their jobs.[100]

employee involvement
A participative process that uses the input of employees and is intended to increase employee commitment to an organisation's success.

Examples of employee involvement programs

Let's look at two major forms of employee involvement in more detail: participative management and representative participation.

Participative management

participative management
A process in which subordinates share a significant degree of decision making power with their immediate superiors.

The distinct characteristic common to all participative management programs is joint decision making, in which subordinates share a significant degree of decision-making power with their immediate superiors. Participative management has, at times, been promoted as the ultimate cure for poor morale and low productivity. But for it to work, the issues employees become engaged with must be relevant to their interests, employees must have the competence and knowledge to make a useful contribution, and there must be trust and confidence among all parties.[101]

Dozens of studies have been conducted on the participation–performance relationship. The findings, however, are mixed.[102] Organisations that institute participative management do have higher share returns, lower turnover rates and higher estimated labour productivity, although these effects are typically not large.[103] A careful review of the research at the individual level shows that participation typically has only a modest influence on variables such as employee productivity, motivation and job satisfaction. Of course, this doesn't mean that participative management can't be beneficial under the right conditions. What it says is that it's not a sure means for improving employee performance.

Representative participation

representative participation
A system in which workers participate in organisational decision making through a small group of representative employees.

Almost every country in Western Europe requires companies to practise representative participation, called 'the most widely legislated form of employee involvement around the world'.[104] Its goal is to redistribute power within an organisation, putting labour on a more equal footing with the interests of management and shareholders by letting workers be represented by a small group of employees who actually participate.

The two most common forms are works councils and board representatives.[105] Works councils are groups of nominated or elected employees who must be consulted when management makes decisions about employees. Board representatives are employees who sit on a company's board of directors and represent the interests of the company's employees.

The influence of representative participation on working employees seems to be minimal.[106] Works councils are dominated by management and have little impact on employees or the organisation. While participation might increase the motivation and satisfaction of employee representatives, there's little evidence that this trickles down to the operating employees they represent. Overall, 'the greatest value of representative participation is symbolic. If one is interested in changing employee attitudes or in improving organisational performance, representative participation would be a poor choice'.[107]

Linking employee involvement programs and motivation theories

Employee involvement draws on a number of the motivation theories discussed previously. In terms of two-factor theory, employee involvement programs could provide intrinsic motivation by increasing opportunities for growth, responsibility and involvement in the work itself. The opportunity to make and implement decisions—and then see them work out—can help satisfy an employee's need for responsibility, achievement, recognition, growth and enhanced self-esteem. And extensive employee involvement programs clearly have the potential to increase employee intrinsic motivation in work tasks.

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Applied motivation: rewarding employees

7.8 Demonstrate how the different types of variable-pay programs, flexible benefits and intrinsic rewards can increase employee motivation.

As we've seen, pay is not a key factor driving job satisfaction. However, it does motivate people, and companies often underestimate its importance in the retention of high-performing employees.

Given that pay is so important, management must make some strategic decisions. Will the organisation lead, match or lag the market in pay? How will individual contributions be recognised? In this section, we consider (1) what to pay employees (decided by establishing a pay structure), (2) how to pay individual employees (decided through variable-pay plans), (3) what benefits and choices to offer (such as flexible benefits) and (4) how to construct employee recognition programs.

What to pay: establishing a pay structure

There are many ways to pay employees. The process of initially setting pay levels can be complex and entails balancing internal equity—the worth of the job to the organisation (usually established through a technical process called 'job evaluation')—and external equity—the external competitiveness of an organisation's pay relative to pay elsewhere in its industry (usually established through pay surveys). Obviously, the best pay system pays what the job is worth (internal equity) while also paying competitively relative to the labour market.

Some organisations prefer to be pay leaders by paying above the market rate, while some may lag the market because they can't afford to pay market rates, or they're willing to bear the costs of paying below market (namely, higher turnover as people are lured to better-paying jobs). In the United States, annual growth in Walmart stores slowed to around 1% in 2011, yet one of Walmart's larger competitors, Costco, grew around 8%. The average worker at Costco made approximately US$45 000 compared to approximately US$17 500 for the average worker at Walmart-owned Sam's Club. Costco's strategy was that it will get more if it pays more—and higher wages resulted in increased employee productivity and reduced turnover. Given the recent Walmart decision to increase worker wages throughout the organisation, perhaps its executives agree.[108]

If an organisation pays more, it may get better qualified, more highly motivated employees who will stay with the organisation longer. A study covering 126 large organisations found that employees who believed they were receiving a competitive pay level had higher morale and were more productive—and customers were more satisfied as well.[109] But pay is often the highest single operating cost for an organisation, which means that paying too much can make the organisation's products or services too expensive. It's a strategic decision an organisation must make, with clear trade-offs.

How to pay: rewarding individual employees through variable-pay programs

A number of organisations are moving away from paying people based solely on credentials or length of service and towards using variable-pay programs. Piece-rate plans, merit-based pay, bonuses and profit-sharing are all forms of variable-pay plan. Instead of paying a person only for time on the job or seniority, a variable-pay program bases a portion of an employee's pay on some individual and/or organisational measure of performance. Therefore, earnings fluctuate up and down with the measure of performance.[110] Variable-pay plans have long been used for compensating salespeople and executives. Recently they have begun to be applied to all employees, particularly in the energy, mining and construction/engineering industries.[111] The main barrier to wider adoption of variable-pay plans in Australia is the restrictive tax rules, particularly the fringe benefits tax.

variable-pay plan A pay plan that bases a portion of an employee's pay on an individual and/or organisational measure of performance.

The fluctuation in variable pay is what makes these programs attractive to management. It turns part of an organisation's fixed labour costs into a variable cost, thereby reducing expenses when performance declines. When pay is tied to performance, the employee's earnings also recognise contribution rather than being a form of entitlement. Over time, low performers' pay stagnates, while high performers enjoy pay increases commensurate with their contribution. Around the world, about 84% of companies offer some form of variable-pay plan.[112] Let's now examine the different types of variable-pay programs in more detail.

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Piece-rate pay

piece-rate pay plan A pay plan in which employees are paid a fixed sum for each unit of production completed.

Piece-rate wages have been popular for more than a century as a means of compensating production employees. In **piece-rate pay plans**, employees are paid a fixed sum for each unit of production completed. When an employee gets no base salary and is paid only for what they produce, this is a pure piece-rate plan.

Fruit-picking is one form of work that's often paid on a piece-rate basis in Australia. Income is determined by the volume of fruit an employee picks. So, income will vary among employees according to their fitness levels and experience. (This type of work is popular among backpackers, who can finance a working holiday in Australia by following the harvests.) Many organisations use a modified piece-rate plan, in which employees earn a base hourly wage plus a piece-rate differential. So, a medical transcriber might be paid $7 an hour plus 20 cents per page of medical records transcribed from doctors' voice recordings. Such modified plans provide a floor under an employee's earnings while still offering a productivity incentive.

While piece-rate plans can be a powerful motivator in many organisational settings, an obvious limitation is that they're not feasible for many jobs. An emergency department (ED) doctor and nurse can earn significant salaries regardless of the number of patients they see or their patients' outcomes. Would it be better to pay them only if their patients fully recover? It seems unlikely that most would accept such a deal, and it might cause unanticipated consequences as well (such as turning away patients with terminal diseases or life-threatening injuries). Although incentives are motivating and relevant for some jobs, it's unrealistic to think they work universally.

Merit-based pay

merit-based pay plan A pay plan based on performance appraisal ratings.

Merit-based pay plans pay for individual performance based on performance appraisal ratings. A main advantage is that people thought to be high performers can be given bigger pay increases. If they're designed correctly, merit-based plans let individuals perceive a strong relationship between their performance and the rewards they receive.[113]

Most large organisations have merit-based pay plans, especially for salaried employees. IBM's merit pay plan increases employees' base salary based on their annual performance evaluation. Since the 1990s, when the economy stumbled badly, an increasing number of Japanese companies have abandoned seniority-based pay in favour of merit-based pay. Today, merit-based pay plans are becoming more common within Asian economies, especially within public sector organisations.[114]

Despite the intuitive appeal of paying for performance, merit-based pay plans have several limitations. One is that they're typically based on an annual performance appraisal and are therefore only as valid as the performance ratings. Another limitation is that the pay-rise pool fluctuates on economic or other conditions that have little to do with individual performance. For example, one colleague at a top university who performed very well in teaching and research was given a pay increase of $300 because the pool of money available for pay increases was very small. Yet that's hardly pay for performance. Finally, unions typically resist merit-based pay plans. Relatively few teachers are covered by merit-based pay for this reason. Instead, seniority-based pay, where all employees get the same pay increases, predominates.

The concept and intention of merit-based pay—that employees are paid for performance—is sound. For employee motivation purposes, however, merit-based pay should be only one part of a performance recognition program.

Bonuses

bonus A pay plan that rewards employees for recent performance rather than for historical performance.

Annual bonuses in the millions of dollars are not uncommon in major corporations. Increasingly, bonus plans are casting a larger net within organisations to include lower-level employees.[115] Many companies now routinely reward production employees with bonuses in the thousands of dollars when company profits improve. One advantage of bonuses over merit-based pay is that **bonuses** reward employees for recent performance rather than for historical performance.

But there's a downside to bonuses: employees' pay is more vulnerable to cuts. This is particularly problematic when bonuses are a large percentage of total pay, or when employees come to take bonuses for granted. 'People have begun to live as if bonuses were not bonuses at all but part of their expected annual income,' said Jay Lorsch, a Harvard Business School professor. KeySpan Corp., a 9700-employee energy company in New York, combined yearly bonuses with

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a smaller merit-based pay rise. Elaine Weinstein, KeySpan's senior vice-president of HR and chief diversity officer, credits the plan with changing the culture from 'entitlement to meritocracy'.[116]

Profit-sharing plans

Profit-sharing plans are organisation-wide programs that distribute compensation based on some established formula designed around a company's profitability. When executives earn millions of dollars in pay (such as Qantas's Alan Joyce), it often comes from cashing in share options previously granted based on company profit performance. Not all profit-sharing plans need be so grand in scale. For example, Tom, aged 17, started his own lawn-mowing business after getting a mower from his uncle. Tom employs his brother and his friend Mick, and pays them each 25% of the profits he makes on each yard. Profit-sharing plans at the organisational level appear to have a positive impact on employee attitudes; employees working under profit-sharing plans have a greater feeling of psychological ownership.[117]

profit-sharing plan An organisation wide program that distributes compensation based on some established formula designed around a company's profitability.

Evaluation of variable pay

Generally, variable-pay programs increase motivation and productivity, but that doesn't mean everyone is equally motivated by them.[118] Many organisations have more than one variable-pay element in operation, so managers should evaluate the effectiveness of the plan in terms of the employee motivation gained from each element separately and from all elements together. Managers should monitor their employees' performance-reward expectancy because a combination of elements that makes employees feel that their greater performance will yield them greater rewards will be the most motivating.[119]

Flexible benefits: developing a benefits package

Todd and Emily both work for Coca-Cola Amatil (CCA), but they have very different needs in terms of employee benefits. Todd is married, with three young children and a wife who is at home full-time. Emily, too, is married, but her husband has a high-paying job with the federal government and they have no children. Todd has heart disease and he is concerned about having access to paid sick leave and enough life insurance to support his family if he wasn't around. In contrast, Emily and her husband are both in excellent health, and sick leave and life insurance are low priorities for them. Emily is more interested in extra holiday time and long-term financial benefits such as a tax-deferred savings plan.

A standardised benefit package for all employees at CCA would be unlikely to meet the optimal needs of both Todd and Emily. They could, however, optimise their needs if CCA offered flexible benefits.

Consistent with expectancy theory's thesis that organisational rewards should be linked to each individual employee's goals, flexible benefits individualise rewards by allowing each employee to choose the compensation package that best satisfies their current needs and situation. These plans replace the 'one-benefit-plan-fits-all' programs designed for a male with a wife and two children at home that dominated organisations for more than 50 years.[120] Fewer than 10% of employees now fit this image: about one-quarter are single and one-third are part of two-income families with no children. Flexible benefits can accommodate differences in employee needs based on age, health, marital status, spouse's benefit status, number and age of dependants and the like.

flexible benefits A benefits plan that allows each employee to put together a benefits package individually tailored to their own needs and situation.

Intrinsic rewards: employee recognition programs

Laura makes only $17.50 an hour working at her fast-food job in Brisbane and the job isn't very challenging or interesting. Yet Laura talks enthusiastically about her job, her boss and the company that employs her. 'What I like is the fact that Guy [her supervisor] appreciates the effort I make. He compliments me regularly in front of the other people on my shift, and I've been chosen 'Employee of the Month' twice in the past six months. Did you see my picture on that plaque on the wall?'

Organisations are increasingly recognising what Laura knows: important work rewards can be both intrinsic and extrinsic. Rewards are intrinsic in the form of employee recognition programs and extrinsic in the form of compensation systems.

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Employee recognition programs range from a spontaneous and private 'thank you' to widely publicised formal programs in which specific types of behaviour are encouraged and the procedures for attaining recognition are clearly identified. Non-cash recognition can benefit levels of employee engagement and may be used effectively as a performance management tool. Recent research indicates that non-cash recognition for employees is very common among for-profit and public sector organisations, both in Australia and overseas. In multinational corporations, centralised programs across multiple offices in different countries can help ensure that all employees, regardless of where they work, can be recognised for their contribution to the work environment.[121]

Research suggests that financial incentives may be more motivating in the short term, but in the long run nonfinancial incentives work best.[122] Surprisingly, there's not a lot of research on the motivational outcomes or global use of employee recognition programs. However, recent studies indicate that employee recognition programs are associated with self-esteem, self-efficacy and job satisfaction,[123] and the broader outcomes from intrinsic motivation are well documented.

An obvious advantage of recognition programs is that they're inexpensive: Praise is free![124] With or without financial rewards, they can be highly motivating to employees. Despite the increased popularity of such programs, though, critics argue they're highly susceptible to political manipulation by management. When applied to jobs for which performance factors are relatively objective—such as sales—recognition programs are likely to be perceived by employees as fair. In most jobs, however, performance criteria aren't self-evident, which allows managers to manipulate the system and recognise their favourites. Abuse can undermine the value of recognition programs and demoralise employees. Therefore, where formal recognition programs are used, care must be taken to ensure fairness. Where they're not, it's important to motivate employees by consistently recognising their performance efforts.

Summary

Motivation describes the processes (e.g. intensity, direction and persistence) underlying how employees and other individuals in the workplace direct their efforts towards a goal. Although not well supported, many early foundational theories of motivation focused on the needs that employees have along with the consequences of need satisfaction. More contemporary theories focus on topics such as intrinsic and extrinsic motivation; setting goals in organisations; self-efficacy; reinforcement; and our expectations regarding effort, performance, reward and outcome relationships. Beyond these theories, various forms of organisational justice (e.g. distributive, procedural and interactional), all deriving from equity theory, are important in motivating employees. Motivation is key to understanding employees' contributions to their work, including their job engagement. Overall, motivation underlies how and why employees exert effort to engage in performance activities, which in turn meet personal or organisational goals.

As we've seen in this chapter, understanding what motivates individuals is ultimately key to organisational performance. Employees whose differences are recognised, who feel valued, and who can work in jobs tailored to their strengths and interests will be motivated to perform at the highest levels. Employee participation can also increase employee productivity, commitment to work goals, motivation and job satisfaction. However, we can't overlook the powerful role of organisational rewards in influencing motivation. Pay, benefits and intrinsic rewards must be designed carefully and thoughtfully to enhance employee motivation towards positive organisational outcomes.

Implications for managers

- Make sure extrinsic rewards for employees are not viewed as coercive but instead provide information about competence and relatedness.
- Either set or inspire your employees to set specific, difficult goals and provide quality, developmental feedback on their progress towards those goals.

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- Try to align or tie employee goals to the goals of your organisation.
- Model the types of behaviours you'd like to see performed by your employees.
- Expectancy theory offers a powerful explanation of performance variables such as employee productivity, absenteeism and turnover.
- When making decisions regarding resources in your organisation, make sure to consider how the resources are being distributed (and who is affected), the fairness of the decision and whether your actions demonstrate that you respect those involved.
- Recognise individual differences. Spend the time necessary to understand what's important to each employee. Design jobs to align with individual needs and maximise their motivation potential.
- Use goals and feedback. You should give employees firm, specific goals and they should get feedback on how well they're faring in pursuit of those goals.
- Allow employees to participate in decisions that affect them. Employees can contribute to setting work goals, choosing their own benefits packages and solving productivity and quality problems.
- Link rewards to performance. Rewards should be contingent on performance, and employees must perceive the link between the two.
- Check the system for equity. Employees should perceive that individual effort and outcomes explain differences in pay and other rewards.

GOALS GET YOU TO WHERE YOU WANT TO BE

POINT

Of course this is a true statement. Goal-setting theory is one of the best-supported theories in the motivation literature. Study after study has consistently shown the benefits of goals. Want to excel on a test, lose a certain amount of weight, secure a job with a particular income level or improve your golf game? If you want to be a high performer, simply set a specific, difficult goal and let nature take its course. That goal will dominate your attention, cause you to focus and make you try harder.

All too often, people are told by others to simply 'do their best'. Could anything be more vague? What does 'do your best' actually mean? Maybe you feel that your 'best' on one day is to achieve a grade of 50% on an exam, while your 'best' on another day is 80%. But if you were given a more difficult goal—say, to score a 95 on the exam—and you were committed to that goal, you'd ultimately perform better.

Edwin Locke and Gary Latham, the researchers best known for goal-setting theory, put it best when they said: 'The effects of goal setting are very reliable'. In short, goal-setting theory is among the most valid and practical theories of motivation in organisational psychology.

COUNTERPOINT

Sure, a lot of research has shown the benefits of goal setting, but those studies ignore the harm that's often done. For one, how often have you set a 'stretch' goal, only to see yourself later fail? Goals create anxiety and worry about reaching them, and they often create unrealistic expectations as well. Imagine those who set a goal to earn a promotion in a certain period of time (a specific, difficult goal), only to find themselves laid off once a recession hits. Or how about those who envision a retirement of leisure yet are forced to take on a part-time job or delay retirement altogether to continue making ends meet. When too many influential factors are out of our control, our difficult goals become impossible.

Or consider this: goals can lead to unethical behaviour and poorer performance. How many reports have you heard over the years about teachers who 'fudged' students' test scores to achieve educational standards? When Ken O'Brian, a professional quarterback for the New York Jets, was penalised for every interception he threw, he achieved his goal of fewer interceptions quite easily—by refusing to throw the ball even when he should have.

In addition to this anecdotal evidence, research has directly linked goal setting to cheating. We should heed the warning of Professor Maurice E. Schweitzer: 'Goal-setting is like a powerful medication'—before blindly accepting that specific, difficult goal.

SOURCES: Based on E. A. Locke and G. P. Latham, 'Building a practically useful theory of goal setting and task motivation', *American Psychologist* 57, 2002, pp. 705–71; A. Tugend, 'Expert's advice to the goal-oriented: don't overdo it', *The New York Times*, 6 October 2012, p. B5; and C. Richards, 'Letting go of long-term goals', *The New York Times*, 4 August 2012, p. B4.

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Questions for review

1. What are the three key elements of motivation?
2. What are the early theories of motivation? How applicable are they today?
3. What are the key elements of each of the contemporary theories of motivation? How would you implement each of the theories in practice in an organisation today?
4. How does the job characteristics model motivate employees?
5. What are the main ways that jobs can be redesigned?
6. What are the motivational benefits of specific alternative work arrangements?
7. How can employee involvement measures motivate employees?
8. How can different types of variable-pay programs, flexible benefits and intrinsic rewards increase employee motivation?

Application and employability

Motivation is a fundamental aspect of organisational behaviour. It drives demanding work processes towards the accomplishment of work tasks and the realisation of work goals. Therefore, by gaining an understanding of the traditional and contemporary theories of motivation and how workplace decisions affect motivation, you can develop your management skills and become more employable. An understanding of equity theory and organisational justice can help you understand just how much of an impact fairness has in the workplace as well as help you consider others' fairness perspectives when making organisational decisions.

Organisations and human resource departments can alter or supplement tasks, duties and responsibilities in many ways to make them more motivating to employees. The discussion of on-job design and redesign, alternative work arrangements, employee involvement and participation, and rewards and benefits is directly applicable to how OB can make you more employable. Future OB and HR professionals can use this toolkit in their future work assignments to reduce turnover, improve employee satisfaction and retention, and reduce conflict in the workplace. In this chapter, we developed your knowledge application and analysis skills; discussed how to interact with others who won't take your advice; gained an understanding of social responsibility issues by learning how helping others is good (and bad) for your career; learned how electronic monitoring is used in the workplace; and debated whether goal setting works.

Next, you'll continue to develop these skills as well as your critical thinking by discussing and evaluating how to address unjust situations, including developing recommendations for handling unfairness; considering the value of small, frequent pay rises; and forgoing an action plan for when employees provide feedback but their supervisors don't listen.

Experiential exercise

ORGANISATIONAL JUSTICE

Complete the following activities in groups of three or four.

Questions

1. Each person should recall an instance when they were (a) treated especially fairly and (b) treated especially unfairly. Work-related instances are preferable, but non-work examples are fine too. What do the stories have in common?
2. Spend several minutes discussing whether the instance was more distributive, procedural or informational in nature. What was the source of the fair/unfair treatment? How did you feel, and how did you respond?
3. Each group should develop a set of recommendations for handling the unfair situations in a positive manner, and select a group leader who will briefly summarise the group's unfair situations, along with the group's recommendations for handling them better. The discussion should reflect the three types of justice discussed in this chapter (distributive, procedural and interactional).

Case study 1

GOODBYE TO THE ANNUAL PAY RISE?

How do you feel when you get a pay rise? Happy? Rewarded? Motivated to work harder for that next pay rise? The hope of an increase in pay, followed by a pay rise, can increase employee motivation. However, the effect may not last. In fact, the 'warm fuzzies' from a pay rise last less than a month, according to a recent study. If pay rises are distributed annually, performance motivation can drop for many months between evaluations.

Some organisations have tried to keep the motivation going by increasing the frequency of pay rises, although the practice isn't widespread. As of 2014, only about 5% of organisations in the United States awarded pay rises more often than annually. The element of surprise and the timing of the pay rise is important too. In a recent study in Germany, researchers looked at the effect of providing a small, unexpected pay increase to

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temporary workers employed on a short-term administrative project in a library. Interestingly, they found that those workers who received the pay rise in two parts instead of one performed substantially better than those who received the same amount of money as a one-off increase before they began working. Study author Dirk Sliwka noted that, 'The fact that you get a [pay] increase increases your motivation' although he warned that the effects of a pay rise tend to wear off quickly. 'It doesn't matter as much how big the increase is. What was generous yesterday seems normal today.'

Some organisations are doing away with the traditional annual pay rise and instead choosing to reward their workers on a case-by-case basis. For example, at Mother Earth Cleaners, a cleaning company based in the United States, founder Tekla Wlodarczyk Núñez argues that continually reviewing and rewarding individual performance in this manner can have a more powerful effect on employees than the typical annual increase. 'I think it is much more meaningful to an employee to get a raise out of the blue ... [At our company] this is a way to tell [employees] that we value them and they are doing a great job. If the raise is expected and automatic, why work any harder, why take a class, why improve?'

It's important to note, however, that frequent pay rises and pay reviews are neither cheap nor easy to administrate. Pay itself is a complicated issue, and maintaining pay equity adds another level of difficulty. Frequent pay reviews are motivating, but only for the people receiving them—for the others, it's a struggle to stay engaged. If a person has a track record of pay rises and then pay levels off, it can feel like a loss of identity as a strong performer rather than a natural consequence of achieving a higher level of pay. The frustration can lead to lower performance and increased turnover for high performers. Clearly, the frequency of pay rises is complex and there are no easy solutions, so organisations must think carefully about how to implement this reward!

Questions

1. Do you think frequent small pay rises versus annual larger pay rises are more motivating? Why or why not?
2. Do you think you would personally be more motivated by more frequent pay rises or by performance bonuses if the annual amounts were the same?
3. According to government forecasts, annual wages in Australia are projected to rise by around 3.5% in the next few years. Do you think this percentage is motivating to employees? Why or why not?

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Case study 2

WE TALK, BUT THEY DON'T LISTEN

It's a great feeling to be sought for your opinion and participation when your organisation needs to make an important decision. But what happens when the organisation's managers don't listen? Management consultant Liz Ryan perhaps put it best: Management consultant Liz Ryan says it's obvious when the company you work for isn't interested in your opinion. If you feel your opinion isn't valued by your employer, often your only choice is to look for a new job.

Some suggest that these bosses perhaps should be let go. Given that bad members can lower employee satisfaction and engagement, supervisors who exercise this form of control often emphasise politics over productivity and abuse their power, while employees complain because of the lack of support they're getting. They're 'thrown under the bus' and forced out of the loop, and communication is all one way.

Giving employees a chance to voice their opinions as part of the process leads to improved justice perceptions and satisfaction, so regularly not listening to feedback can be an issue. For example, one study found that both employees and managers recognise that paying lip service to employees and soliciting their suggestions without taking their advice does happen. Employees who became aware of this feigned interest were more reluctant to offer input later, experienced more conflicts with colleagues, bullied others and refused to participate in meetings. Conversely, employees who had their ideas implemented spoke up more often and had better interpersonal relationships with their colleagues.

Questions

1. Do you think managers are sometimes justified in not taking their employees' advice? Why or why not?
2. How should managers handle their employees' dissatisfaction with not having their advice put into practice?
3. Which do you think is the more effective employee involvement and participation (EIP) program: participative management or representative participation? Is it possible to implement elements of both? Why or why not?

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PART 3

The group

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CHAPTER

8

Foundations of group behaviour

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

8.1 Distinguish between the different types of groups.

8.2 Describe the punctuated-equilibrium model of group development.

8.3 Show how role requirements change in different situations.

8.4 Demonstrate how norms exert influence on an individual's behaviour.

8.5 Show how status and size differences affect group performance.

8.6 Describe how issues of cohesiveness and diversity can be integrated for group effectiveness.

8.7 Contrast the strengths and weaknesses of group decision making.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓	✓		✓	✓	✓	✓
Communication	✓	✓	✓		✓	✓	✓
Collaboration	✓	✓	✓	✓	✓	✓	✓
Knowledge application and analysis		✓		✓	✓	✓	✓
Social responsibility	✓	✓	✓			✓	✓

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Preparing students for the world of work



Group work is almost inevitable in higher education settings today.
SOURCE: Jacob Lund/Shutterstock.

According to Professor Stephen Naylor, chair of the academic board at James Cook University, organisations actively seek individuals who are able to work effectively in a group environment. 'If an employer had to list the top three attributes they look for, being a team player is the second most important thing behind communication.' In line with this argument, the QS Global Employer Survey 2018 revealed that graduates with 'soft skills' are in high demand. The survey also revealed that students did not realise the degree to which employers value graduates with interpersonal skills, with the authors observing: '… students relatively overvalue the importance of creativity and leadership skills, and undervalue the importance of flexibility/adaptability and teamwork'. Additionally, a 2017 report by Deloitte Access Economics in Australia reported that fewer than 1% of graduates highlight their soft skills on LinkedIn, even though these skills can help to increase their employability.

If you've spent any amount of time studying in an educational setting, such as a high school, TAFE college or university, it's likely that you'll have interacted with others as part of a group. This may have been as a member of an informal group, as such a sporting or hobby group, or as part of an assessment task. Universities, in particular, frequently require students to work in groups to complete large projects. Unfortunately, however, students often struggle to work effectively in groups, to the point that many dread group assignments. Why is this, and what can we do to improve students' experiences?

Given the benefits of working in groups and teams, it's not surprising that group-based learning is often used in higher education settings. For example, students who work effectively in groups are introduced to new ideas and perspectives; they can work with each other to learn how to solve problems; and students with a diverse range of skills can come together to pool their expertise and create a successful outcome. In a study of Canadian business students, university academics reported that their students were able to identify many advantages to working in groups. These included gaining self-assurance in communicating ideas, the chance to build networking relationships with others, developing a sense of inclusion and belonging, learning how to divide work tasks among members, improved networking skills and learning how to prioritise tasks. These are all skills that are valued in the 21st-century workplace.

It's important to acknowledge also that group work can involve particular challenges. These can include struggling to begin initial tasks, difficulty communicating with group members,

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struggling to meet deadlines and conflict among individuals. Sometimes group members with authoritarian personalities can dominate groups, leading to member dissatisfaction and disagreements. Additionally, some students may choose to engage in 'social loafing', and fail to contribute equally to the development of the assessment task. In a two-stage investigation into students' perceptions of social loafing in an undergraduate business course, researchers found that group members had to 'pick up the slack' of their group members after they submitted work below expectations, and that the 'distractive and disruptive behaviors' of social loafers had a marked negative effect on overall team performance.

Although these difficulties in groups are well documented, it's unlikely that universities will stop using groups and teams in learning activities and assessment tasks any time soon. As we've observed already, effective group work can be rewarding and enjoyable; it enables students to develop a range of different skills, many of which are desired by prospective employers. So although group work may be challenging at times, try to remember that it's giving you valuable first-hand experience for the world of employment!

SOURCES: Based on S. H. Lee, D. Smith and K. Sergueeva, 'What do students think about group work in business education? An investigation into the benefits, challenges, and student-suggested solutions', *Journal of Education for Business* 91, no. 7, 2016, pp. 380–6; A. Jassawalla, H. Sashittal and A. Sashittal, 'Students' perceptions of social loafing: its antecedents and consequences in undergraduate business classroom teams', *Academy of Management Learning & Education* 8, no. 1, 2009, 42–54; 'Problems associated with group work', Student Services, The University of Queensland <www.uq.edu.au/student-services/learning/problems-associated-group-work>; The Bok Center for Teaching and Learning, Harvard University <https://bokcenter.harvard.edu/group-work>; J. Hinchliffe, 'Is working in a group really that important for success?', ABC Radio Brisbane, 19 April 2017; and C. Chang, 'Creativity identified as most overrated skill in survey of employer and student attitudes', <news.com.au>, 8 September 2018; Deloitte Access Economics, 'Soft skills for business success', May 2017, <www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-deakin-soft-skills-business-success-170517.pdf>; and J. Ross, 'Emphasis on "soft skills" now essential', *The Australian*: Higher Education, 17 May 2017.

AS INDIVIDUALS, WE ALL belong to groups based on our occupations, race, gender and many other categories. When we're part of a group, it changes our perception of a situation. The objectives of this chapter and Chapter 9 are to familiarise you with group and team concepts, provide you with a foundation for understanding how groups and teams work and show you how to create effective working units. Let's begin by defining groups.

8.1 Distinguish between the different types of groups.

Defining and classifying groups

A **group** is defined as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. Groups can be either formal or informal. By **formal groups**, we mean those defined by the organisation's structure, with designated work assignments establishing tasks. In formal groups, the behaviours that team members should engage in are stipulated by and directed towards organisational goals. The six members of an airline flight crew are a formal group. In contrast, **informal groups** are neither formally structured nor organisationally determined. These groups are natural formations in the work environment that appear in response to the need for social contact. Three employees from different departments who regularly have lunch or coffee together are an informal group. These types of interactions between individuals, although informal, deeply affect their behaviour and performance.

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

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

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

Social identity

People often feel strongly about their groups, partly because, as research indicates, shared experiences amplify our perception of events.[1] Also, according to research in Australia, sharing painful experiences, in particular, increases our felt bond and trust with others.[2]

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Why do people form groups, and why do they feel so strongly about them? Consider the celebrations that follow when an AFL team wins the grand final. The winner's supporters are elated, and sales of team-related shirts, jackets and hats skyrocket. Fans of the losing team feel dejected, even embarrassed because, even though fans have little to do with the actual performance of the sports team, their self-image can be wrapped up in their identification with the group. Our tendency to personally invest in the accomplishments of a group is the territory of social identity theory.

social identity theory A perspective that considers when and why individuals consider themselves to be members of groups.

Social identity theory proposes that people have emotional reactions to the failure or success of their group because their self-esteem is tied into the performance of the group.[3] When your group does well, you bask in reflected glory, and your own self-esteem rises because you're affiliated with the winning team. When your group does poorly, you might feel bad about yourself, or you might even go so far as to reject that part of your identity, like 'fair weather fans'. Social identities also help people reduce uncertainty about who they are and what they should do.[4]

People develop a lot of identities through the course of their lives. You might define yourself in terms of the organisation you work for, the city you live in, your profession, your religious background, your ethnicity or your gender. We 'switch on' different identities in different situations. An Australian expatriate working in Kuala Lumpur might be very aware of being from Australia but won't give this national identity a second thought when transferring from Sydney to Melbourne. An accountant probably won't think about the identity of their profession in discussions with other accountants, but will be very aware of what it means to be an accountant when having a discussion with someone in sales.[5] So, we may pick and choose which of our social identities are salient to the situation, or we may find that our social identities are in conflict, such as the identities of business leader and parent.[6]

Our social identities help us understand who we are and where we fit in with other people, and research indicates they bring us better health and lower levels of depression because we become less likely to attribute negative situations to internal or insurmountable reasons.[7] To experience these good outcomes, however, we need to feel that our social identities are positive.[8]

Until now, we've discussed social identities primarily in a cultural context. However, the identity we may feel with respect to our organisation is only one aspect of our work-related identities. Within our organisations and work groups we can develop many identities through (1) relational identification, when we connect with others because of our roles and (2) collective identification, when we connect with the aggregate characteristics of our groups. We can identify with groups within our team, our work group and our organisations. Often, our identification with our work groups is stronger than with our organisations, but both are important to positive outcomes in attitudes and behaviours. The strength of our identification may vary, depending on how unique a group is within an organisation.[9] Low identification to the group may lead to problems. If we have low identification with our organisations, we may experience decreased satisfaction and engage in fewer organisational citizenship behaviours (OCBs).[10] Similarly, we're less likely to apply to organisations that don't correspond to our collective identities.[11]

Ingroups and outgroups

Ingroup favouritism occurs when we see members of our group as better than other people, and people not in our group as all the same. Recent research suggests that people with low openness and/or low agreeableness are more susceptible to ingroup favouritism.[12] Whenever there's an ingroup there is, by necessity, an outgroup, which is sometimes everyone else but is usually an identified group known by the ingroup's members. For example, if my ingroup is the Liberal National Party (LNP) in Australian politics, my outgroup might be anyone in the world who is not an LNP voter, but it's more likely to be the other Australian political parties, or perhaps just Labor voters.

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

outgroup The inverse of an ingroup, which can mean everyone outside the group but is more usually an identified other group.

Social identity threat

Ingroups and outgroups pave the way for social identity threat, which is akin to stereotype threat. With social identity threat, individuals believe they will be personally negatively

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evaluated due to their association with a devalued group, and they may lose confidence and performance effectiveness. One study found, for example, that when subjects from high and low socioeconomic backgrounds took a high-pressure maths test, the low-status subjects who felt social identity threat could be as confident as the high-status subjects only when they were first deliberately encouraged about their abilities.[13]

8.2 Describe the punctuated-equilibrium model of group development.

Stages of group development

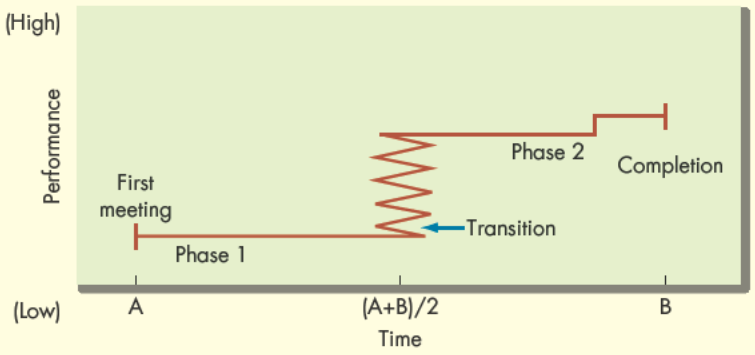
punctuated-equilibrium model A set of phases that temporary groups go through which involve transitions between inertia and activity.

Temporary groups with finite deadlines pass through a unique sequencing of actions (or inactions) called the punctuated-equilibrium model, which is shown in Exhibit 8.1. The stages in this model include (1) the first meeting sets the group's direction, (2) the first phase of group activity is one of inertia and therefore slower progress, (3) a transition takes place exactly when the group has used up half its allotted time, (4) this transition initiates major changes, (5) a second phase of inertia follows the transition and (6) the group's last meeting is characterised by markedly accelerated activity.[14] Alternative models suggest that teams progress through a formation stage; a conflict resolution or 'storming' stage; a 'norming' stage, where members agree on roles and make decisions; and a 'performing' stage, where members begin to work collaboratively. The forming, storming, norming and performing stages may occur at phase 1 of the punctuated-equilibrium model, while a second performing and conforming stage may occur in the second phase, following a short period of reforming group norms and expectations.[15]

The first meeting sets the group's direction, and a framework of behavioural patterns and assumptions through which the group will approach its project emerges. These lasting patterns can appear as early as the first few seconds of the group's existence. Once set, the group's direction becomes 'written in stone' and is unlikely to be re-examined throughout the first half of its life. This is a period of inertia: the group tends to stand still or become locked into a fixed course of action. Even if it gains new insights that challenge initial patterns and assumptions, the group is incapable of acting on these in phase 1.

One of the most interesting discoveries made in studies of groups[16] was that each group experienced its transition at the same point in its calendar—precisely halfway between its first meeting and its official deadline—despite the fact that some groups spent as little as an hour on their project while others spent 6 months. It was as if the groups universally experienced a midlife crisis at this point. The midpoint appears to work like an alarm clock, heightening members' awareness that their time is limited and they need to get moving. This transition ends

EXHIBIT 8.1 The punctuated-equilibrium model



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phase 1 and is characterised by a concentrated burst of changes, a dropping of old patterns and the adoption of new perspectives. The transition sets a revised direction for phase 2, a new equilibrium or period of inertia in which the group executes plans created during the transition period. The group's last meeting is characterised by a final burst of activity to finish its work.

In summary, the punctuated-equilibrium model characterises groups as exhibiting long periods of inertia interspersed with brief revolutionary changes triggered primarily by members' awareness of time and deadlines. Keep in mind, however, that this model doesn't apply to all groups. It's essentially limited to temporary task groups working under a time-constrained completion deadline.[17]

Group property 1: roles

8.3 Show how role requirements change in different situations.

Work groups shape members' behaviour, and they also help explain individual behaviour as well as the performance of the group itself. Some defining group properties are roles, norms, status, size, cohesiveness and diversity. We'll discuss each of these in the sections that follow. Let's begin with the first group property, roles.

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

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

Let's look at the example of Bill, a plant manager with a cable company in Australia. Bill fulfils a number of roles: employee, member of middle management, electrical engineer and primary company spokesperson in the community. Off the job, Bill finds himself in still more roles: husband, father, Catholic, Rotarian and treasurer of the local soccer club. Many of these roles are compatible; some create conflicts. How does Bill's religious commitment influence his managerial decisions regarding redundancies, expense account padding and the provision of accurate information to government agencies? A recent offer of promotion would mean that Bill has to relocate to the New Zealand plant, yet his family wants to stay in Australia. Can the role demands of his job be reconciled with the demands of his roles as husband and father?

Like Bill, we're all required to play a number of roles, and our behaviour varies with each. Bill's behaviour when he attends church on Sunday morning is different from his behaviour on the golf course later that same day. So, different groups impose different role requirements on individuals. But how do we know each role's requirements? We draw on our role perceptions to frame our ideas of appropriate behaviours and to learn the expectations of our groups.

Role perception

Our view of how we're supposed to act in a given situation is a role perception. We get role perceptions from stimuli all around us such as friends, books, films and television. For example, we form an impression of lifesavers from *Bondi Rescue*. Apprenticeship programs allow beginners to watch an expert so they can learn to act as they should.

role perception An individual's view of how they are supposed to act in a given situation.

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

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

Role expectations

Role expectations are the way others believe you should act in a given context. The role of an Australian federal court judge is viewed as having propriety and dignity, while rugby league coaches may be seen as aggressive, dynamic and inspiring to their players.

In the workplace, we look at role expectations through the perspective of the psychological contract, an unwritten agreement that exists between employees and employer. This agreement

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sets out mutual expectations—what management expects from workers, and vice versa.[18] In effect, it defines the behavioural expectations that go with every role. Management is expected to treat employees justly, provide acceptable working conditions, clearly communicate what's a fair day's work and give feedback on how well an employee is doing. Employees are expected to respond by demonstrating a good attitude, following directions and showing loyalty to the organisation.

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

However, there's evidence that perceptions of psychological contracts vary across cultures. In France, where people are individualist and power is more asymmetric, contracts are perceived as self-interested yet favouring the more powerful party. In Canada, where people are individualist but power is more symmetric, contracts are perceived as self-interested yet focused on balanced reciprocity. In China, where people are collectivist and power is more asymmetric, contracts are perceived as going beyond the work context into employees' lives. And in Norway, where people are collectivist but power is more symmetric, contracts are perceived as more relational and based on trust.[20]

Role conflict

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

interrole conflict A situation in which the expectations of an individual's different, separate groups are in opposition.

When compliance with one role requirement might make it difficult to comply with another, the result is role conflict.[21] At the extreme, two or more role expectations are mutually contradictory. For example, if you, as a manager, were to provide a performance evaluation of a person you mentored, your roles as evaluator and mentor may conflict. Similarly, we can experience interrole conflict[22] when the expectations of our different, separate groups are in opposition.

Bill has to deal with interrole conflicts, such as his attempt to reconcile the expectations placed on him as a husband and father with those placed on him as an executive. Bill's wife and children want to remain in Australia, while his employer expects its employees to be responsive to the company's needs and requirements. Although it may be in Bill's financial and career interests to accept a relocation, the conflict comes down to choosing between family and career role expectations. Indeed, a great deal of research demonstrates that conflict between work and family roles is one of the most significant sources of stress for most employees.[23]

Most employees are simultaneously in occupations, work groups, divisions and demographic groups, and these different identities can come into conflict when the expectations of one identity conflict with the expectations of another.[24] During mergers and acquisitions, employees can be torn between their identities as members of their original organisation and members of the new parent company.[25] Organisations structured around multinational operations have also been shown to lead to dual identification, with employees distinguishing between the local division of the organisation and the overarching international organisation.[26]

Role-play and assimilation

The degree to which we comply with our role perceptions and expectations—even when we don't agree with them initially—can be surprising. One of the most illuminating role and identity experiments was done a number of years ago by Stanford University psychologist Philip Zimbardo and his associates.[27] They created a 'prison' in the basement of the Stanford psychology building, hired at $15 a day two dozen emotionally stable, physically healthy, law-abiding students who scored 'normal average' on extensive personality tests, randomly assigned them the role of either 'guard' or 'prisoner' and established some basic rules.

It took the 'prisoners' little time to accept the authority positions of the 'guards' or for the mock guards to adjust to their new authority roles. Consistent with social identity theory, the guards came to see the prisoners as a negative out-group, and their comments to researchers showed they had developed stereotypes about the 'typical' prisoner personality type. After the guards crushed a rebellion attempt on the second day, the prisoners became increasingly passive.

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Whatever the guards 'dished out', the prisoners took. The prisoners actually began to believe and act as if they were, as the guards constantly reminded them, inferior and powerless. And every guard at some time during the simulation engaged in abusive, authoritative behaviour. One said, 'I was surprised at myself … I made them call each other names and clean the toilets out with their bare hands. I practically considered the prisoners cattle, and I kept thinking: "I have to watch out for them in case they try something"'. Another guard added, 'I was tired of seeing the prisoners in their rags and smelling the strong odours of their bodies that filled the cells. I watched them tear at each other on orders given by us. They didn't see it as an experiment. It was real and they were fighting to keep their identity. But we were always there to show them who was boss'. Surprisingly, during the entire experiment—even after days of abuse—not one prisoner said, 'Stop this. I'm a student like you. This is just an experiment!' The researchers had to stop it after only 6 days because of the participants' pathological reactions.

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

A follow-up reality television show conducted by the BBC that used a lower fidelity simulated prison setting provides some insights into these results.[28] The results were dramatically different from those of the Stanford experiment. The 'guards' were far more careful in their behaviour

Myth or science?



'Gossip and exclusion are toxic for groups'

This statement isn't necessarily true, but it is counterintuitive. Let's explore the conditions.

What is gossip? Most of us might say gossip is talking about others, sharing rumours and speculating about others' behaviours; gossip affects a person's reputation. We might also say gossip is malicious, but according to researchers, it can serve positive social functions, too. Prosocial gossip can expose behaviour that exploits other people, which can lead to positive changes. For example, if Julie tells Chris that Alex is bullying Susan, then Chris has learned about Alex's poor behaviour through gossiping. Chris might refuse to partner with Alex on a work project, which might limit Alex's opportunities with the organisation, preventing him from bullying more people. Alternatively, as the gossip spreads, Alex might feel exposed for his behaviour and conform to group expectations against bullying behaviour. In fact, according to research, Alex is likely to cooperate with the group in response to the gossip, and others hearing and spreading the gossip are likely to also cooperate by not acting on their impulses towards bad behaviour.

What about excluding Alex? There are two types of exclusion in the workplace: leaving someone out of a group, and ostracising an individual. Both lead to the same end: the person isn't part of the group. While simply leaving someone out of a group might not send a message of exclusion, ostracism certainly does. Ostracism is more of a felt punishment than gossip because it's more direct. Research indicates that ostracised individuals cooperate to a greater degree when they're around the group to show a willingness to conform, hoping to be invited back into the group.

Can gossip and ostracism work together? Yes, according to a recent study. When subjects were given an opportunity to gossip about the work of another subject, that subject cooperated more than before; when the opportunity to gossip was paired with the ability to ostracise, that subject cooperated to a much greater degree.

In conclusion, gossip and exclusion may provide groups with benefits, at least when the gossip is confined to truthful work-related discussion, when the opportunity still exists to rejoin the group with full standing and when the group norms are positive.

SOURCES: Based on M. Cikara and J. J. Van Bavel, 'The neuroscience of intergroup relations: an integrative review', *Perspectives on Psychological Science* 9, no. 3, 2014, pp. 245–74; M. Feinberg, R. Willer and M. Schultz, 'Gossip and ostracism promote cooperation in groups', *Psychological Science* 25, no. 3, 2014, pp. 656–64; and I. H. Smith, K. Aquino, S. Koleva and J. Graham, 'The moral ties that bind … even to out-groups: the interactive effect of moral identity and the binding moral foundations', *Psychological Science*, 2014, pp. 1554–62.

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and limited the aggressive treatment of the 'prisoners'. They often described their concerns about how their actions might be perceived. In short, they did not fully take on their roles, possibly because they knew their behaviour was being observed by millions of viewers. These results suggest that less intense situations evoke less extreme behaviour, and abuse of roles can be limited when people are made conscious of their behaviour.

8.4 Demonstrate how norms exert influence on an individual's behaviour.

Group property 2: norms

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

All groups have established **norms**, or acceptable standards of behaviour shared by their members, that express what they ought and ought not to do under certain circumstances. When agreed to and accepted by the group, norms influence members' behaviour with a minimum of external controls. Different groups, communities and societies have different norms, but they all have them.[29]

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

Norms can cover virtually any aspect of group behaviour.[30] Probably the most common is a performance norm, providing explicit cues about how hard members should work, what the level of output should be, how to get the job done, what level of tardiness is appropriate and the like. These norms are extremely powerful in affecting an individual's performance—they're capable of significantly modifying a performance prediction based solely on ability and level of personal motivation. Although arguably the most important, performance norms aren't the only kind. Other types include appearance norms (dress codes, unspoken rules about when to look busy), social arrangement norms (who to eat lunch with, whether to form friendships on and off the job) and resource allocation norms (assignment of difficult jobs, distribution of resources such as pay or equipment).

Let's discuss the levels of influence that norms can exert over us, starting with our emotions.

Norms and emotions

Have you ever noticed how the emotions of one member of your family, especially strong emotions, can influence the emotions of the other members? A family can be a highly normative group. So can a task group whose members work together on a daily basis, because frequent communication can increase the power of norms. A recent study found that, in a task group, individuals' emotions influenced the group's emotions, and vice versa. This may not be surprising, but researchers also found that norms dictated the experience of emotions for the individuals and for the groups—in other words, people grew to interpret their shared emotions in the same way.[31] As we discovered in Chapters 4 and 6, our emotions and moods can shape our perspective, so the normative effect of groups can have a powerful influence on group attitudes and outcomes.

Norms and conformity

As a member of a group, you desire acceptance by the group. Therefore, you are susceptible to conforming to the group's norms. There's considerable evidence that groups can place strong pressures on individual members to change their attitudes and behaviours to conform to the group's standard.[32] The impact that group pressures for **conformity** can have on an individual member's judgement was demonstrated in now-classic studies by Solomon Asch.[33] Asch made up groups of seven or eight people, who were asked to compare two cards held by the experimenter. One card had one line and the other had three lines of varying length, one of which was identical to the line on the one-line card, as Exhibit 8.2 shows. The difference in line length was quite obvious; in fact, under ordinary conditions, subjects made fewer than 1% errors in announcing aloud which of the three lines matched the single line.

conformity Adjusting your behaviour to align with the norms of the group.

The experiment began with sets of matching exercises. Everyone gave the right answers. On the third set, however, the first subject, who was part of the research team, gave an obviously wrong answer—for example, saying 'C' in Exhibit 8.2 was the same as 'X'. The next subject, also

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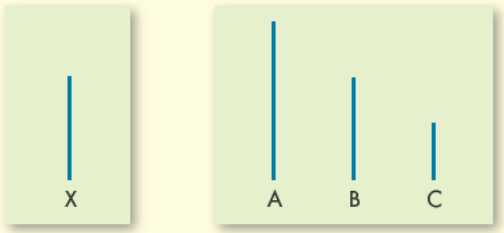
EXHIBIT 8.2 Examples of cards used in Asch's study



on the research team, gave the same wrong answer, and so on. Now the dilemma confronting the subject, who didn't know any of the subjects were on the research team, was this: should they publicly state a perception that differed from the announced position of the others or give an incorrect answer that agreed with the others?

The results over many experiments showed that 75% of subjects gave at least one answer that conformed—that they knew was wrong but was consistent with the replies of other group members—and the average conformer gave wrong answers 37% of the time. This suggests that we feel the pressure to conform with group norms. Other recent research with moral decision making indicated an even stronger effect of conformity when subjects found the nonconforming ideas not just incorrect but objectionable.[34] Does that mean we're mere robots? Certainly not. The flip side of the 37% of conforming responses is the 63% of independent responses, and

Ethical choice

Using peer pressure as an influence tactic



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

Peer pressure can be a positive force in some ways. In groups or departments where high effort and performance are the norms, peer pressure from co-workers, whether direct or indirect, can encourage high performance from those not meeting expectations. A team with a norm towards behaving ethically could also use peer pressure directly to minimise negative behaviour. So, peer pressure can promote all sorts of good behaviours, from donating to charity to working for the Salvation Army.

However, peer pressure can also be destructive. It can create a feeling of exclusion in those who don't go along with group norms and can be very stressful and hurtful for those who don't see eye-to-eye with the rest of the group. Peer pressure itself might become an unethical practice that unduly influences workers' behaviour and thoughts. And while groups might pressure others into performing good behaviours, they can just as easily pressure them into performing bad behaviours.

Should you use group peer pressure? As a leader, you may need to. One survey found that only 6% of leaders reported being able to successfully influence their employees. If you do use peer pressure to encourage individuals to work towards team goals and behave consistently with organisational values, it can enhance ethical performance. But your behaviour should emphasise acceptance and rewarding of positive behaviour, rather than rejection and exclusion, as a means of getting everyone to behave consistently in a group.

SOURCES: Based on A. Verghese, 'The healing power of peer pressure', *Newsweek*, 14 March 2011; T. Rosenberg, *Join the Club: How Peer Pressure Can Transform the World*, New York: W. W. Norton & Company, 2011; J. Meer, 'Brother, can you spare a dime? Peer pressure in charitable solicitation', *Journal of Public Economics* 95, no. 7–8, 2011, pp. 926–41; and L. Potter, 'Lack influence at work? Why most leaders struggle to lead positive change', *The Wall Street Journal*, 14 May 2013.

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95% gave the correct (nonconforming) response at least once. Therefore, we feel the pressure to conform, but it's not a perfect predictor of what we'll do. Furthermore, we don't tend to like the pressure we feel to conform. Asch wrote, 'Those who participated in this challenging experiment agreed nearly without exception that independence was preferable to conformity'.[35]

Do individuals conform to the pressures of all the groups they belong to? Obviously not, because people belong to many groups, and their norms vary and sometimes are contradictory. So what do people do? They conform to the groups they consider important. These important groups are reference groups, ones where a person is aware of other members, defines themselves as a member or desires to be a member, and feels that group members are significant to them.[36] The implication, therefore, is that not all groups impose equal conformity pressures on their members.

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

Norms and behaviour

Norms can cover any aspect of group behaviour.[37] As we've mentioned, norms in the workplace significantly influence employee behaviour. This may seem intuitive, but full appreciation of the influence of norms on worker behaviour didn't happen until the Hawthorne Studies conducted between 1924 and 1932 at the Western Electric Company's Hawthorne Works in Chicago.[38]

In these studies, researchers first examined the relationship between the physical environment and productivity. As they increased the light level for the experimental group of workers, output rose for that unit and the control group. But as they decreased the light level, productivity continued to increase. In fact, productivity in the experimental group decreased only when the light intensity had been reduced to that of moonlight, leading researchers to believe that group dynamics, rather than the environment, influenced behaviour.

The researchers next isolated a small group of women assembling telephones so their behaviour could be observed more carefully. Over the next few years, this small group's output increased steadily, and the number of personal and sick absences was approximately one-third of that in the regular production department. It became evident that this group's performance was significantly influenced by its 'special' status. The members thought they were in an elite group, and that management showed concern about their interests by engaging in experimentation. In essence, workers in both the illumination and assembly experiments were really reacting to the increased attention they received.

A wage incentive plan was then introduced in the bank wiring observation room. The most important finding was that employees did not individually maximise their output. Rather, their role performance became controlled by a group norm. Members were afraid that if they significantly increased their output, the unit incentive rate might be cut, the expected daily output might be increased, layoffs might occur or slower workers might be reprimanded. So the group established its idea of a fair output—neither too much nor too little. Members helped each other ensure their reports were nearly level, and the norms that the group established included a number of behavioural 'don'ts'. *Don't* be a rate-buster, turning out too much work. *Don't* be a chiseler, turning out too little work. *Don't* squeal on any of your peers. The group enforced its norms with name calling, ridicule and even punches to the upper arms of violators. As such, it operated well below its capability, using norms that were tightly established and strongly enforced.

Positive norms and group outcomes

One goal of every organisation with corporate social responsibility (CSR) initiatives is for the organisation's values (or the values of the CEO and executives) to hold normative sway over employees.[39] After all, if employees aligned their thinking with the organisation's positive norms, these norms would become stronger and the probability of positive impact would grow exponentially. We might expect the same outcomes from political correctness (PC) norms. But what's the effect of strong positive norms on group outcomes? The popular thinking is that, to increase creativity in groups, for instance, norms should be loosened. However, research on gender-diverse groups indicates that strong PC norms increase group creativity because clear expectations about male–female interactions reduce uncertainty about group expectations,[40] which allows the members to express their creative ideas more easily without combatting stereotype norms.

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Positive group norms may well beget positive outcomes, but only if other factors are present, too. For instance, in a recent study a high level of group extraversion predicted helping behaviours more strongly when there were positive cooperation norms.[41] As powerful as norms can be, though, not everyone is equally susceptible to positive group norms. Individual personalities factor in, too, as well as the level of a person's social identification with the group. Also, a recent study in Germany indicated that the more satisfied people were with their groups, the more closely they followed group norms.[42]

Negative norms and group outcomes

Chris is frustrated by a colleague who constantly spreads malicious and unsubstantiated rumours about him. Debra is tired of a member of her work team who, when confronted with a problem, takes out his frustration by yelling and screaming at her and other members. And Olivia recently quit her job as a dental hygienist after being constantly sexually harassed by her employer.

What do these three episodes have in common? They represent employees exposed to acts of deviant workplace behaviour.[43] Deviant workplace behaviour (also called *antisocial behaviour* or *workplace incivility*) is voluntary behaviour that violates significant organisational norms and, in doing so, threatens the well-being of the organisation or its members. Exhibit 8.3 provides a typology of deviant workplace behaviours, with examples of each.

deviant workplace behaviour Voluntary behaviour that violates significant organisational norms and, in so doing, threatens the well being of the organisation or its members; also called antisocial behaviour or workplace incivility.

Few organisations will admit to creating or condoning conditions that encourage and maintain deviant norms. Yet they exist. As we discussed before, a work group can become characterised by positive or negative attributes. When those attributes are negative, such as when a work group is high in psychopathy and aggression, the characteristics of deceit, amorality and intent to harm others are pronounced.[44] Second, employees have been reporting an increase in rudeness and disregard towards others by bosses and co-workers in recent years. Workplace incivility, like many other deviant behaviours, has many negative outcomes for the victims.[45] And nearly half of the employees who have suffered this incivility say that it has led them to think about changing jobs, with 12% actually quitting because of it.[46] A study of nearly 1500 respondents found that, in addition to increasing turnover intentions, incivility at work increased reports of psychological stress and physical illness.[47] Research also suggests that lack of sleep, which hinders a person's ability to regulate emotions and behaviours, can lead to

EXHIBIT 8.3 Typology of deviant workplace behaviour

Category	Examples
Production	Leaving early
	Intentionally working slowly
	Wasting resources
Property	Sabotage
	Lying about hours worked
	Stealing from the organisation
Political	Showing favouritism
	Gossiping and spreading rumours
	Blaming colleagues
Personal aggression	Sexual harassment
	Verbal abuse
	Stealing from colleagues

SOURCES: Based on S. L. Robinson and R. J. Bennett, 'A typology of deviant workplace behaviors: a multidimensional scaling study', *Academy of Management Journal*, April 1995, p. 565, copyright 1995 by Academy of Management, New York; S. H. Appelbaum, G. D. Iaconi and A. Matousek, 'Positive and negative deviant workplace behaviors: causes, impacts, and solutions', *Corporate Governance* 7, no. 5, 2007, pp. 586–98; and R. W. Griffin and A. O'Leary-Kelly (eds), *The Dark Side of Organizational Behavior*, New York: Wiley, 2004.

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deviant behaviour. As organisations have tried to do more with less, pushing their employees to work extra hours, they may indirectly be facilitating deviant behaviour.[48]

Like norms in general, individual employees' antisocial actions are shaped by the group context in which they work. Evidence demonstrates that antisocial behaviour exhibited by a work group is a significant predictor of an individual's antisocial behaviour at work.[49] In other words, deviant workplace behaviour is likely to flourish where it's supported by group norms. Workers who socialise either at or outside work with people who are frequently absent from work are more likely to be absent themselves.[50] What this means for managers is that, when deviant workplace norms surface, employee cooperation, commitment and motivation are likely to suffer. This, in turn, can reduce employee productivity and job satisfaction, and increase turnover.

What are the consequences of workplace deviance for teams? Some research suggests a chain reaction occurs in a group with high levels of dysfunctional behaviour.[51] The process begins with negative behaviours such as shirking, undermining co-workers or being generally uncooperative. As a result of these behaviours, the team collectively starts to have negative moods. These negative moods then result in poor coordination of effort and lower levels of group performance.

Norms and culture

People in collectivist cultures have different norms from people in individualist cultures.[52] But did you know that our orientation may be changed, even after years of living in one society? In one experiment, an organisational role-playing exercise was given to a neutral group of subjects; the exercise stressed either collectivist or individualist norms. Subjects were given a task of their personal choice or were assigned one by an ingroup or outgroup person. When the individualist-primed subjects were allowed personal choice of the task, or the collectivist-primed subjects were assigned the task by an ingroup person, they became more highly motivated.[53]

8.5 Show how status and size differences affect group performance.

Group property 3: status, and group property 4: size and dynamics

We've discussed how the roles we play and the norms we internalise tend to dictate our behaviour in groups. However, those are not the only two factors that influence who we are in a group and how the group functions. Have you ever noticed how groups tend to stratify into higher- and lower-status members? Sometimes this reflects members' status outside the group setting, but not always. Also, status often varies between groups of different sizes. Let's examine how these factors—status and size—affect a workgroup.

Status

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

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

What determines status?

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

According to status characteristics theory, status tends to derive from one of three sources:[54]

1. *The power a person wields over others.* Because they usually control the group's resources, people who control the outcomes tend to be perceived as high status.
2. *A person's ability to contribute to a group's goals.* People whose contributions are critical to the group's success tend to have high status.
3. *An individual's personal characteristics.* Someone whose personal characteristics are positively valued by the group (good looks, intelligence, money or a friendly personality) typically has higher status than someone with fewer valued attributes.

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Status and norms

Status has some interesting effects on the power of norms and pressures to conform. High-status individuals may be more likely to deviate from norms when they have low identification (social identity) with the group.[55] They also eschew pressure from lower-ranking members of other groups. For instance, physicians actively resist administrative decisions made by lower-ranking medical insurance company employees.[56] High-status people are also better able to resist conformity pressures than their lower-status peers. An individual who is highly valued by a group but doesn't need or care about the group's social rewards is particularly able to disregard conformity norms.[57] In general, bringing high-status members into a group may improve performance, but only up to a point, perhaps because these members may introduce counterproductive norms.[58]

Status and group interaction

High-status people tend to be more assertive group members.[59] They speak out more often, criticise more, state more commands and interrupt others more often. Lower-status members tend to participate less actively in group discussions; when they possess expertise and insights that could aid the group, failure to fully utilise these members reduces the group's overall performance. But that doesn't mean a group of only high-status individuals would be preferable. Adding some high-status individuals to a group of mid-status individuals may be advantageous because group performance suffers when too many high-status people are in the mix.[60]

Status inequity

It's important for group members to believe that the status hierarchy is equitable. Perceived inequity creates disequilibrium, which inspires various types of corrective behaviour.[61] Hierarchical groups can lead to resentment among those at the lower end of the status continuum. Large differences in status within groups are also associated with poorer individual performance, lower health and higher intentions to leave the group.[62]

Groups generally agree within themselves on status criteria, meaning concurrence in group rankings of individuals is usually high. Managers who occupy central positions in their social networks are typically seen as higher in status by their subordinates, and this position translates into greater influence over the group's functioning.[63]

However, individuals can find themselves in conflict when they move between groups whose status criteria are different, or when they join groups whose members have heterogeneous backgrounds. Business executives may use personal income or the growth rate of their companies as determinants of status. Government bureaucrats may use the size of their budgets, and blue-collar workers may use years of seniority. Cultures also differ in their criteria for conferring status upon individuals. When groups are heterogeneous, status differences may initiate conflict as the group attempts to reconcile the separate hierarchies. As we'll see in Chapter 9, this can be a problem when management creates teams of employees from varied functions.

Status and stigmatisation

Although it's clear that your own status affects the way people perceive you, the status of people with whom you are affiliated can also affect other people's views of you. Studies have shown that people who are stigmatised can 'infect' others with their stigma. This 'stigma by association' effect can result in negative opinions and evaluations of the person affiliated with the stigmatised individual, even if the association is brief and purely coincidental. Of course, many of the foundations of cultural status differences have no merit in the first place. For example, men interviewing for a job were viewed as less qualified when they were sitting next to an obese woman in a waiting room. Another study looking at the effects of being associated with an overweight person found that even when onlookers were told the target person and the overweight person were unrelated, the target person was still devalued.[64]

Group status

Early in life, we acquire an 'us and them' mentality.[65] You may have correctly surmised that if you're in an outgroup, your group is of lower status in the eyes of the associated ingroup's members. Culturally, sometimes ingroups represent the dominant forces in a society and

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are given high status, which can create discrimination against their outgroups. Low-status groups, perhaps in response to this discrimination, are likely to leverage ingroup favouritism to compete for higher status.[66] When high-status groups then feel the discrimination from low-status groups, they may increase their bias against the outgroups.[67] With each cycle, the groups become more polarised.

Size and dynamics

The size of a group affects the group's overall behaviour, but the effect depends on what dependent variables you look at.[68] Groups with a dozen or more members are good for gaining diverse input.[69] If the goal is fact-finding or idea-generating, then larger groups should be more effective.[70] Smaller groups of about seven members are better at doing something productive.[71]

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

One of the most important findings about the size of a group concerns social loafing, the tendency for individuals to expend less effort when working collectively rather than alone.[72] As mentioned in our discussion of groups at the beginning of this chapter, this is a common phenomenon and can be very frustrating for group members. It directly challenges the logic that the productivity of the group as a whole should at least equal the sum of the productivity of the individuals in that group, no matter what the group size.

Social loafing could be caused by a belief that others in the group aren't carrying their fair share. If you see others as lazy or inept, you can re-establish equity by reducing your effort. But simply failing to contribute may not be enough for someone to be labelled a free rider. Instead, the group must believe the social loafer is acting in an exploitative manner (benefitting at the expense of other team members).[73] Another explanation for social loafing is the diffusion of responsibility. Because group results can't be attributed to any single person, the relationship between an individual's input and the group's output is clouded. Individuals may then be tempted to become free riders and coast on the group's efforts.[74]

The implications for OB are significant. When managers use collective work situations, they must also be able to identify individual efforts. Greater performance diversity creates greater social loafing the longer a group is together, which decreases satisfaction and performance.[75]

Social loafing appears to have a Western bias. It's consistent with individualistic cultures, such as Australia, New Zealand and the United States, which are dominated by self-interest. It's not consistent with collective societies, in which individuals are motivated by in-group goals. In studies comparing US employees with employees from China and Israel (both collectivist societies), the Chinese and Israelis showed no propensity to engage in social loafing and actually performed better in a group than alone.[76]

Research indicates that the stronger an individual's work ethic is, the less likely that person is to engage in social loafing.[77] Also, the greater the level of conscientiousness and agreeableness in a group, the more likely that performance will remain high whether there is social loafing or not.[78] There are ways to prevent social loafing: (1) set group goals so the group has a common purpose to strive towards, (2) increase intergroup competition, which focuses on the shared group outcome, (3) engage in peer evaluations, (4) select members who have high motivation and prefer to work in groups and (5) base group rewards in part on each member's unique contributions.[79] Recent research indicates that social loafing can be counteracted by publicly posting individual performance ratings for group members, too.[80] Although no magic bullet will prevent social loafing, these steps should help minimise its effect.

8.6 Describe how issues of cohesiveness and diversity can be integrated for group effectiveness.

Group property 5: cohesiveness, and group property 6: diversity

For a group to be high functioning, it must act cohesively as a unit, but not because all the group members think and act alike. In some ways, the properties of cohesiveness and diversity need to be valued much earlier, at the tacit establishment of roles and norms: will the group be inclusive of all its members, regardless of differences in backgrounds? Let's discuss the importance of group cohesiveness first.

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Cohesiveness

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

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

Cohesiveness is important because it affects group productivity.[81] Studies consistently show that the relationship between cohesiveness and productivity depends on the group's performance-related norms.[82] If performance-related norms for quality, output and cooperation with outsiders, for instance, are high, a cohesive group will be more productive than will a less cohesive group. But if cohesiveness is high and performance norms are low, productivity will be low. If cohesiveness is low and performance norms are high, productivity increases, but less than in the high-cohesiveness/high-norms situation. When cohesiveness and performance-related norms are both low, productivity tends to fall into the low-to-moderate range. These conclusions are summarised in Exhibit 8.4.

Ways to encourage group cohesiveness include:

1. making the group smaller
2. encouraging agreement with group goals
3. increasing the time members spend together
4. increasing the group's status and the perceived difficulty of attaining membership
5. stimulating competition with other groups
6. giving rewards to the group rather than to individual members
7. physically isolating the group.[83]

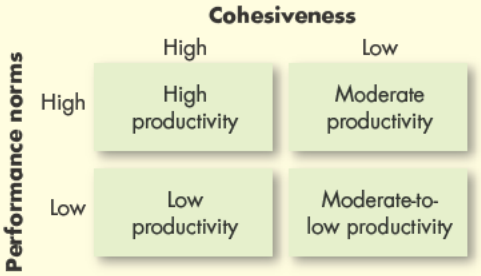
Diversity

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

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

Diversity appears to increase group conflict, especially in the early stages of a group's tenure, which often lowers group morale and raises dropout rates. One study compared groups that were culturally diverse (comprised of people from different countries) and homogeneous (comprised of people from the same country). On a wilderness survival exercise (not unlike the experiential exercise at the end of this chapter), the groups performed equally well, but the diverse groups were less satisfied with their groups, were less cohesive and had more conflict.[84]

EXHIBIT 8.4 The relationship between group cohesiveness, performance norms and productivity



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Another study examined the effect of differences in tenure on the performance of 67 engineering research and development groups.[85] When most people had roughly the same level of tenure, performance was high, but as tenure diversity increased, performance dropped off. There was an important qualifier: higher levels of tenure diversity were not related to lower performance for groups when there were effective team-oriented HR practices. Teams in which members' values or opinions differ tend to experience more conflict, but leaders who can get the group to focus on the task at hand and encourage group learning are able to reduce these conflicts and enhance discussion of group issues.[86]

You may have correctly surmised that the type of group diversity matters. Surface-level diversity—in observable characteristics such as national origin, race and gender—alerts people to possible deep-level diversity in underlying attitudes, values and opinions. One researcher argues, 'The mere presence of diversity you can see, such as a person's race or gender, actually cues a team that there's likely to be differences of opinion'.[87]

Although differences can lead to conflict, they also provide an opportunity to solve problems in unique ways. One study of jury behaviour found that diverse juries were more likely to deliberate longer, share more information and make fewer factual errors when discussing evidence. Two studies of MBA student groups found surface-level diversity led to greater openness even without deep-level diversity. Here, surface-level diversity may subconsciously cue team members to be more open-minded in their views.[88] The impact of diversity on groups is mixed. It's difficult to be in a diverse group in the short term. However, if members can weather their differences then, over time, diversity may help them to be more open-minded and creative and to do better. But even positive effects are unlikely to be especially strong. As one review stated: 'The business case (in terms of demonstrable financial results) for diversity remains hard to support based on the extant research'.[89]

Faultlines

faultlines The perceived divisions that split groups into two or more subgroups based on individual differences such as gender, race, age, work experience and education.

One possible side effect in diverse teams—especially those that are diverse in terms of surface-level characteristics—is **faultlines**, or perceived divisions that split groups into two or more subgroups based on individual differences such as gender, race, age, work experience and education.

For example, let's say group A is comprised of three men and three women. The three men have approximately the same amount of work experience and backgrounds in marketing. The three women have about the same amount of work experience and backgrounds in finance. Group B has three men and three women, but they all differ in terms of their experience and backgrounds. Two of the men are relatively experienced, while the other is new to the company. One of the women has worked at the company for several years, while the other two are new. In addition, two of the men and one woman in group B have backgrounds in marketing, while the other man and the remaining two women have backgrounds in finance. It's therefore likely that a faultline will result in subgroups of males and females in group A but not in group B.

Research on faultlines has shown that splits are generally detrimental to group functioning and performance. Subgroups may wind up competing with each other, which takes time away from core tasks and harms group performance. Groups that have subgroups learn more slowly, make riskier decisions, are less creative and experience higher levels of conflict. Subgroups are less likely to trust each other. Finally, although the overall group's satisfaction is lower when faultlines are present, satisfaction with subgroups is generally high.[90]

Are faultlines ever a good thing? One study suggested that faultlines based on differences in skill, knowledge and expertise could be beneficial when the groups were in organisational cultures that strongly emphasised results because a results-driven culture focuses people's attention on what's important to the company rather than on problems arising from subgroups.[91] Another study showed that problems stemming from strong faultlines based on gender and educational major were counteracted when their roles were cross-cut and the group as a whole was given a common goal to strive for. Together, these strategies force collaboration between members of subgroups and focus their efforts on accomplishing a goal that transcends the boundary imposed by the faultline.[92] Faultlines that are split along task-relevant characteristics may boost performance in certain organisations by promoting division of labour.[93]

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Overall, although research on faultlines suggests that diversity in groups is a potential double-edged sword, recent work indicates they can be strategically employed to improve performance.

Group decision making

8.7 Contrast the strengths and weaknesses of group decision making.

Many decisions in organisations are made by groups, teams or committees.[94] In this section, we discuss group decision making.

Groups versus the individual

Decision-making groups may be used widely in organisations, but are group decisions preferable to those made by an individual? The answer depends on a number of factors. In this section we'll discuss the advantages of group decision making, along with the unique challenges that group dynamics bring to the decision-making process. We'll also offer some techniques for maximising the group decision-making opportunity.

Strengths of group decision making

Groups generate more complete information and knowledge. By aggregating the resources of several individuals, groups bring more input into the decision-making process as well as heterogeneity. Groups offer increased diversity of views. This opens up the opportunity to consider more approaches and alternatives. In addition, groups lead to increased acceptance of a solution. Many decisions fail because people don't accept the solution. Group members who participate in making a decision are more likely to enthusiastically support the decision and encourage others to accept it.

Weaknesses of group decision making

Group decisions are time-consuming because groups typically take more time to reach a solution. There are conformity pressures: the desire by group members to be accepted and considered an asset to the group can quash any overt disagreement. Group discussion can be dominated by one or a few members; if they are low- and medium-ability members, the group's overall effectiveness will suffer. Furthermore, group decisions suffer from ambiguous responsibility. In an individual decision, it's clear who is accountable for the final outcome. In a group decision, the responsibility of any single member is diluted.

Effectiveness and efficiency

Whether groups are more effective than individuals depends on how you define effectiveness. Group decisions are generally more accurate than the decisions of the average individual in a group, but are less accurate than the decisions of the most accurate individual within the group.[95] In terms of speed, individuals are superior. If creativity is important, groups tend to be more effective. And if effectiveness means the degree of acceptance the final solution achieves, the nod again goes to the group.[96]

But we can't consider effectiveness without also assessing efficiency. Groups almost always stack up a poor second to the individual decision maker. With few exceptions, group decision making consumes more work hours than if an individual were to tackle the same problem alone. The exceptions tend to be the instances in which, to achieve comparable quantities of diverse input, the single decision maker must spend a great deal of time reviewing files and talking to people. Because groups can include members from diverse areas, the time spent searching for information can be reduced. However, as noted, these advantages in efficiency tend to be the exception. Groups are generally less efficient than individuals. In deciding whether to use groups, then, managers must assess whether increases in effectiveness are more than enough to offset the reductions in efficiency.

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

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Career OBjectives



Can I fudge the numbers and not take the blame?

I've got a great work group, except for one thing: the others make me omit negative information about our group's success that I'm in charge of as the treasurer. They gang up on me, and threaten me, so in the end I report what they want. They say omitting the negative information isn't really wrong, and it doesn't violate our organisation's rules, but on my own I'd report everything. I need to stay in the group or I'll lose my job. If we're called out on the numbers, can I just put the blame on the whole group?

—Stephen

Dear Stephen,

The short answer is that, because you're in a leadership role in the group, you may not have the option of blaming the others. Further, you may be held individually accountable as a leader for the outcomes of this situation.

Your dilemma is not unusual. Once we think of ourselves as part of a collective, we want to stay in the group and can become vulnerable to pressures to conform. The pressure you're getting from multiple members can make you aware that you're in the minority in the group, and taunting can make you feel like an outsider or lesser member; therefore threats to harm your group standing may feel powerful.

So you have a choice: submit to the pressure and continue misrepresenting your group's success, or adhere to the responsibility you have as the treasurer and come clean. From an ethical standpoint, we hope you don't consider the first option an acceptable choice. To make a change, you may be able to use social identification to your advantage. Rather than challenging the group as a whole, try meeting with individual group members to build trust, talking to each as fellow members of a worthy group that can succeed without any ethical quandaries. Don't try to build a coalition; instead, build trust with individuals and change the climate of the group to value ethical behaviour. Then, the next time you need to report the numbers, you can call on the group's increased ethical awareness to gain support for your leadership decisions.

SOURCES: Based on M. Cikara and J. J. Van Bavel, 'The neuroscience of intergroup relations: an integrative review', *Perspectives on Psychological Science* 9, no. 3, 2014, pp. 245–74; M. A. Korsgaard, H. H. Brower and S. W. Lester, 'It isn't always mutual: a critical review of dyadic trust', *Journal of Management* 41, no. 1, 2015, pp. 47–70; and R. L. Priem and P. C. Nystrom, 'Exploring the dynamics of workgroup fracture: common ground, trust-with-trepidation, and warranted distrust', *Journal of Management* 40, no. 3, 2014, pp. 674–795.

the analysis more critical. When the final solution is agreed on, there are more people in a group decision to support and implement it. These pluses, however, may be more than offset by the time consumed by group decisions, the internal conflicts they create and the pressures they generate towards conformity. We must be careful to define the types of conflicts, however. Research in Korea indicates that group conflicts about tasks may increase group performance, while conflicts in relationships may decrease performance.[97] In some cases, therefore, we can expect individuals to make better decisions than groups.

Groupthink and groupshift

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

groupshift A change in decision risk between a group's decision and an individual decision that a member within the group would make; the shift can be towards either conservatism or greater risk.

Two by-products of group decision making have the potential to affect a group's ability to appraise alternatives objectively and arrive at high-quality solutions. The first phenomenon, called groupthink, relates to norms. It describes situations in which group pressures for conformity deter the group from critically appraising unusual, minority or unpopular views. Groupthink is a 'disease' that infects many groups and can dramatically hinder their performance. The second phenomenon is groupshift. It describes the way group members, in discussing a given set of alternatives and arriving at a solution, tend to exaggerate the initial positions they hold. In some situations, caution dominates and there's a conservative shift. More often, however, groups tend towards a risky shift. Let's look at each of these phenomena in more detail.

Groupthink

Groupthink appears closely aligned with the conclusions Solomon Asch drew in his experiments with a lone dissenter. Individuals who hold a position different from that of the

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dominant majority are under pressure to suppress, withhold or modify their true feelings and beliefs. As members of a group, we find it more pleasant to be in agreement—to be a positive part of the group—than to be a disruptive force, even if disruption is necessary to improve the effectiveness of the group's decisions. Groups that are more focused on performance than on learning are especially likely to fall victim to groupthink and to suppress the opinions of those who do not agree with the majority.[98]

However, groupthink doesn't affect all groups. It seems to take place most often when there's a clear group identity, when members hold a positive image of their group that they want to protect and when the group perceives a collective threat to this positive image.[99] Groupthink is not a dissenter-suppression mechanism as much as it is a means for a group to protect its positive image. One study showed that those influenced by groupthink were more confident about their course of action early on;[100] however, groups that believe too strongly in the correctness of their course of action are more likely to suppress dissent and encourage conformity than groups that are more sceptical about their course of action.

There are several ways managers can minimise groupthink.[101] First, they can monitor group size. People grow more intimidated and hesitant as group size increases and, although there's no magic number that will eliminate groupthink, individuals are likely to feel less personal responsibility when groups get larger than about ten members. Managers should also encourage group leaders to play an impartial role. Leaders should actively seek input from all members and avoid expressing their own opinions, especially in the early stages of deliberation. In addition, managers should appoint one group member to play the role of devil's advocate; this member's role is to overtly challenge the majority position and offer divergent perspectives. Still another suggestion is to use exercises that stimulate active discussion of diverse alternatives without threatening the group and intensifying identity protection. For example, you could have group members talk about dangers or risks in a decision and to delay discussion of any potential gains. Requiring members to first focus on the negatives of an alternative makes the group less likely to stifle dissenting views and more likely to gain an objective evaluation.

Groupshift or group polarisation

There are differences between group decisions and the individual decisions of group members.[102] Sometimes group decisions are more conservative. More often, they lean towards greater risk.[103] We can view this group polarisation as a special case of groupthink. The group's decision reflects the dominant decision-making norm—towards greater caution or more risk—that develops during discussion.

The shift towards polarisation has several explanations.[104] It's been argued, for instance, that discussion makes the members more comfortable with each other and therefore more willing to express extreme versions of their original positions. Another argument is that the group diffuses responsibility. Group decisions free any single member from accountability for the group's final choice, so a more extreme position can be taken. It's also likely that people take extreme positions because they want to demonstrate how different they are from the outgroup.[105] People on the fringes of political or social movements take on ever-more-extreme positions just to prove they're really committed to the cause, whereas those who are more cautious tend to take moderate positions to demonstrate how reasonable they are.

So how should you use the findings on groupshift? Recognise that group decisions exaggerate the initial position of individual members, that the shift has been shown more often to be towards greater risk and that the way a group shifts is a function of the members' prediscussion inclinations.

We'll now turn to the techniques groups use to make decisions. These reduce some of the dysfunctional aspects of group decision making.

Group decision-making techniques

The most common form of group decision making takes place in interacting groups. Members meet face-to-face and rely on both verbal and non-verbal interaction to communicate, such as the student groups described at the beginning of this chapter. But as our discussion of groupthink has demonstrated, interacting groups often censor themselves and pressure

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

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individual members towards conformity of opinion. Brainstorming and the nominal group technique can reduce problems inherent in the traditional interacting group.

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

Brainstorming can overcome the pressures for conformity that dampen creativity[106] by encouraging any and all alternatives while withholding criticism. In a typical brainstorming session, half a dozen to a dozen people sit around a table. The group leader states the problem in a clear manner so all participants understand. Members then 'freewheel' as many alternatives as they can in a given length of time. No criticism is allowed, and all alternatives are recorded for later discussion and analysis. One idea stimulates others, and judgements of even the most bizarre suggestions are withheld until later to encourage group members to 'think the unusual'.

Brainstorming may indeed generate ideas—but not very efficiently. Research consistently shows individuals working alone generate more ideas than a group in a brainstorming session. One reason for this is 'production blocking'. When people are generating ideas in a group, many are talking at once, which blocks the thought process and eventually impedes the sharing of ideas.[107] The following two techniques go further than brainstorming by helping groups arrive at a preferred solution.[108]

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

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

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

The chief advantage of the nominal group technique is that it permits a group to meet formally but doesn't restrict independent thinking, as does an interacting group. Research generally shows that nominal groups outperform brainstorming groups.[109]

Each of the group-decision techniques—interacting, brainstorming and nominal—has its own set of strengths and weaknesses. The choice depends on what criteria you want to emphasise and the cost–benefit trade-off. As Exhibit 8.5 indicates, an interacting group is good for achieving commitment to a solution, brainstorming develops group cohesiveness and the nominal group technique is an inexpensive means for generating a large number of ideas.

EXHIBIT 8.5 Evaluating group effectiveness

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

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Summary

We can draw several implications from our discussion of groups. First, norms control behaviour by establishing standards of right and wrong. Second, status inequities create frustration and can adversely influence productivity and willingness to remain with an organisation. Third, the impact of size on a group's performance depends on the type of task. Fourth, cohesiveness may influence a group's level of productivity, depending on the group's performance-related norms. Fifth, diversity appears to have a mixed impact on group performance, with some studies suggesting that diversity can help performance and others suggesting the opposite. Sixth, role conflict is associated with job-induced tension and job dissatisfaction.[110] Groups can be carefully managed towards positive organisational outcomes and optimal decision making. The next chapter will explore several of these conclusions in greater depth.

Implications for managers

- Recognise that groups can have a dramatic impact on individual behaviour in organisations, to either positive or negative effect. Therefore, pay special attention to roles, norms and cohesion—to understand how these are operating within a group is to understand how the group is likely to behave.
- To decrease the possibility of deviant workplace activities, ensure that group norms don't support antisocial behaviour.
- Pay attention to the status aspect of groups. Because lower status people tend to participate less in group discussions, groups with high-status differences are likely to inhibit input from lower-status members and reduce their potential.
- Use larger groups for fact-finding activities and smaller groups for action-taking tasks. With larger groups, provide measures of individual performance.
- To increase employee satisfaction, make certain people perceive their job roles accurately.

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DIVERSE WORKGROUPS ARE SMARTER AND MORE INNOVATIVE

POINT

Birds of a feather flock together, but when it comes to business, it may be better for sparrows to flock with magpies. Employees may feel more comfortable working with people who are similar to them, but this comfort may come at the cost of success.

Time after time, research demonstrates that more diverse companies have the most success. A global analysis of 2400 companies demonstrated that the presence of at least one female employee on an executive board leads to higher net income growth and return on equity. Diversity at lower levels of the organisation may also be helpful: companies with more diverse work groups have higher financial returns than companies with fewer minority or female employees.

Diverse groups think smarter. When people are asked to work with others who are different from them, they're forced out of their comfort zone, leading to more critical thinking and innovation. In mock juries, for example, more ethnically heterogenous juries made more accurate decisions and supported their decisions with more facts from the case. Teams of heterogenous financial professionals also performed better on tasks where they were asked to price stocks in a stock market simulation. In addition, a recent analysis of research and design teams in Spain found that teams with greater gender diversity created more innovative products. Other types of diversity may also be beneficial. In a murder mystery task, groups with a mix of organisational tenure were more likely to guess the correct suspect. When the cultural diversity of businesses in the United Kingdom was analysed, more culturally diverse leadership teams created more new products.

So the next time you're worried about working with someone you don't have a lot in common with, remember the words of US civil rights activist and poet Maya Angelou: 'In diversity there is beauty and there is strength'.

COUNTERPOINT

There's some evidence that having diverse leadership may benefit companies. What about the research showing that diversity is linked to lower employee morale and well-being, slower decision making and increased conflict? Organisations with more diverse work groups are also more likely to be sued for discrimination.

Sometimes more diverse tasks can boost innovation and critical-thinking skills, but those advantages may not be worth forcing employees to work with people they feel uncomfortable with. When employees are forced to participate in diversity initiatives, it can lead to more stress. Over half feel that they have to modify their behaviour significantly to feel like they fit in. If employees try to act like their peers rather than acknowledging their differences, it doesn't just lead to stress. Research has shown that any advantages on task creativity disappear when team members don't openly discuss and acknowledge their differing backgrounds.

Even if employees feel comfortable enough to express themselves, that's no guarantee that they'll actually get along. Group members with diverse racial, gender and educational backgrounds might have a slight advantage over homogenous groups in some tasks. Yet they can be less effective when group members have different values. When group members have different values because, for example, they have different cultural backgrounds, it may be difficult for the group to overcome these differences.

It may be tempting to think that a diverse team is better, but remember, there's a reason like attracts like.

SOURCES: Based on S. Bailey, 'Why diversity is bad for business (and inclusion is the answer)', *Forbes*, 20 May 2014; D. Rock, H. Grant and J. Grey, 'Diverse teams feel less comfortable—and that's why they perform better', *Harvard Business Review*, 22 September 2016; and D. Rock and H. Grant, 'Why diverse teams are smarter', *Harvard Business Review*, 4 November 2016.

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Questions for review

1. What are the different types of groups?
2. What are the key components of the punctuated-equilibrium model of group development?
3. How do role requirements change in different situations?
4. How do group norms influence an individual's behaviour?
5. How do status and size differences affect group performance?
6. How can cohesiveness and diversity support group effectiveness?
7. What are the strengths and weaknesses of group (versus individual) decision making?

Application and employability

Groups have a powerful influence on individuals, leading to both positive and negative consequences. Peer pressure and norms may be beneficial when they help individuals perform better and engage in prosocial behaviours. Yet groups may also exert influences that harm other groups, encourage conformity and lead to poor decision making. By gaining an understanding of group behaviours, you can better understand how to encourage positive outcomes and avoid negative outcomes in the workplace among your co-workers, supervisors and subordinates. In this chapter, you learned valuable lessons about communication, collaboration and social responsibility when facing peer pressure from co-workers, listening to gossip about a peer and deciding whether peer pressure is an ethically sound strategy for motivating employees. You also utilised your critical thinking skills while exploring the advantages and pitfalls of diverse work groups. Next, you'll continue to develop these skills while applying your knowledge and analytical skills to surviving the wild alone and in a group, exploring the negative aspects of group collaboration and exploring how a group divided affected a military campaign.

Experiential exercise

WILDERNESS SURVIVAL

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

Your task

Without communicating with anyone else in your group, read the following scenarios and choose the best answer. Keep track of your answers by writing them down. You have ten minutes to answer the ten questions.

1. The first thing you decide to do is build a fire. However, you have no matches, so you use the bow-and-drill method. What is the bow-and-drill method?
   a. Rubbing a dry, soft stick between your hands against a board of supple green wood.
   b. Rubbing a soft, green stick between your hands against a hardwood board.
   c. Rubbing a straight stick of wood quickly back and forth against a dead tree.
   d. Striking two sticks (one being the bow, the other the drill) to create a spark.
2. It occurs to you that you can also use the fire as a distress signal. When signalling with fire, how do you form the international distress signal?
   a. Two fires
   b. Four fires in a square
   c. Four fires in a cross
   d. Three fires in a line
3. You're very thirsty. You go to a nearby stream and collect some water in the small metal cup you have in your backpack. For how long should you boil the water?
   a. 15 minutes
   b. a few seconds
   c. 1 hour
   d. It depends on the altitude.
4. You're very hungry, so you decide to eat what appear to be edible berries. When performing the universal edibility test, what should you do?
   a. Don't eat for 2 hours before the test.
   b. If the plant stings your lip, confirm the sting by holding it under your tongue for 15 minutes.
   c. If nothing bad has happened 2 hours after digestion, eat half a cup of the plant and wait again.
   d. Separate the plant into its basic components and eat each component, one at a time.
5. Next, you decide to build a shelter for the evening. In selecting a site, what do you *not* have to consider?
   a. It must contain material to make the type of shelter you need.
   b. It must be free of insects, reptiles and poisonous plants.
   c. It must be large enough and level enough for you to lie down comfortably.
   d. It must be on a hill so you can signal rescuers and keep an eye on your surroundings.

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6. In the shelter that you built, you notice a spider. You've heard from a fellow hiker that funnel-web spiders populate the area. How do you identify a funnel-web spider?
   a. Its head and abdomen are black; its thorax is red.
   b. It is attracted to light.
   c. It runs away from light.
   d. It makes its burrow in moist, cool, sheltered habitats.

7. After getting some sleep, you notice that the night sky has cleared, so you decide to try to find your way back to base camp. You believe you should travel north and can use the Southern Cross for navigation. How do you locate the Southern Cross?
   a. Hold your right hand up as far as you can and look between your index and middle fingers.
   b. Find Sirius and look 60 degrees above it and to the right.
   c. Look for the Big Dipper and follow the line created by its cup end.
   d. Follow the line defined by Acrux and Gacrux for 4.5 times the distance between them.

8. You come across a fast-moving stream. What's the best way to cross it?
   a. Find a spot downstream from a sandbar, where the water will be calmer.
   b. Build a bridge.
   c. Find a rocky area, as the water will be shallow and you will have hand- and foot-holds.
   d. Find a level stretch where it breaks into a few channels.

9. After walking for about an hour, you feel several spiders in your clothes. You don't feel any pain, but you know that some spider bites are painless. Which of these spider bites is painless?
   a. Redback
   b. Huntsman
   c. Wolf spider
   d. Harvestman (daddy longlegs)

10. You decide to eat some insects. Which insects should you avoid?
    a. Adults that sting or bite
    b. Caterpillars and insects that have a pungent odour
    c. Hairy or brightly coloured ones
    d. All of the above

Group task

Form groups of five or six people. Now imagine that your whole group is lost. Answer each question as a group, employing a consensus approach to reach each decision. Once the group comes to an agreement, write the decision down on the same sheet of paper that you used for your individual answers. You will have approximately 20 minutes for the group task.

Scoring your answers

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

(A) Your individual score ____
(B) Your group's score ____
(C) Average individual score in group ____
(D) Best individual score in group ____

Discussion questions

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

Case study 1

NEGATIVE ASPECTS OF GROUP COLLABORATION

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

Groups and teams need more time to process multiple pieces of information and coordinate what they know. Daniel Kahneman and colleagues also warn that when committees and groups make recommendations, they have often 'fallen in love' with a particular idea and are no longer thinking rationally. These problems of heuristics and biases (introduced earlier in the book) can be magnified when members of a group are making a decision collectively.

So what can managers do to minimise these biases? The problems of coordination and collaboration suggest that we should invoke group decision making only when it appears that pooling information will lead to better decisions than individual

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decision making. Experts advise that decision makers receiving advice from groups should always ask whether the group's recommendations contain any self-interested biases. It's also important to see whether the group has developed an emotional attachment to one course of action or has succumbed to groupthink. Finally, run down a checklist of the heuristics and biases we described earlier in the book to see whether the group might be prone to making these decision errors.

Questions

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

SOURCES: M. T. Hansen, 'When internal collaboration is bad for your company', *Harvard Business Review*, April 2009, pp. 82–8; and D. Kahneman, D. Lovallo and O. Sibony, 'Before you make that big decision', *Harvard Business Review*, June 2011, pp. 50–60.

Case study 2

INTRAGROUP TRUST AND SURVIVAL

When ten British Army soldiers on a 10-day training exercise descended into Low's Gully, a narrow chasm that cuts through Mt Kinabalu in Borneo, each knew 'the golden rule' for such expeditions: never split up. Yet the fittest three struggled out of the jungle with concussions, malaria and infected wounds 19 days later, two more terribly ill soldiers found a village the next day, and the remaining five emaciated and injured men were rescued from a cave by a helicopter on day 33. So, what happened?

On a surface level, the near-tragic fracturing of the group began with a logical division of labour, according to the training's initiators, Lieutenant Colonel Neill and Major Foster:

> Because the group would be one of mixed abilities, and the young British and NCOs [non-commissioned officers] were likely to be fitter and more experienced than the Hong Kong soldiers, the team would work in two halves on the harder phases of the descent. The British, taking advantage of Mayfield's expertise (in rock climbing), would set up ropes on the difficult sections, while he [Neill] and Foster would concentrate on bringing the Hong Kong soldiers down. Every now and then the recce (reconnaissance) party would report back, and the expedition would go on down in one unit until another reconnaissance party became necessary.

The men reported that from then on, perilous climbing conditions, debilitating sickness and monsoon rains permanently divided the group. A review board found differently, blaming Neill's and Foster's leadership and their decision to take some less-experienced soldiers on the exercise.

No rulings were made about the near-catastrophic decision to divide the group, but closer inquiries show that this temporary work group of diverse members who were not previously acquainted started out with a high level of intragroup trust that dissolved over time. The resulting faultlines, based on members' similarities and differences and the establishment of ad hoc leaders, may have been inevitable.

Initially, all group members shared the common ground of soldier training, clear roles and volunteer commitment to the mission. When the leaders ignored the soldiers' concerns about the severity of conditions, lack of preparation and low level of communication, however, trust issues divided the group into subgroups. The initial reconnaissance party established common ground and trust that allowed them to complete the mission and reach safety, even though they divided yet again. Meanwhile, the main group, which stayed with the leaders in the cave under conditions of active distrust, fractured further.

We'll never know whether it would have been better to keep the group together. However, we do know that this small group of soldiers trained to stay together for survival fractured into at least four subgroups because they didn't trust their leaders or their group, thereby endangering all their lives.

Questions

1. How was the common ground established by the reconnaissance subgroups different from the common ground established by the cave subgroups?
2. Do you think the group should have fractured as it did? Why or why not?
3. When the exercise was designed, Neill created a buddy system based on similarity of soldiers' backgrounds (rank, unit, age, fitness, skills level). Would you have set up the buddy system Neill did? Why or why not, and if not, what would you have changed?

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CHAPTER

9 Understanding work teams

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

9.1 Analyse the growing popularity of teams in organisations.

9.2 Contrast groups and teams.

9.3 Compare and contrast different types of teams.

9.4 Identify the characteristics of effective teams.

9.5 Show how organisations can create team players.

9.6 Decide when to use individuals instead of teams.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓			✓	✓	✓	✓
Communication			✓		✓		✓
Collaboration		✓	✓	✓	✓	✓	✓
Knowledge application and analysis	✓			✓	✓	✓	✓
Social responsibility		✓	✓				

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Challenging short-term teams

Each day presents Sue with a new challenge; she wakes early, rereading her daily project notes over a hurried breakfast. Who would turn up today? Could she guess what her team would be like from the unfamiliar names on her participant list? Which of the better known names could she rely on in the task ahead?



Leading a volunteer team can be unpredictable.
SOURCE: Shana Ahmed

Sue is a team leader for EPV, a volunteer organisation working in nature conservation. This morning she arrives at work early, ready to pack her mini-bus and meet the team she will be leading. This time it will be a group of nine, only one of whom she has worked with before, Paul, a regular volunteer. He's normally pretty reliable, but she knows he can be difficult sometimes—slow to get to know the other volunteers and somewhat bossy when he does. The group will be away all weekend and it's her job to help them become a team. She needs to make sure they have all the gear and supplies they need—food, equipment, tents and so on—while ensuring they have the clothing they need (she shivers uncomfortably, remembering an early team she took to the Australian outback, only to find two volunteers had only packed shorts, t-shirts and sandals, despite the carefully written list of clothes needed in the harsh Australian summer).

Like many others in this industry, Sue is a skilled manager and leader, organising small, short-term project teams, often far from her office, acting as trainer, teacher, supervisor, quality-controller, administrator, risk assessor, medic, inspiration, parent, friend … her roles depend on the situation faced (unpredictability really is 'the name of the game'). Above all, she needs to get the best from diverse groups of people; if they don't become a team quickly, it will be a difficult weekend for everyone. Although she has a plan for the weekend (her written itinerary is safely tucked away in her briefcase), she knows it's impossible to predict her team-building interventions beyond the day's first introductions. However, she's equipped with two helpful principles:

1. Soon after recruiting her, Jon (the boss) gave her a piece of advice about the nature of teams. He explained, 'in most teams you've got four types of people: you've got the politicians, the planners, the problem solvers and the doers, and learning to understand those four traits is an essential part of being a good team leader'.
2. Team morale is crucial: her teams are not like 'normal' teams of employees (they aren't earning a salary, after all). She knows they need to feel good about the project and their contribution to it; she puts a lot of effort into showing them how important they are.

Sue has built her understanding of the complexity of teams around these simple principles, carefully observing and learning about each individual member as the project continues. She sees this as essential. Although her manager's 'four types (or traits) model' is great when doing the volunteering work, co-existing afterwards on overnight stays can be tricky; some individuals are less comfortable with 'mucking in' and sharing more domestic tasks—especially (but not only) some of the younger male volunteers. She smiles as she remembers some of her more challenging team members and how they had transformed from being rather pampered, self-centred youths (and older individuals)

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into fully fledged team members—as Jon would say, becoming 'thick as thieves' by the time they returned home ('I doubt their families and friends would recognise them' is a favourite thought).

NOTE: Sue, Paul and Jon don't actually exist; they are amalgams of real people from the author's own fieldwork.

TEAMS ARE INCREASINGLY the primary means of organising work in contemporary organisations. In fact, there are few stronger insults than to tell someone they're not a 'team player'.

9.1 Analyse the growing popularity of teams in organisations.

Why have teams become so popular?

Decades ago, when organisations such as Qantas, Volvo and the Australian Taxation Office introduced teams into their work processes, it made news because no one else was doing it. Today, the opposite is true. The organisation that doesn't use teams has become newsworthy. Teams are everywhere. How do we explain this turn-around? In short, many people believe teams work because they enable their members to complement each other's efforts, so that the team performs better than separate individuals or, indeed, a less cohesive group of people. In some ways, this is correct. Teams can sometimes achieve feats an individual could never accomplish. Teams are more flexible and responsive to changing events than traditional departments or other forms of permanent groupings. They can quickly assemble, deploy, refocus and disband. They also help to democratise organisations and increase employee involvement, and research indicates that involvement in teams positively shapes the way we think as individuals, introducing a collaborative mindset influencing our personal decision making.[2] However, teams are not inevitably effective. This chapter addresses various questions such as: How can we maximise a team's performance? What conditions affect their potential? How do members work together?

9.2 Contrast groups and teams.

Differences between groups and teams

Arguably all teams are groups, but not all groups are teams. In Chapter 8 a *group* was defined as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. A work group is a group that interacts primarily to share information and make decisions to help each member perform within their area of responsibility. Work groups have no need or opportunity to engage in collective work that requires joint effort; their performance is merely the summation of each group member's individual contribution. There's no positive synergy that would create an overall level of performance greater than the sum of the inputs.

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

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

A work team, on the other hand, generates positive synergy through coordinated effort. The individual efforts result in a level of performance greater than the sum of those individual inputs. Exhibit 9.1 highlights the differences between work groups and work teams.

These definitions help clarify why so many organisations have recently restructured work processes around teams. Management is looking for positive synergy that will allow the organisation to increase performance. The extensive use of teams creates the potential for an organisation to generate greater outputs with no increase in inputs. Notice, however, that we said potential. There's nothing inherently magical in the creation of teams that will ensure the achievement of positive synergy. Merely calling a group a team doesn't automatically improve its performance. Sue, the volunteer leader in the chapter's opening vignette, faces the daily challenge

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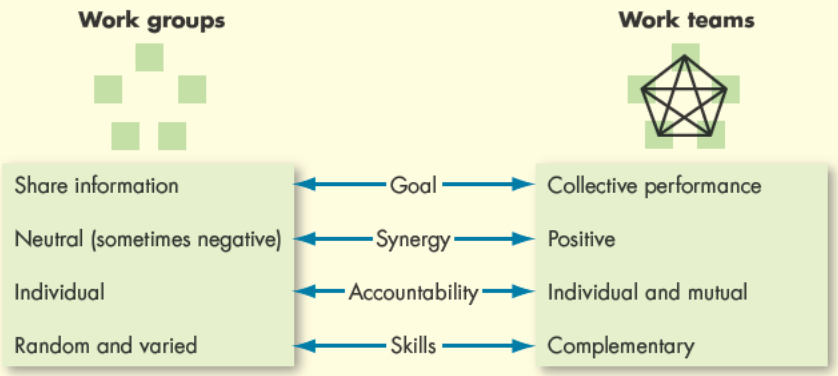
EXHIBIT 9.1 Comparing work groups and work teams



of helping random groups of volunteers develop into cohesive teams and, although she always uses the word 'team', she's the first to recognise that this is not always successful. As we'll see later in the chapter, effective teams have certain common characteristics. If management hopes to improve organisational performance by using teams, they must possess these characteristics.

Types of teams

9.3 Compare and contrast different types of teams.

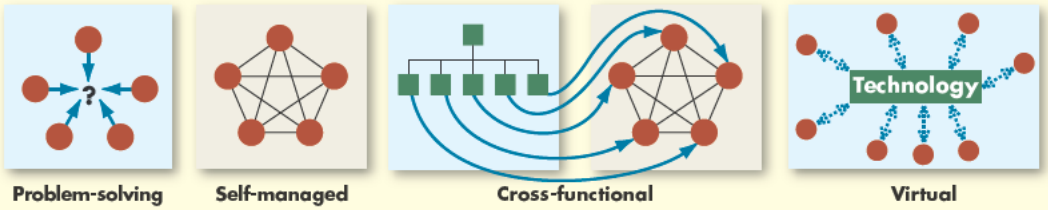
Teams can make products, provide services, negotiate deals, coordinate projects, offer advice and make decisions[3]. In this section, we'll begin by describing four common types of teams in an organisation: problem-solving teams, self-managed work teams, cross-functional teams and virtual teams (see Exhibit 9.2). Then we'll describe multi-team systems, which utilise a 'team of teams' and are becoming increasingly widespread as work increases in complexity.

Problem-solving teams

Quality-control teams have been used for many years. Originally seen mostly in manufacturing plants, these are permanent teams that generally meet at a regular time, sometimes weekly or daily, to address quality standards and any problems with their products. The medical field also uses quality teams to improve patient care. Problem-solving teams like these rarely have the authority to implement their suggestions unilaterally, but if their recommendations are adopted, significant improvements can be realised.

problem-solving teams Groups of five to 12 employees from the same department who meet regularly to discuss ways of improving quality, efficiency and the work environment.

EXHIBIT 9.2 Four types of teams



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Self-managed work teams

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

Problem-solving teams generally only make recommendations. Some organisations have gone further and created teams that also implement solutions and take responsibility for outcomes. Self-managed work teams are groups of employees (typically 10 to 15 in number) who perform highly related or interdependent jobs and take on some supervisory responsibilities.[4] These responsibilities usually include planning and scheduling work, assigning tasks to members, making operating decisions, taking action on problems, and working with suppliers and customers. Fully self-managed work teams even decide who should evaluate each other's performance, so former supervisory positions become less significant and are sometimes eliminated.

Research about self-managed work teams hasn't been uniformly positive, suggesting effectiveness can depend on the degree to which team-promoting behaviours are rewarded. For example, one study of 45 self-managing teams found that when team members perceived that economic rewards such as pay depended on input from their teammates, performance improved for both individuals and the team as a whole.[5]

Researchers have also investigated the impact of conflict on self-managed work team effectiveness. Some research indicates that self-managed teams are less effective when subject to conflict. When disputes arise, members often stop cooperating and power struggles ensue, leading to lower group performance and learning, although this may depend on the structure of roles within the team.[6] Other studies show that when members feel confident to speak up without being embarrassed, rejected or punished by other team members—in other words, when they feel psychologically safe—conflict can actually boost team performance.[7]

Research into the effect of self-managed work teams on member behaviour has also been mixed. Although team members report higher levels of job satisfaction than other individuals, they can have higher absenteeism and turnover rates. One large-scale study of labour productivity in British establishments found that, although using teams improved individual (and overall) labour productivity, there was no evidence that self-managed teams performed better than more traditional teams.[8] So, there seem to be a number of factors that influence the value of self-managing teams in work organisations.

Cross-functional teams

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

cross-functional teams
Employees from a similar hierarchical level, but from different work areas, who collaborate to accomplish a task.

Cross-functional teams are an effective way for people from diverse areas within, or even between, organisations to exchange information, develop new ideas, solve problems and coordinate complex projects. However, it's not easy to coordinate diversely populated cross-functional teams for several reasons. First, as the members share a similar hierarchical level, when different expertise is needed to address a particular problem, internal power shifts can create leadership ambiguity. As a result, there must be a climate of trust to avoid this leading to damaging conflict.[10] Second, the early stages of development can be lengthy because everyone needs to learn to work with higher levels of diversity and complexity. Third, it takes time to build trust and teamwork, especially among people with different experiences and perspectives.

Organisations have used horizontal, boundary-spanning teams for decades, and we would be hard-pressed to find a large organisation or product launch that didn't use them. Major automobile manufacturers—Toyota, Honda, Nissan, BMW, GM, Ford and Chrysler—currently use this form of team to coordinate complex projects, as do other industries. For example, Cisco relies on cross-functional teams to identify and capitalise on new trends in the software market. Its teams are the equivalent of social-networking groups that collaborate in real time to identify and implement new business opportunities in the field.

In summary, the strength of traditional cross-functional teams is the collaborative effort of individuals with diverse skills from a variety of disciplines. When the unique perspectives of these members are considered, these teams can be very effective.[11]

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Virtual teams

The teams described above do their work face-to-face. Virtual teams use computer technology to unite geographically dispersed members.[12] They collaborate online—using communication links such as wide-area networks, video-conferencing and email—whether they're a room away or continents apart. Nearly all teams today do at least some of their work remotely.

virtual teams Teams that use computer technology to unite geographically dispersed members.

Virtual teams require different management from face-to-face teams. Virtual team members may not interact along traditional hierarchical patterns because of the complexity of interactions, potentially resulting in shared leadership that may significantly enhance team performance.[13] For virtual teams to be effective, it's important that (1) trust is established among members (one inflammatory remark in an email can severely undermine team trust), (2) progress is monitored closely (so the team doesn't lose sight of its goals and no team member 'disappears') and (3) the efforts and products of the team are publicised throughout the organisation (so the team does not become invisible).[14] Selection of virtual team members is crucial because working in a virtual team requires different competencies.[15]

It would be a mistake to think virtual teams are an easy substitute for face-to-face teams. While the geographical reach and immediacy of online communication make virtual teams a natural development, managers must make certain this type of team is the optimal choice for the desired outcome and then maintain an oversight role throughout the collaboration.

Multi-team systems

The types of teams we've described so far are typically smaller, stand-alone teams, although their activities relate to the broader objectives of the organisation. As tasks become more complex, membership often expands. However, increases in team size make coordination more challenging, creating a tipping point at which the addition of another member does more harm than good. To solve this problem, organisations are employing multi-team systems, collections of two or more interdependent teams that share a superordinate goal. In other words, multi-team systems are a 'team of teams'.[16]

multi-team system A collection of two or more interdependent teams that share a superordinate goal; a team of teams.



Ethical choices

The size of your meeting's carbon footprint



Despite being in different countries or even on different continents, many teams in geographically dispersed locations communicate without regular face-to-face interaction, often never meeting in person. Although the merits of face-to-face versus electronic communication have been debated, there's an ethical argument for virtual teams. Keeping team members where they are, rather than travelling whenever they need to meet, suggests a level of corporate social responsibility (CSR). Airline, rail and car transport for business purposes consumes natural resources and contributes to carbon dioxide emissions. When teams are able to meet virtually rather than face-to-face, they dramatically reduce their carbon footprint.

In a globally connected world, how might you minimise your organisation's environmental impact from business travel? These tips might help you think about ways that virtual teams can contribute to sustainability.

1. Encourage all team members to consider whether a face-to-face meeting is really necessary and try to utilise alternative communication methods whenever possible.
2. Communicate as much as possible through virtual means. This includes email, telephone calls and videoconferencing.
3. When travelling to meetings, choose the most environmentally responsible travel methods possible. Also, check the environmental profile of hotels before booking rooms.
4. If environmental savings are insufficient motivation to reduce travel, consider the financial savings. One survey found businesses spend 8–12% of their entire budget on travel. Electronic communication can be both cheaper and environmentally responsible.

SOURCES: Based on P. Tilstone, 'Cut carbon ... and bills', *Director*, May 2009, p. 54; L. C. Latimer, '6 strategies for sustainable business travel', *Greenbiz*, 11 February 2011; and F. Gebhart 'Travel takes a big bite out of corporate expenses', *Travel Market Report*, 30 May 2013.

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To picture a multi-team system, imagine how the emergency services deal with a major car accident. An emergency medical services team responds first and transports the injured to hospital. An emergency department team then provides further medical care, supported by surgery teams if required and followed by a recovery team. Although all these teams are technically independent, their activities are actually interdependent—that is, the success of one depends on the success of the others because they all share the higher goal of saving lives.

Some factors that make smaller, more traditional teams effective don't necessarily apply to multi-team systems and can even hinder their performance. One study showed that multi-team systems performed better when they had 'boundary spanners' who coordinated with members of the other subteams. This reduces the need for some team member communication. Restricting the lines of communication helps reduce coordination demands.[17] Leadership of multi-team systems also differs from stand-alone teams. While leadership of all teams affects team performance, a multi-team leader both facilitates coordination between teams and leads each team. Multi-team systems may also perform better when planning is decentralised, although this can also lead to problems with coordination.[18]

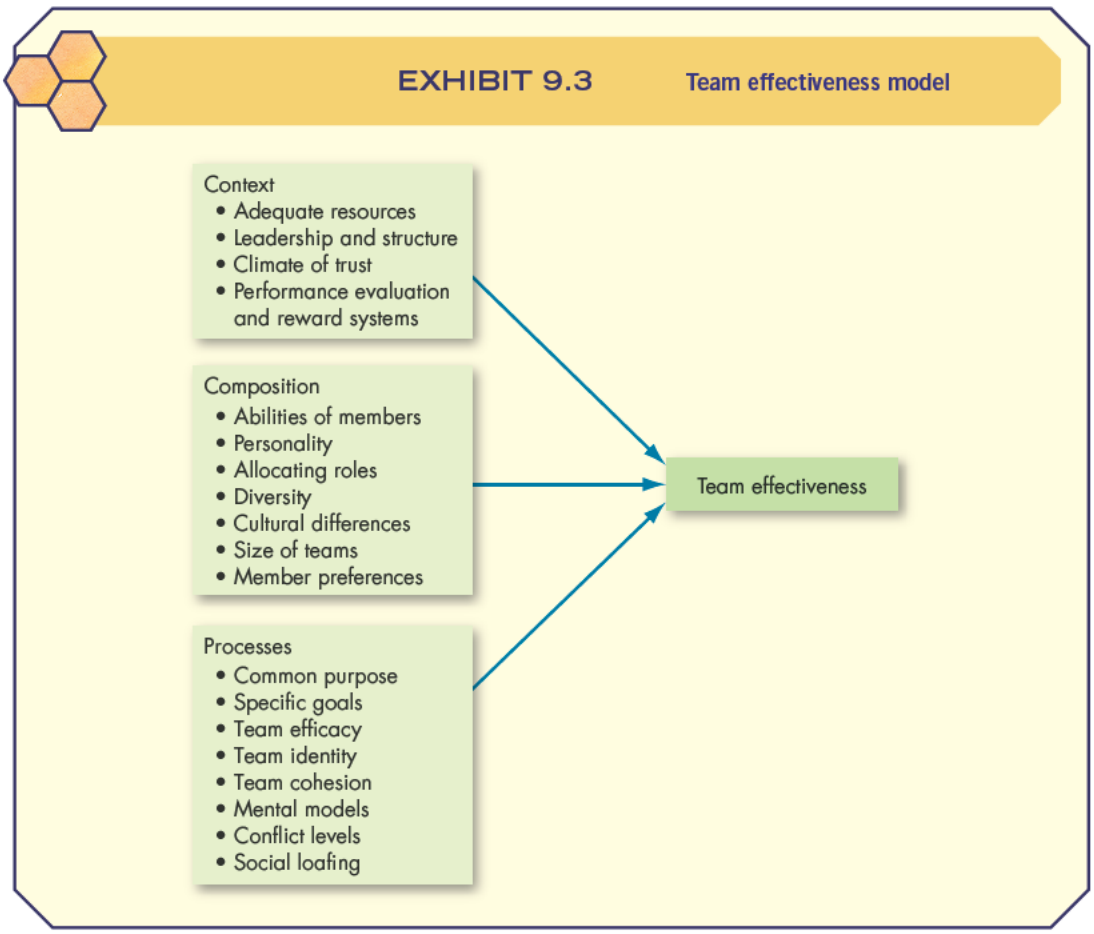
In general, a multi-team system is the best choice either when a team has become too large to be effective or when teams with distinct functions need to be highly coordinated.

9.4 Identify the characteristics of effective teams.

Creating effective teams

Many researchers have developed models to help understand what makes a team effective.[19] Exhibit 9.3 summarises current thinking. As you'll see, it builds on many of the group concepts introduced in Chapter 8. First, when considering this model, bear in mind that teams differ in form and structure, so the relative role of particular factors may differ across team types. Second, the model assumes that teamwork is preferable to individual work. Creating 'effective'

EXHIBIT 9.3 Team effectiveness model



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teams when individuals can do the job better is like perfectly solving the wrong problem. Third, there are a number of ways to evaluate team effectiveness. For example, effectiveness can include various measures of productivity, managers' ratings of team performance and measures of member satisfaction.

We can organise the components of effective teams into three categories. First are the resources and other contextual influences on effectiveness. The second category relates to the team's composition. The third category includes the processes and their associated events that influence team effectiveness. Let's explore these components.

Contextual factors

Four important contextual factors related to team performance are resources, leadership, level of trust, and performance evaluation and reward systems.

Adequate resources

Teams are part of a larger organisation system; every work team relies on resources outside the group to sustain it. A scarcity of resources directly reduces the ability of a team to perform its job effectively and achieve its goals. As one study concluded, 'perhaps one of the most important characteristics of an effective work group is the support the group receives from the organisation'.[20] This support includes timely information, proper equipment, adequate staffing, encouragement and administrative assistance.

Leadership and structure

Teams function poorly if members can't agree on who does what, so that everyone shares the workload. Agreeing on the specifics of work and how these fit together to integrate individual skills requires leadership and structure, either from management or the team members themselves. In self-managed teams, team members fulfil many of the duties typically assumed by managers. Leader personality, engagement and leadership style all have an impact on team effectiveness.[21] As mentioned before, leadership is especially important in multi-team systems. Here, leaders delegate responsibility to their teams, ensuring they work together rather than against one another.[22]

Climate of trust

Trust is the foundation of leadership, allowing a team to accept and commit to the leader's goals and decisions. Members of effective teams exhibit trust in their leaders[23] and also trust each other. Interpersonal trust facilitates cooperation, reduces the need to monitor each other's behaviour and bonds individuals who know others won't take advantage of them. Members are more likely to take risks and expose vulnerabilities when they trust their team-mates. The overall level of trust is important, but the way trust is dispersed among team members also matters. Trust levels that are asymmetric and imbalanced among team members can mitigate the performance advantages of a high overall level of trust—in such cases, coalitions can form that undermine the team as a whole.[24]

Trust can be vulnerable to shifting conditions in a team environment. Also, trust is not unequivocally desirable. For instance, research in Singapore found that, in high-trust teams, individuals are less likely to claim and defend personal ownership of their ideas, but individuals who do still claim personal ownership are rated as lower contributors by team members.[25] This 'punishment' by the team may reflect resentments that create negative relationships, increased conflicts and reduced performance.

Performance evaluation and reward systems

Individual performance evaluations and incentives may interfere with the development of high-performance teams. Therefore, hybrid performance systems that recognise individual and team outcomes are preferable to wholly individual-based systems.[26] Group-based appraisals, profit sharing, small-group incentives and other system modifications can reinforce team effort and commitment, although wholly extrinsically oriented reward systems have questionable value anyway.

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Team composition

Jon, the volunteer manager from the opening vignette, identified four types of team member or role: the politicians (good with people), the planners (good with logistics), the problem solvers (the creative ones) and the doers (happy to get on with the job). These are important qualities, but they're not all that we should consider when staffing teams. Team composition variables include abilities and personalities of team members, allocation of roles, diversity, cultural differences, size of the team and members' preferences for teamwork. As you would expect, opinions vary widely about the types of members that leaders want on their teams, and some evidence suggests that compositions may be more important at different stages of team development.

Abilities of members

It's true that we can read about an athletic team of mediocre players who, because of excellent coaching, determination and precision teamwork, beat a far more talented group. But such cases make the news precisely because they're unusual. A team's performance depends in part on the knowledge, skills and abilities of individual members.[27] Ability limits what members can do and how effectively they can perform within a team. For example, when solving a complex problem such as reengineering an assembly line, high-ability teams—composed of mostly intelligent members—do better than lower ability teams. High-ability teams are also more adaptable to changing situations; they can apply existing knowledge more effectively to new problems. Finally, a team leader's ability matters; for example, smart leaders can help less able members struggling with a task. Less intelligent leaders can neutralise the performance of a high-ability team.[28]

Personality of members

We demonstrated in Chapter 4 that personality significantly influences individual behaviour. Some dimensions identified in the Big Five personality model are particularly relevant to team effectiveness.[29] Conscientiousness is especially important to teams. Conscientious people are good at backing up other team members and sensing when their support is needed. Conscientious teams also have other advantages—one study found that behavioural tendencies such as organisation, achievement orientation and endurance were all related to higher levels of team performance.[30]

Analysis of individual personalities can contribute to group formation. Suppose an organisation needs to create 20 teams of four people each and has 40 highly conscientious people and 40 who score low on conscientiousness. Would it be preferable to (1) form 10 teams of highly conscientious people and 10 teams of members low on conscientiousness or (2) 'seed' each team with two people who scored high and two who scored low on conscientiousness? Perhaps surprisingly, evidence suggests option 1 is preferable; performance across the teams will be higher if the organisation forms ten highly conscientious teams and ten teams low in conscientiousness. This is because a team with varying conscientiousness levels will not work to the peak performance of its highly conscientious members. Instead, a group normalisation dynamic (or simple resentment) will complicate interactions and force the highly conscientious members to lower their expectations, thereby reducing the group's performance.[31]

What about other traits? Teams with a high level of openness to experience tend to perform better and research indicates that constructive task conflict enhances this. Open team members communicate better with one another and throw out more ideas, which can contribute to a team's creativity and innovation.[32] Task conflict also enhances performance for teams with high levels of emotional stability.[33] It's not so much that the conflict itself drives team performance, but that teams characterised by openness and emotional stability are able to handle conflict and leverage it to improve performance. The minimum level of team member agreeableness matters too. Teams do worse when they have one or more highly disagreeable members, and a wide span in individual levels of agreeableness can lower productivity. Research is not clear on the outcomes of extraversion, but at least one study has indicated that high levels of extraversion in a team can increase the level of helping behaviours, particularly in a climate of cooperation.[34] Accordingly, both the personality traits of individuals and shared personality characteristics of the team contribute to performance.

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Myth or science?



'Team members who are "hot" should make the play'

Before we say whether this statement is true or false, we need to take a step back and ask: 'Can individuals have "hot" streaks?' In teams, especially in sports, we often hear about players who are 'on a streak' or have the 'hot hand'. Basketball player LeBron James scores five baskets in a row, golfer Rory McIlroy makes three birdies in a row for the European Ryder Cup team, and tennis player Serena Williams hits four aces in a row during a doubles match with her sister Venus. Most people (around 90%) believe LeBron, Rory and Serena score well because they're on a hot streak, performing above their average.

Although people believe in the hot hand, evidence is patchy. About half the relevant studies show that the hot hand is possible, while half show it's not. However, perception can influence reality, so perhaps the more important question is whether belief in the hot hand affects teams' strategies. A study of volleyball players showed that coaches and players allocate more balls to players who are believed to have the hot hand. Is this a good strategy? If a hot player's performance is actually lower than their teammates', then giving this player more balls to hit will hurt the team because the better players aren't getting enough chances to hit, while the hot player gets more chances to perform. So, considering the research to date, the opening statement appears to be false.

SOURCES: Based on M. Raab, B. Gula and G. Gigerenzer, 'The hot hand exists in volleyball and is used for allocation decisions', *Journal of Experimental Psychology: Applied* 18, no. 1, 2012, pp. 81–94; T Gilovich, R. Vallone and A. Tversky, 'The hot hand in basketball: on the misperception of random sequences', *Cognitive Psychology* 17, 1985, pp. 295–314; and M. Bar-Eli, S. Avugos and M. Raab, 'Twenty years of "hot hand" research: the hot hand phenomenon: review and critique', *Psychology, Sport, and Exercise* 7, 2006, pp. 525–53.

Allocation of roles

Each team requires a number of different roles to be fulfilled by its members. A study of 778 major league baseball teams over a 21-year period highlights the importance of assigning roles appropriately.[35] As you might expect, teams with more experienced and skilled members performed better. However, the experience and skill of those in core roles who handled more of the workflow of the team, and were central to all work processes (in this case, pitchers and catchers), were especially vital. In other words, place your most able, experienced and conscientious workers in the most central roles in a team.

Many models of team roles define the functions/parts played by team members. One influential model was devised by Meredith Belbin (see Exhibit 9.4). Belbin argued that, although each role has strengths (have you ever been in a team without a 'completer-finisher' and struggled to complete your task?), it also has 'allowable weaknesses'. When leading a team, it's important to bear this in mind; you don't want to damage someone's key strengths by removing such a weakness. There's another important issue to bear in mind: it's not always easy to decide which weaknesses are allowable.

Diversity of members

In Chapter 8, we discussed the effect of diversity on groups. How does team diversity affect team performance? The degree to which members of a work unit (group, team or department) share a common demographic attribute, such as age, sex, race, educational level or length of service in the organisation, is the subject of organisational demography. Organisational demography suggests that attributes such as age or the date of joining could help predict turnover. This assumes turnover will be greater among those with dissimilar experiences because communication is more difficult and conflict is more likely. Increased conflict makes membership less attractive, so employees are more likely to quit. Similarly, the losers of a conflict are more apt to leave voluntarily or be forced out.[36] The argument is that diversity negatively affects team performance.

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

Many of us optimistically believe that diversity is a good thing—diverse teams should benefit from differing perspectives. However, two meta-analytic reviews suggest that demographic diversity is unrelated to team performance, while a third review suggests that race and gender diversity are actually negatively related to team performance.[37] Other research findings are mixed and suggest this can partly depend on organisational culture

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EXHIBIT 9.4 Belbin's team roles

Role	Contribution	Strengths	Allowable weaknesses
Plant	Problem solver	Creative, unorthodox	Ignores details. Too preoccupied to communicate effectively
Resource investigator	Explores opportunities, develops contacts	Extrovert, enthusiastic, communicative	Overoptimistic. Easily loses interest
Coordinator	Clarifies goals, promotes decision making, delegates well	Mature, confident, good chairperson	Can be seen as manipulative. Delegates personal work
Shaper	Has the drive and courage to overcome obstacles	Challenging, dynamic, thrives on pressure	Can provoke others. Hurts people's feelings
Monitor-evaluator	Sees all options. Judges accurately	Sober, strategic, discerning	Lacks drive and ability to inspire others. Overly critical
Team worker	Listens, builds, averts friction and conflict	Co-operative, mild, perceptive, diplomatic	Indecisive in crunch situations. Can be easily influenced
Implementer	Turns ideas into practical actions	Disciplined, reliable, conservative, efficient	Somewhat inflexible. Slow to respond to new possibilities
Completer-finisher	Finds errors and omissions. Delivers on time	Painstaking, conscientious, anxious	Perfectionist. Inclined to worry unduly. Reluctant to delegate
Specialist	Provides knowledge and skills in rare supply	Single-minded, self-starting, dedicated	Contributes narrowly. Overlooks the 'big picture'

SOURCE: Based on R. Meredith Belbin, *Team Roles at Work* (2nd edn), Oxford: Elsevier, 2012, Table 3.1, p. 22.

and management interventions. For example, gender and ethnic diversity have more negative effects in occupations dominated by white or male employees, but in more demographically balanced occupations or when attitudes towards diversity are more positive, diversity is less of a problem. Of course, another interpretation could be that excessively homogenous work environments interfere with the performance of diverse teams. Diversity in function, education and expertise are positively related to team performance, but these effects are small and depend on the situation. Diversity may also have a negative effect when trust between members is already low. Effective leadership can also improve effectiveness.[38] For example, one study of 68 teams in China found that teams diverse in knowledge, skills and problem-solving approach were more creative but only with inspirational and transformational leaders (see Chapter 11 for definition).[39]

Cultural differences

We've discussed research on some types of team diversity. But what about cultural differences? Some research suggests that cultural diversity can interfere with team processes, at least in the short term,[40] but let's dig a little deeper: what about differences in cultural status? Although it's debatable, people with higher cultural status are usually in the majority or ruling race group of their nations. Researchers in the United Kingdom found that cultural status differences affected team performance in that individuals in teams with more high-cultural-status members than low-cultural-status members realised improved performance for every member.[41] This doesn't suggest that diverse teams should only include individuals of high cultural status, but rather that we should be aware of how people identify with their cultural status, even in diverse group settings.

In general, cultural diversity seems to be an asset for tasks requiring a variety of viewpoints, but culturally heterogeneous teams have more difficulty learning to collaborate and solve problems. This is a particular challenge for leaders such as Sue, whose teams come from many different backgrounds; however, she finds that the satisfaction of the teams that overcome

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these challenges makes everything worthwhile, raising another benefit of the team beyond the task itself: the opportunity to foster greater understanding of difference among the team members.

Size of teams

Many people agree that keeping teams small is key to improving group effectiveness.[42] This preference for smaller teams can, at least partly, be explained by the challenge of communicating effectively in larger groups of people, especially if we assume that cohesive teams require an all-channel form of communication, as discussed in Chapter 8.

all-channel a communication network arrangement that enables all members of a group or team to communicate with each other directly rather than through an intermediary, such as a supervisor.

It is worth bearing in mind that most sports teams have few members actually playing at any one time (often between 4 and 15, depending on the sport), however many substitutes might be waiting on the sidelines.

Experts suggest using the smallest number of people who can do the task, often recommending five to nine members as an ideal. Unfortunately, managers often seem to prefer larger teams, potentially complicating intra-group coordination as more members are added. With excessive membership, cohesiveness and mutual accountability can decline, social loafing increases and communication suffers, especially under time pressure. When a natural working unit is larger and you want a team effort, breaking the group into subteams can be helpful.[43]

Career OBjectives



Is it wrong that I'd rather have guys on my team?

Please don't call me sexist; women are great colleagues and equally effective managers, but I'd rather have men on my team. It's more relaxing for me and the other guys because we naturally understand each other and can talk freely. The all-male teams that I've experienced have all been very productive.

—Jordan

Dear Jordan,

With today's focus on gender diversity in organisations, your viewpoint is refreshingly honest and your preferences are not uncommon. Researchers who reviewed 8 years of employee surveys from a large US organisation found that individuals were happier in teams mainly of their own gender, whereas those on diverse teams reported less happiness, trust and cooperation. Researcher Sara Fisher Ellison noted, 'People are more comfortable around other people who are like them'.

A preference for our own gender in teams is rather an ugly truth. After all, without gender diversity initiatives and protections, many professional positions may still be closed to women. However, many countries' value orientations are changing, increasingly recognising the potential of diversity for higher morale, trust and satisfaction. Fisher Ellison concluded that there is a 'mismatch between the kind of workplace people think they would like and the actual workplace that would make them happier'.

Don't think this justifies male-only teams, though. Happiness aside, this study found that diverse teams realised significantly greater revenues, productivity and performance. Other research in Spain concluded that gender-diverse teams foster novel solutions and more radical innovation. Still more research suggested that gender-diverse teams perform better than male-dominated ones in sales and profits. Context is key, however. One meta-analysis found that gender equality and collectivism were key contributors to task performance in diverse teams. A Danish study also indicated that diverse top management teams realised higher financial performance only when the structure supported cross-functional team work, and a study in South Korea indicated that cooperative group norms can lower the negative effects of gender diversity.

What all this means for you is that, while you may naturally prefer to work with men, it's not good for business. You'd be better off putting your efforts into creating an egalitarian atmosphere and choosing your team-mates based on what they can contribute to your team.

SOURCES: Based on C. Diaz-Garcia, A. Gonzalez- Moreno and F. Jose Saez-Martinez, 'Gender diversity within R&D teams: its impact on radicalness of innovation', *Innovation-Management Policy & Practice* 15, no. 2, 2013, pp. 149–60; S. Hoogedoorn, H. Oosterbeek and M. van Praag, 'The impact of gender diversity on the performance of business teams: evidence from a field experiment', *Management Science* 59, no. 7, 2013, pp. 1514–28; N. Opstrup and A. R. Villadsen, 'The right mix? Gender diversity in top management teams and financial performance', *Public Administration Review*, 2015, pp. 291–301; M. Schneid, R. Isidor, C. Li et al., 'The influence of cultural context on the relationship between gender diversity and team performance: a meta-analysis', *International Journal of Human Resource Management* 26, no. 6, 2015, pp. 733–56; J. Y. Seong and D.-S. Hong, 'Gender diversity: how can we facilitate its positive effects on teams?' *Social Behavior and Personality* 41, no. 3, 2013, pp. 497–508; R. E. Silverman, 'Do men and women like working together?', *The Wall Street Journal*, 16 December 2014, p. D2; and S. Lebowitz, 'Why gender-diverse work teams are the most productive—and profitable', *Forbes*, 22 December 2014.

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This Japanese nurse served on a seven-member medical team deployed to the Philippines by the International Committee of the Red Cross, after a typhoon hit Mindanao Island. The small team of health-care workers had the capacity to respond quickly and effectively, providing patients with emergency medical care.
SOURCE: KYDPL KYODO/AP Images.

Member preferences

Not every employee is a team player. Given the option, many employees will avoid team participation. When people who prefer to work alone are required to team up, there's a direct threat to team morale and to individual member satisfaction.[44] This suggests that, when selecting team members, managers should consider individual preferences along with abilities, personalities and skills. High-performing teams are likely to be composed of people who prefer working as part of a group.

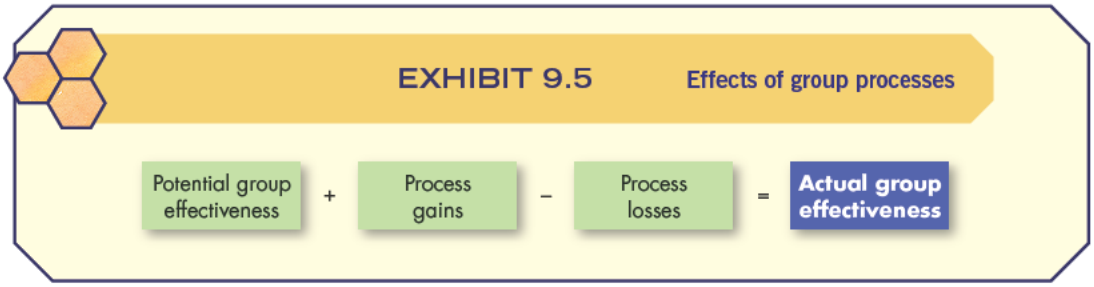
Team processes

Our final category related to team effectiveness includes process variables such as the establishment of specific team goals, team efficacy, team identity, team cohesion, mental models, a managed level of conflict and minimised social loafing. These variables are especially important in larger teams and in teams that are highly interdependent.[45] Exhibit 9.5 illustrates how group processes can have an impact on a group's actual effectiveness.[46] Teams are often used in research laboratories because they can draw on the diverse skills of various individuals to produce more meaningful research than researchers working independently—that is, they produce positive synergy, and their process gains exceed their process losses.

Common plan and purpose

Effective teams are likely to begin by analysing their mission, developing goals to achieve that mission and creating strategies to achieve the goals. Teams that consistently perform well have a clear sense of what needs to be done and how.[47] This sounds obvious, but many teams ignore this fundamental process. Members of successful teams put much time and effort into discussing, shaping and sharing a purpose that belongs to them collectively and individually. This common purpose becomes like a GPS for a ship's captain, providing direction and guidance under any conditions. Like a ship following the wrong course, teams that lack good planning skills are in danger of losing their way.[48] Teams need to agree on whether they should learn to master a task or simply perform the task. Evidence suggests that different perspectives on learning versus performance lead to lower levels of team performance overall.

EXHIBIT 9.5 Effects of group processes



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Teams that emphasise learning are more likely to agree on shared goals, and identification with a team is easier when members strongly identify with these goals.[49]

Effective teams show **reflexivity**, meaning they reflect on and adjust their purpose when necessary. A good plan is important, but members need to be willing and able to adapt when conditions call for it.[50] Reflexivity is especially important for teams that have a poor past performance.[51] Some evidence also suggests that reflexive teams are better able to adapt if members' individual plans and goals conflict.[52]

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

Specific goals

Successful teams translate their common purpose into specific, measurable and realistic performance goals. Specific goals facilitate clear communication. They help teams maintain their focus on getting results. Consistent with the research on individual goals, team goals should be challenging. Difficult but achievable goals raise team performance on those criteria for which they're set. For instance, goals for quantity tend to increase quantity; goals for accuracy increase accuracy, and so on.[53]

Team efficacy

Effective teams have confidence in themselves; they believe they can succeed. We call this **team efficacy**.[54] Successful teams tend to raise their beliefs about future success, which in turn motivates future effort. In addition, teams with shared knowledge of individual capabilities can strengthen the link between team members' self-efficacy and their individual creativity because members can solicit informed opinions from their team-mates more effectively.[55]

team efficacy A team's collective belief that they can succeed at their tasks.

What can management do to increase team efficacy? Two options are to help the team achieve small successes to build confidence and to provide training to improve members' technical and interpersonal skills. The greater the abilities of team members, the more likely the team will develop confidence and the ability to deliver on that confidence.

Team identity

In Chapter 8, we discussed the importance of social identity in people's lives. As with groups, when people connect emotionally with the teams they join, they're more likely to invest in their relationship with those teams. For example, research on Dutch soldiers indicated that those who felt included and respected by team members would work harder for their teams, even beyond normal military dedication to their units. Similarly, when team identity is strong, members who are highly motivated by performance goals are more likely to direct their efforts towards team goals rather than individual goals. Therefore, by recognising individuals' specific skills and abilities, as well as creating a climate of respect and inclusion, leaders and members can foster positive **team identity** and improved team outcomes.[56] However, this may need more attention in virtual teams, which can often exhibit lower levels of team identity, potentially leading to less effort from individual members.[57]

team identity A team member's affinity for and sense of belongingness to their team.

Organisational identity is important, too. Rarely do teams operate in a vacuum—more often teams interact with other teams, requiring inter-team coordination. Individuals with a positive team identity but without a positive organisational identity can become less comfortable coordinating with other teams within the organisation.[58]

Team cohesion

Have you belonged to a team that really gelled—where everyone felt really connected? **Team cohesion** describes the extent to which members are emotionally attached to one another and the team. Team cohesion is a strong predictor of team performance and a useful tool for predicting team outcomes. For example, a study in China indicated that if team cohesion is high and tasks are complex, costly investments in promotions, rewards, training, and so on, yield greater profitable team creativity. Teams with low cohesion and simple tasks, on the other hand, are less likely to respond to incentives with greater creativity.[59]

team cohesion A situation where team members are emotionally attached to one another and the team.

Negative relationships are a driver of reduced cohesion. To mitigate this, teams can foster interdependence and high-quality interpersonal interactions. Team cohesion is higher in teams with female leaders, and when teams are larger and functionally diverse. Cohesion is also higher under shared leadership and when leaders behave fairly.[60]

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Mental models

mental models Knowledge and beliefs about how work should be done.

The members of an effective team share similar **mental models**—organised mental representations of the key elements of a team's environment.[61] (Team mission and goals pertain to what a team needs, to be effective; mental models pertain to how a team does its work.) If members' mental models differ, which is particularly likely in teams under acute stress, their performance suffers.[62] One review of 65 independent studies found that teams with shared mental models interacted with one another more frequently, were more motivated, had more positive attitudes towards their work and performed more effectively.[63] However, if members disagree about methods they're less likely to focus on what actually needs to be done.[64]

Individuals in action teams—teams with specialists engaged in intense, interdependent and unpredictable tasks—are likely to share mental models. Even though they're often under acute stress, their performance levels can be high because stress has been moderated by shared contextual understanding. Such action teams learn that the best way to share mental models is to voice them. An anaesthesia team in a hospital is one example of an action team with shared mental models. Research in Switzerland found that anaesthesia teams communicate two types of messages during operations: vocally monitoring each other's performance (a vocal record of events) and 'talking to the room' (general announcements such as 'patient's blood pressure is dropping'). The study found that high- and low-performing teams communicated in such ways equally often; what mattered to performance was the sequencing of communication to maintain a shared mental model. High-performing teams followed up monitoring dialogue with assistance and instructions, and talking-to-the-room dialogue with further team dialogue.[65] The message seems simple: to maintain shared mental models, explicate, listen and react to what's happening during teamwork.

Conflict levels

Conflict has a complex impact on team performance, and is not necessarily bad. Relationship conflicts—those based on interpersonal incompatibility, tension and animosity towards others—tend to be dysfunctional. However, when teams perform non-routine activities, disagreements about task content—task conflicts—stimulate discussion, promote critical assessment of problems and options, and can lead to better team decisions, although they may not lead to more innovative solutions. The positive and negative effects of conflict on performance depend on many factors, such as task type, setting and how performance is measured.[66] For example, task conflict is more likely to be beneficial if members are open to experience and emotionally stable.[67] A study conducted in China concluded that moderate task conflict during the initial phases of teamwork was positively related to creativity, but both very low and very high levels of task conflict were more negative.[68] In other words, both too much and too little disagreement about how to perform a creative task can inhibit team performance.

A team's approach to conflict resolution can also influence team effectiveness. A study of 37 autonomous work groups suggested that more effective teams resolved conflict by explicitly discussing the issues, whereas less effective teams had unresolved conflicts that focused more on personalities and the way things were said.[69]

Which teams are more likely to have conflicts than others? The answer is not simple. While we may assume that diversity increases conflicts, the answer is much more complex. For example, Spanish research found that when individual team members varied greatly in their perceptions of organisational support, task conflict increased, communication decreased and ultimately team performance suffered.[70] If the researchers had instead compared only the average level of organisational support given to the team, rather than how members perceived the support, they might have missed this particular link. A study of Chinese teams found that teams high in social capital experienced higher task conflict and lower relationship conflict, but only after the team had operated for several years.[71] Therefore, we need to be careful not to overgeneralise.

Social loafing

As we noted earlier, individuals can engage in social loafing and coast on the group's effort when their particular contributions (or lack thereof) can't be identified. Effective teams undermine this tendency by making members individually and jointly accountable for the team's purpose, goals and approach.[72] Therefore, members should be clear on what they are individually and jointly responsible for on the team.

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Turning individuals into team players

9.5 Show how organisations can create team players.

So far we've explored the value and growing popularity of teams. But many people are not inherently team players, and many organisations have historically nurtured individual accomplishments. Teams often fit well in countries that score high on collectivism, but what if an organisation wants to introduce teams into a work population of individuals born and raised in an individualistic society? Here are options for managers trying to turn individuals into team players.

Selection: selecting team players

When forming a team, it's important that members can fulfil their team roles as well as technical requirements. Creating teams often means resisting the urge to focus too much attention on the most obvious types of talent.

For example, Matthew Clarke, coach of the Adelaide Crows Women's Football Team, warned against exaggerating the contribution of a small number of high-profile members, emphasising the importance of a balanced team. Although praising the performance of two star players, he pointed out that the team is more than 'just the "Erin Phillips and Chelsea Randall show"', as such stars do rely on other team-mates to 'balance the load and make sure everyone is contributing'.[73]

Additionally, personal traits appear to make some people better candidates for working in diverse teams. Teams made of members who like to work through difficult mental puzzles also seem more effective and able to capitalise on the multiple points of view that arise from diversity in age and education.[74]

Training: creating team players

Of course, it's not always possible to pick an ideal team—remember Sue, the leader of volunteer teams? She has no input in selection of team members, but needs to build a team from whoever turns up each morning. Training specialists conduct teambuilding exercises that allow employees to experience the satisfaction that teamwork can provide. Workshops help employees improve their problem solving, communication, negotiation, conflict management and coaching skills. L'Oréal, for example, has long found that successful sales teams required more than just great salespeople. Senior Vice President David Waldock explained, 'What we didn't account for was that many members of our top team in sales had been promoted because they had excellent technical and executional skills'. After introducing purposeful team training, Waldock explained, 'We are no longer a team just on paper, working independently. We have a real group dynamic now, and it's a good one'.[75] Effective teams don't develop overnight—it takes time—but good team training has positive effects on performance regardless of employee and training characteristics, as shown in the review of 112 studies of medical team training programs.[76]

Rewarding: providing incentives to be a good team player

Traditional reward systems often need reworking to encourage cooperative, rather than competitive, effort.[77] However, it's advisable to set a cooperative tone as soon as possible in the life of a team: teams that switch from competitive to cooperative don't immediately share information, and they still tend to make rushed, poor-quality decisions.[78] Apparently, the low trust typical of the competitive group will not be readily replaced by high trust with a quick change in reward systems.

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

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

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9.6 Decide when to use individuals instead of teams.

Beware! Teams aren't always the answer

Teamwork often takes more time and more resources than individual work. Teams have increased communication demands, conflicts to manage and meetings to run. So the benefits of using teams have to exceed the costs, and that's not always possible.[79]

How do you know whether the work of your group would be better done in teams? You can apply three tests.[80] First, can the work be done better by more than one person? Good indicators are the complexity of the work and the need for different perspectives. Simple tasks that don't require diverse input are probably better left to individuals. Second, does the work create a common purpose or set of goals for the people in the group that is more than the aggregate of individual goals? Many new-vehicle dealers have introduced teams into service departments, linking customer service employees, mechanics, parts specialists and sales representatives. Such teams can better manage collective responsibility for meeting customer needs.

The final test is to determine whether the members of the group are interdependent. Using teams makes sense when tasks are interdependent—overall success depends on the success of each member, and individual success depends on the success of the others. For example, soccer is an obvious team sport. Success requires a great deal of coordination among interdependent players. Conversely, swim teams (except possibly for relays) aren't really teams. They're groups of individuals performing individually and whose total performance is merely the aggregate summation of their individual performances.

Summary

Few trends have influenced jobs as much as the introduction of teams into the workplace. Working in teams requires employees to cooperate with others, share information, confront differences and supersede personal interests for the greater good of the team. Understanding the distinctions between problem solving, self-managed, cross-functional, virtual teams and multi-team systems helps determine appropriate applications for team-based work. Concepts such as reflexivity, team efficacy, team identity, team cohesion and mental models bring to light important issues relating to team context, composition and processes. For teams to function optimally, careful attention must be given to hiring, creating and rewarding team players. Still, effective organisations recognise that teams aren't always the best method for getting the work done efficiently. Careful discernment and an understanding of organisational behaviour are needed.

Implications for managers

- Effective teams have adequate resources, effective leadership, a climate of trust and a performance evaluation and reward system that reflects team contributions. These teams have individuals with technical expertise and the right traits and skills.
- Effective teams tend to be small. They have members who fill role demands and who prefer to be part of a group.
- Effective teams have members who believe in the team's capabilities, are committed to a common plan and purpose and have an accurate shared mental model of what's to be accomplished.
- Select individuals who have the interpersonal skills to be effective team players provide training to develop teamwork skills, and reward individuals for cooperative efforts.
- Don't assume that teams are always needed. When tasks won't benefit from interdependency, individuals may be the better choice.

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TO GET THE MOST OUT OF TEAMS, EMPOWER THEM

POINT

If you want high-performing teams with members who like each other and their jobs, I have a simple solution. Remove the leash tied to them by management and let them make their own decisions. In other words, empower them. This trend started a long time ago, when organisations realised that creating layers upon layers of bureaucracy thwarts innovation, slows progress to a trickle and merely provides hoops for people to jump through in order to get anything done.

You can empower teams in two ways. One way is structural, transferring decision making from managers to team members and giving teams the official power to develop their own strategies. The other way is psychological, enhancing team members' belief that they have more authority, although legitimate authority remains with the organisation's leaders. Structural empowerment leads to heightened feelings of psychological empowerment, giving teams (and organisations) the best of both worlds.

Research suggests empowered teams benefit in a number of ways. Members are more motivated. They exhibit higher levels of commitment to the team and to the organisation. And they perform much better, too. Empowerment sends a signal to the team that it's trusted and doesn't have to be constantly micromanaged by upper leadership. And when teams get the freedom to make their own choices, they accept more responsibility for and take ownership of both the good and the bad. Such responsibility also means empowered teams must take the initiative to foster their own ongoing learning and development, but teams entrusted with the authority to guide their own destiny do just that. So, do yourself (and your company) a favour and make sure that teams, rather than needless layers of middle managers, are the ones making the decisions that count.

COUNTERPOINT

Empowerment advocates cite the benefits yet neglect the harm that can be done when too much decision-making power is given to teams. They think that, to create effective teams, all you have to do as a leader is nothing because, by empowering teams, you've effectively stepped away as a leader and lost your authority. Empowerment can do some good in certain circumstances, but it's certainly not a cure-all.

Yes, organisations have become flatter over recent decades, paving the way for decision-making authority to seep into lower levels of the organisation. But consider that many teams are 'empowered' simply because the management ranks have been so thinned that there's no one left to make the key calls. Empowerment is just a way to get workers to take on more responsibility with no increase in tangible benefits, such as pay.

In addition, the organisation's leadership already has a good idea of what it would like its teams (and individual employees) to accomplish. If managers leave teams to their own devices, how likely is it that those teams will always choose what the manager wanted? Even if the manager offers suggestions about how the team might proceed, empowered teams can easily ignore that advice. Instead, they need direction on what goals to pursue and how to pursue them. That's what effective leadership is all about.

Consider what happens when decision-making authority is distributed among team members. The clarity of each team member's role becomes fuzzy and members lack a leader to provide advice. Finally, when teams are self-managed, they become like silos, disconnected from the rest of the organisation and its mission. Simply handing people authority is no guarantee they will use it effectively. So, leave the power to make decisions in the hands of those who have worked their way up the organisation. After all, they became leaders for a reason.

SOURCES: S. I. Tannenbaum, J. Mathieu, E. Salas and D. Cohen, 'Teams are changing: are research and practice evolving fast enough?', *Industrial and Organizational Psychology* 5, 2012, pp. 2–24; and R. Ashkenas, 'How to empower your team for non-negotiable results', *Forbes*, 24 April 2013.

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Questions for review

1. How do you explain the growing popularity of having teams in organisations?
2. What are the differences between groups and teams?
3. How do different types of teams compare?
4. How can contextual factors influence a team's effectiveness?
5. How can organisations develop team players?
6. When is work performed by individuals preferable to work performed by teams?

Application and employability

Teamwork is a pivotal part of the modern workplace. Teams seek to create a level of performance greater than the sum of individual efforts. In this chapter, you learned why a team may be successful or unsuccessful in meeting this goal, based on the team's context, composition and various processes the team experiences. Understanding how to build a strong team and be a strong team member can help you perform better in any team environment. You improved your collaboration skills and social responsibility by learning the value of working with members of both genders and how to communicate with team members in an eco-conscious way. You also applied your knowledge and utilised critical-thinking skills by taking a look at the 'hot hand' phenomena as well as assessing the merits and drawbacks of empowerment. Next, you'll further develop these skills, along with communication skills, as you decide whether or not to use self-managed teams, try to build trust in virtual teams and learn about what makes a team smart.

Experiential exercise

SHOULD YOU USE SELF-MANAGED TEAMS?

In groups of four or five, assume you work for a large tech company that has recently acquired a local start-up firm with more expertise in a market your company is trying to enter. To utilise employees from the start-up fully, you're forming new teams with members from the parent company and the newly acquired firm for your research and development (R&D) division. Many of the employees from the start-up were part of self-managed teams before the company was acquired. You must decide whether to adopt a traditional management style or allow the teams to be self-managed.

Answer these questions as a team.

1. What issues could affect the productivity of a self-managed team? Are these likely to be issues in a team with members from different companies? How could these issues be related to members from a new company? How could these issues be resolved?
2. How would you change, if at all, the reward structure for performance if the team were self-managed? Why?
3. Each member of the team should explain what aspects of the team they would allow team members to self-manage if they were a supervisor in this company. Then, as a group, compare your responses. Does everyone agree on what duties and responsibilities should be self-managed, or are there differences? If you could, would you make a team fully self-managed? Why or why not?

Case study 1

TRUSTING SOMEONE YOU CAN'T SEE

For a team to be successful, employees must trust that their team members are reliable and capable. They need to believe that their team-mates will work towards the team goals rather than their own. Trust can be developed by creating an environment where team members aren't scared to admit to their mistakes and feel comfortable sharing their views rather than simply agreeing with the leader or assertive team-mates. Building trust among team-mates is important, but what if you never see your team-mates?

Trust is probably more difficult to build in virtual teams. However, research shows that the link between trust and team performance is stronger for virtual teams than face-to-face teams. This research suggests managers can counteract some of the negative effects of low trust in virtual teams by carefully documenting team interactions. This demonstrates that team members are held accountable for the work they do in virtual teams and ensures that members are recognised for their contribution.

Compensating for a lack of trust can only ever be a temporary measure because this doesn't actually replace trust. A review of 112 studies concluded that trust is one of the strongest predictors of team performance, regardless of the team members' past performance. The same researchers found that trust may be especially important in teams with varied skill

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sets or interdependent roles. Trust is also just as important for short-term teams because team members don't have the same adjustment period to learn more about their team-mates before having faith that they'll contribute to team goals.

Questions

1. Recall a time when you felt like you could not trust members on your team. Why did you feel that way? How did that affect the team's performance?
2. Can you think of strategies that can help build trust among virtual team members?
3. Imagine you're a manager at a national corporation. You've been asked to select employees for a virtual problem-solving team. What types of employees would you include and why?

SOURCES: Based on W. Vanderbloemen, 'Is your staff a high-trust team?', *Entrepreneurs*, 21 March 2017; D. B. Nast, 'Trust and virtual teams', *The Huffington Post*, 28 March 2017; L. L. Gilson, M. T. Maynard, N. C. J. Young, M. Vartiainen and M. Hakonen, 'Virtual teams research: 10 years, 10 themes, and 10 opportunities', *Journal of Management* 41, no. 4, 2015, pp. 1313–37; and B. A. De Jong, K. T. Dirks and N. Gillespie, 'Trust and team performance: a meta-analysis of main effects, moderators, and covariates', *Journal of Applied Psychology* 101, no. 8, 2016, pp. 1134–50.

Case study 2

SMART TEAMS AND DUMB TEAMS

In this chapter, we've identified how some of the characteristics we use to describe individuals can also describe teams. For example, individuals can be high in the trait of openness, as can a team. Along the same lines, have you noticed that some teams seem smart, while others don't? This characteristic has nothing to do with the average IQ of team members; rather it reflects the functionality of the whole team. Synergistic teams excel in analysis, brainstorming, coordination, planning and moral reasoning. Teams that don't function so well might experience long unproductive meetings, social loafing and interpersonal conflicts.

You might remember teams you've witnessed that are in the latter category, but we hope you can think of a few that excelled. Smart teams tend to be smart in everything—they'll find a workable solution for any task. But what makes them smart? One study grouped 697 subjects into teams of two to five members to solve tasks, looking for the characteristics of smart teams (they weren't all smart). Here are the findings:

1. Smart teams didn't allow individual members to dominate. Instead, there were more equal contributions from members than in other teams.
2. Smart teams had more members who were able to interpret complicated emotions. There's a test for this ability called 'Reading the mind in the eyes'.
3. Smart teams had more women. It's not that smart teams had more gender equality; these teams simply had more women. This result might be partly due to the fact that more women scored higher in the 'Reading the mind in the eyes' test.

The researchers later replicated the study using 68 teams, again finding that some teams were smarter than others. This study added a new angle to the research, asking how teams working in person differ from online teams. Surprisingly, there was little difference: all smart teams had more equal member communication (and plenty of it) and were good at emotion reading. When the online collaborators couldn't see each other, they practised theory of mind, remembering and reacting to the emotional cues they could detect through any mode of communication. Theory of mind is related to emotional intelligence (EI), which was discussed in Chapter 5. When we have the opportunity to hand-pick team members, we can look for those who listen as much as they speak, express empathy and remember what others tell them about themselves. So if you're assigned to a team, seek these attributes in others and help guide the team towards its best self. As for IQ? Here's the good news: research indicates that membership in a team actually makes us smarter decision makers as individuals.

Questions

1. From your experiences in teams, do you agree with the researchers' findings on the characteristics of smart teams? Why or why not?
2. What other characteristics might have contributed to success in high-functioning teams that you've been a part of?
3. The researchers who suggested that team membership makes us smarter found that teams were more rational and quicker at finding solutions to difficult probability problems and reasoning tasks than individuals. After participation in the study, team members were much better at decision making on their own, even up to 5 weeks later. Do you think this spill-over effect would happen equally for people regardless of whether or not they were part of a smart team? Why or why not?

SOURCES: Based on E. E. F. Bradford, I. Jentzsch and J.-C. Gomez, 'From self to cognition: theory of mind mechanisms and their relation to executive functioning', *Cognition* 138, 2015, pp. 21–34; B. Maciejovsky, M. Sutter, D. V. Budescu et al., 'Teams make you smarter: how exposure to teams improves individual decisions in probability and reasoning tasks', *Management Science* 59, no. 6, 2013, pp. 1255–70; and A. Woolley, T. W. Malone and C. Chabris, 'Why some teams are smarter than others', *The New York Times*, 18 January 2015, p. 5.

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CHAPTER

10 Communication

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

10.1 Describe the functions and process of communication.

10.2 Contrast downward, upward and lateral communication through small-group networks and the grapevine.

10.3 Contrast oral, written and non-verbal communication.

10.4 Describe how channel richness underlies the choice of communication method.

10.5 Differentiate between automatic and controlled processing of persuasive messages.

10.6 Identify common barriers to effective communication.

10.7 Discuss how to overcome the potential problems of cross-cultural communication.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking			✓	✓	✓	✓	✓
Communication	✓	✓	✓		✓	✓	✓
Collaboration		✓			✓	✓	✓
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility		✓	✓	✓		✓	

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Effective communication as the driver for organisational renewal

When Scott Morgan was invited to apply for the position of CEO at Greater Building Society in 2014, his initial reaction was to refuse the offer. With assets of just over $5 billion, the organisation was nevertheless losing customers. It had developed an insular culture with a limited customer focus, and was being held back by inefficiencies due to the prevalence of its divisional silos.

Enticed by the opportunity to introduce better customer service and lasting change, Scott reconsidered the offer and decided to take on the challenge of leading the organisation forward, using transparent communication as his key strategy. Working with the board and his executive team, Scott commenced this strategy by repositioning the organisation from a building society to a customer-owned bank.



CEO of Greater Bank, Scott Morgan
SOURCE: Reproduced with the permission of Greater Bank.

Scott realised that this would be a big investment timewise, and that it would require all 750 employees to genuinely embrace the prospect of this transformation. He therefore set aside 18 months to prepare for, develop, refine and manage this change throughout the organisation. 'Being authentic in the message is so important, and being open to feedback along the way is critical,' says Scott.

Scott established a People and Process Transformation division to develop a more change-ready culture—one that would adapt quickly to the external environment and respond better to the needs of its customers.

> Effective change really revolves around understanding the importance of culture in anything you are looking to do in any business. To develop an organisation's culture, I think you need to be a good communicator—you need to have the ability to sell that message, to sell that case for change is what will bring people with you and enable you to have a strong engagement. And a strongly engaged business is a business that moves forward.

As the Organisational Change Manager, Vanessa Nirmal played an important role in enabling employees to provide feedback and voice their concerns about the planned changes. Employee feedback identified concerns that customers would feel negative about the change from a building society to a bank. This prompted the development of a closely intertwined internal and external communications strategy that focused on simply explaining the 'why' of the change to customers. The program built awareness and understanding of the merits of a customer-owned bank in delivering superior services and responding to ongoing digital disruption in the financial landscape in Australia and throughout the world. Employee feedback also identified staff reservations about being able to have effective conversations with customers about the value of the change for them. Training material to enable managers to develop their employees' confidence in having these conversations was prepared. This resulted in more effective communication between employees and customers. Vanessa explains the preparatory changes in this way: 'Through effective and ongoing two-way communication, we demonstrated how easy it is to work collaboratively to find solutions that both align to organisational strategy and benefit employees and customers'.

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Scott summarises these initiatives to transform the organisation by pointing to the central role of communication: 'Communication is critical. It needs to be regular; it needs to be delivered in lots of ways using lots of different channels'.

Scott also emphasises the importance of a genuine and transparent consultation process where open feedback channels throughout the organisation enable everyone to contribute their ideas: 'I think I am the sort of person who does really enjoy the debate, the discussion, understanding alternative points of view, to make sure that everything is on the table'.

The successful transformation at Greater Bank has enabled the organisation to grow its customer base significantly in the last few years, and to expand its assets to just over $7 billion by 2019.

SOURCES: Winton Consulting, Change Management Conversation with Scott Morgan, CEO of Greater Bank, 1 November 2018; 'Hunter Leader: Scott Morgan', *HunterHeadline*, 15 July 2016, <www.hunterheadline.com.au/hh/hunter-leader/scott-morgan/>.

THE SUCCESSFUL CHANGES BROUGHT about by transparent dialogue at Greater Bank illustrate the importance of communication in contemporary organisations. In this chapter, we analyse the power of communication and how it can be made more effective.

All individuals, groups and organisations need to share meaning by conveying information and ideas in order to exist. Communicating, however, is more than merely imparting meaning—that meaning must also be understood. If one group member speaks only German and the others don't know the language, the German speaker won't be fully understood. Therefore, communication must include both the transfer and the understanding of meaning.

communication The transfer and understanding of meaning.

No idea, no matter how great, is useful until it's transmitted and understood by others. Perfect communication, if it existed, would be when a thought or an idea is transmitted so that the receiver perceives exactly the same mental picture as the sender. Although it sounds elementary, perfect communication is never achieved in practice, for reasons you'll see later in the chapter.

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

10.1 Describe the functions and process of communication.

Functions and process of communication

Communication serves four major functions within a group or organisation: manage, feedback, emotional expression and information exchange.[1]

Communication acts to manage member behaviour in several ways. Organisations have authority hierarchies and formal guidelines that employees are required to follow. When employees are required to communicate any job-related grievance to their immediate boss, to follow their job description or to comply with company policies, communication is performing a control function. But informal communication also controls behaviour. When work groups tease or harass a member who produces too much (and makes the rest of the group look bad), they're informally communicating with, and controlling, the member's behaviour.

Communication fosters feedback by clarifying to employees what they must do, how well they're doing and how to improve performance if it's below an acceptable standard. We saw this operating in the review of goal-setting theory in Chapter 7. The formation of specific goals, feedback on progress towards the goals and reward of desired behaviour all require communication and stimulate motivation.

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

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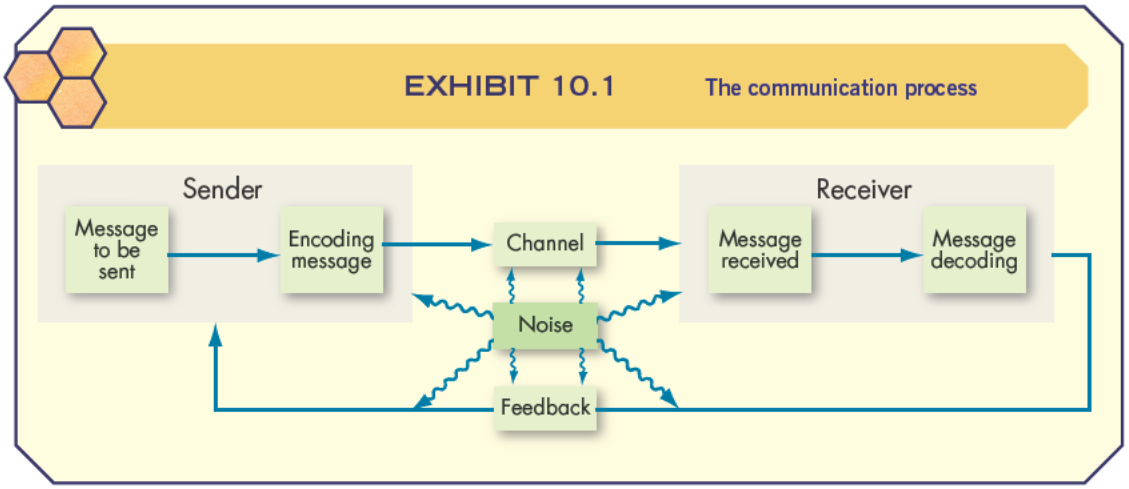

The final function of communication is information exchange to facilitate decision making. Communication provides the information that individuals and groups need to make decisions by transmitting the data to identify and evaluate alternative choices.

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

Before communication can take place it needs a purpose—that is, a message to be conveyed between a sender and a receiver. The sender encodes the message (converts it to a symbolic form) and passes it through a medium (channel) to the receiver, who decodes it. The result is transfer of meaning from one person to another.[2]

Exhibit 10.1 depicts this communication process. The key parts of the model are the sender, encoding, the message, the channel, decoding, the receiver, noise and feedback.

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

The sender initiates a message by encoding a thought. The message is the actual physical product of the sender's encoding. When we speak, the speech is the message. When we write, the writing is the message. When we gesture, the movements of our arms and the expressions on our faces are the message. The channel is the medium through which the message travels. The sender selects it, determining whether to use a formal or an informal channel. Formal channels are established by the organisation and transmit messages related to the professional activities of members. Formal channels traditionally follow the authority chain within the organisation. Other forms of messages, such as personal or social, follow informal channels, which are spontaneous and emerge as a response to individual choices.[3] The receiver is the person(s) to whom the message is directed, who must first translate the symbols into understandable form. This step is the decoding of the message. Noise represents communication barriers that distort the clarity of the message, such as perceptual problems, information overload, semantic difficulties or cultural differences. The final link in the communication process is a feedback loop. Feedback is the method for checking the success of the message transfer as originally intended. It determines whether understanding has been achieved.

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

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

Direction of communication

10.2 Contrast downward, upward and lateral communication through small-group networks and the grapevine.

Communication can flow vertically or laterally. The vertical dimension can be further divided into downward and upward directions.[4]

Downward communication

Communication that flows from one level of a group or organisation to a lower level is downward communication. It's used by group leaders and managers communicating with

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employees to assign goals, provide job instructions, explain policies and procedures, point out problems that need attention and offer feedback.

When engaging in downward communication, managers must explain the reasons *why* a decision was made. Although this may seem to be common sense, many managers feel they're too busy to explain things, or that explanations will 'open up a can of worms'. Evidence clearly indicates, though, that explanations increase employee commitment and support of decisions.[5] Although managers might think that sending a message one time is enough to get through to lower level employees, most research suggests managerial communication must be repeated several times and through a variety of different media to be truly effective.[6]

Another problem in downward communication is its one-way nature; generally, managers inform employees but rarely solicit their advice or opinions. Research affirms that employees will not provide input, even when conditions are favourable, if doing so seems against their best interests.[7]

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

Upward communication

Upward communication flows to a higher level in the group or organisation. It's used to provide feedback to people higher up in the organisation, inform them of progress towards goals and relay current problems. Upward communication keeps managers aware of how employees feel about their jobs, colleagues and the organisation in general. Managers also rely on upward communication for ideas on how conditions can be improved. It's also important for subordinates to give honest, authentic feedback because if managers aren't given reasonable negative feedback about allocating resources, they're more likely to make self-interested decisions at the expense of their subordinates.

Given that most managers' job responsibilities have expanded, upward communication is increasingly difficult because managers are overwhelmed and easily distracted. To engage in effective upward communication, try to reduce distractions (meet in a conference room if you can, rather than your boss's office or cubicle), communicate in headlines not paragraphs (your goal is to get your boss's attention), support your headlines with actionable items (what you believe should happen) and prepare an agenda to make sure you use your boss's attention well.[8] Remember that your delivery can be as important as the content of your communication.

Lateral communication

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

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

Formal small-group networks

Formal organisational networks can be very complicated; they can involve hundreds of people and half a dozen or more hierarchical levels. To simplify our discussion, we've condensed these networks into three common small groups of five people each (see Exhibit 10.2): chain, wheel and all-channel.

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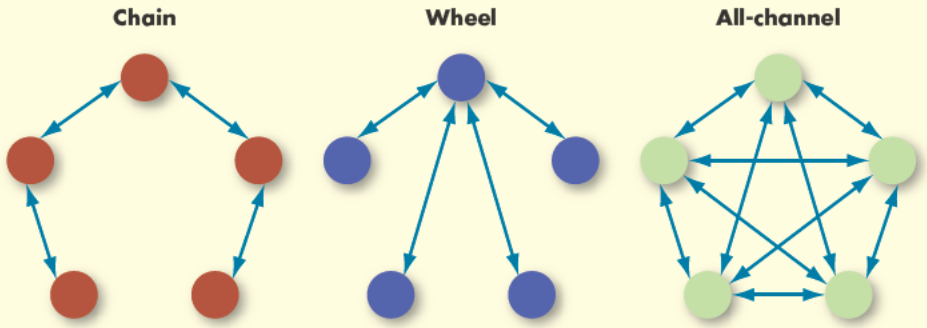
EXHIBIT 10.2 Three common small-group networks



The chain rigidly follows the formal chain of command. This network approximates the communication channels you might find in a rigid three-level organisation. The wheel relies on a central figure to act as the conduit for all of the group's communication. It simulates the communication network you would find in a team with a strong leader. The all-channel network permits all group members to actively communicate with each other. It is most often characterised in practice by self-managed teams, in which all group members are free to contribute and no one person takes on a leadership role. Many organisations today like to consider themselves all-channel, meaning that anyone can communicate with anyone (but sometimes they shouldn't).

As Exhibit 10.3 demonstrates, the effectiveness of each network depends on the dependent variable you're concerned about. The structure of the wheel facilitates the emergence of a leader, the all-channel network is best if you desire high member satisfaction and the chain is best if accuracy is most important. Exhibit 10.3 leads us to the conclusion that no single network will be best for all occasions.

The grapevine

The informal communication network in a group or an organisation is called the grapevine.[9] Although the grapevine may be informal, it's still an important source of information. A survey found that it's where 75% of employees hear about matters first.[10] A recent study shows that grapevine, or word-of-mouth, information from peers about a company has important effects on whether job applicants join an organisation.[11]

grapevine An organisation's informal communication network.

EXHIBIT 10.3 Small-group networks and effective criteria

	Network		
Criteria	**Chain**	**Wheel**	**All-channel**
Speed	Moderate	Fast	Fast
Accuracy	High	High	Moderate
Emergence of a leader	Moderate	High	None
Member satisfaction	Moderate	Low	High

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EXHIBIT 10.4 Suggestions for reducing the negative consequences of rumours

1. *Share* the information you have, and the information you don't—where there's good formal communication with much information, there's no need for rumours. When you don't know information that others are seeking, discuss when you will know and follow up.
2. *Explain*, explain, explain. As a manager, discuss what decisions are made and why they are made, as well as the plan going forward.
3. *Respond* to rumours noncommittally, and then verify for yourself the truths you can. Make certain to gather all sides of the story.
4. *Invite* employees to discuss their concerns, ideas, suggestions, thoughts and feelings about organisational matters. Help them frame their thoughts into more objective viewpoints.

The grapevine is an important part of any group or organisation communication network and is well worth understanding. It gives managers a feel for the morale of their organisation, identifies issues that employees consider important and helps tap into employee anxieties. The grapevine also serves employees' needs: small talk creates a sense of closeness and friendship among those who share information.

Can managers control the flow of small talk among followers? No. Should they want to? Maybe not. In addition to the opportunities for managers to learn from the grapevine, some forms of small talk provide prosocial motivation for employees to help each other achieve organisational goals. What they should do, however, is minimise the negative consequences of small talk by limiting their range and impact. Exhibit 10.4 offers a few suggestions about how to do this.

10.3 Contrast oral, written and non-verbal communication.

Modes of communication

Essentially, group members transfer meaning from one to the other using oral, written and non-verbal communication.

Oral communication

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

The advantages of oral communication are speed, feedback and exchange. We can convey a verbal message and receive a response in a minimal amount of time. If the receiver is unsure of the message, rapid feedback allows the sender to quickly detect and correct it. As one professional put it: 'Face-to-face communication on a consistent basis is still the best way to get information to and from employees'.[12]

The feedback we receive includes information and emotional content; however, we should acknowledge that we're usually bad listeners. Research indicates that we're prone to 'listener burnout', which means we tune the other person out and rush to offer advice. 'Good listeners overcome their natural inclination to fix the other's problems and to keep the conversation brief,' said Professor Graham Bodie. Active listening—in which we remove distractions, lean in, make eye contact, paraphrase and encourage the talker to continue[13]—helps us learn more and build trust if we are genuine and not judgemental.[14]

The major disadvantage of oral communication surfaces whenever a message has to pass through a number of people: the more people, the greater the potential distortion. If you've ever played the game 'Telephone', you know the problem. Each person interprets the message in their own way. The message's content, when it reaches its destination, is often very different from the original. In an organisation, where decisions and other communiqués are verbally passed up and down the authority hierarchy, there are considerable opportunities for messages to become distorted.

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Meetings

Meetings can be formal or informal, include two or more people and take place in almost any venue. Framing even our casual business interactions with others at meetings helps us stay focused on progress.

A key stumbling block of effective meetings is overuse of jargon[15] and qualifiers that undermine your words (e.g. phrases such as 'to be perfectly honest' or 'to tell the truth' imply that you aren't truthful the other 99% of the time!).[16]

Good interpersonal communication is important for making meetings effective. Some experts recommend using humour as an ice breaker; public relations firm Peppercomm offers stand-up comedy workshops to help businesses teach people how to use humour, even predicting improved team performance two years later.[17]

But what if you don't have a voice in meetings? We don't mean someone who is speaking or hearing disabled. Voice refers to the ability to contribute words of value to the meeting or other forum in the workplace.[18] By definition, voice challenges the status quo, supports others' viewpoints, adds constructively or is defensive/destructive.[19] As you can see, voice refers to the input and reactions of a person within the meeting, and the lack of voice creates a barrier to input (when no one is speaking, few people want to be the first to break the silence). A person without voice may have nothing to say, but research indicates that women in particular don't speak up in meetings even when they're in leadership positions, suggesting that certain group dynamics inhibit equal participation.[20] In addition, voice may also be affected by employees' self-evaluation, personal initiative, sense of responsibility and engagement, as well as workplace climate and the emotions and behaviour of their supervisor.[21] Without equitable participation, the benefits of meetings are questionable.

Videoconferencing and conference calling

Videoconferencing permits employees and clients to conduct real-time meetings with people in different locations. Live audio and video images let us see, hear and talk with each other without being physically in the same location.

You might assume people prefer videoconferencing to conference calling because video offers a more 'live' experience, but 65% of all remote meetings are done via audio only. For reasons not clearly understood (besides some people's reluctance to be on camera), the time people spend on audio-only calls may be growing almost 10% per year.[22] To address the pitfalls of videoconferencing and conference calls, experts offer the following suggestions:

1. Set more explicit agendas and firmer rules than for face-to-face meetings.
2. Have callers begin by introducing themselves, their roles in the project and what they're looking for in the meeting. They should also state their names each time they speak.
3. Leaders should talk 40% of the time and listen 60% of the time.
4. Distribute discussion questions before the meeting, and note the responses of each participant during the meeting.
5. Assign a moderator for the meeting (not the leader) and a secretary (again, not the leader).
6. Understand people's preferences for videoconferencing versus conference calling before the meeting and make sure everyone understands the technology. 'I cannot tell you how many times I've heard people say, "I don't know what's wrong with my webcam, so I'm just going to be here in voice" when they might just prefer conference calling,' says Laura Stack, author of *Execution Is the Strategy*.[23]

Telephone

The telephone has been around so long that we can overlook its efficiency as a mode of communication. Telephone communication offers many of the benefits of meetings, and the ringing of the phone can prompt immediate response. Phone calls can be formal meetings or informal chats, either scheduled or spontaneous. Communication by telephone is fast, effective and less ambiguous than email. However, telephone messages can be easily overlooked.

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Career OBjectives



Isn't this disability too much to accommodate?

I thought it was a good, responsible move when my manager hired a guy who is hearing-impaired … but now I'm not so sure. We do okay in communicating with him, mostly thanks to email and texting. None of us knows sign language but sometimes we spell out words with our hands. The problem is that the guy makes a lot of inappropriate noises—farts, burps, coughs, moans, you name it. Isn't this too much to put up with?

—Jackie

Dear Jackie,

In short: No. Workplace accommodation means more than simply tolerating a disabled worker's presence. Perhaps you might consider this from your deaf co-worker's point of view (by the way, *deaf* is the preferred term, according to Deaf Australia):

- *How are the communication conditions in which he has to work?* Are you being sure to include him in discussions by, say, assigning one of you to write down the important points for him and ask his opinions in meetings? Search for '10 annoying habits of hearing people' online to get a glimpse of his perspective.
- *Do you know what he thinks about your 'hand spelling'?* You may not know that Australian sign language (Auslan) is not simply English. Your co-worker probably doesn't appreciate your 'pigeon' sign language and may be offended by your attempts, but he would likely appreciate an effort for the group to learn some Auslan and/or use a translator. There are apps and online translators where you can type in a phrase and see someone sign your words on the screen, for instance.
- *It seems you might be attributing emotions to your co-worker when he makes noises—emotions he may not feel.* Do you think he is uncaring about his listening co-workers? It's much more likely that he simply doesn't realise he's making noises or thinks they are quieter than they are. Consider what it's like when you're in a loud room; you're probably less aware of your sounds than when you're in a quiet room where everyone can react.

If you can get past the barrier of thinking about how he should accommodate himself to your environment and instead show him how your group is willing to work to communicate with him, you may begin to develop an understanding of one another. Then, and only then, it would make sense to approach the noise problem respectfully and kindly, with a nonoffensive one-on-one. But before you do, search the Internet for tips on communicating with the deaf, and show him some respect.

SOURCES: Based on C. Swinbourne, 'The 10 annoying habits of hearing people', *The Huffington Post*, 17 September 2013; Deaf Australia website, <deafaustralia.org.au>; and R. Walker, 'An office distraction', *The New York Times*, 22 March 2015, p. 8.

Written communication

Written communication includes memos, letters, email, instant messaging, organisational newsletters and any other method that conveys written words or symbols.

Letters

With all the technology available, why would anyone write, print and send a letter? Of all the forms of written communication, letter writing is the oldest—and the most enduring. We have scrolls of writing from thousands of years ago, and we still put ink on paper when we want to create a lasting record. Research indicates that when we write by hand, the content is much more memorable to us than when we type.[24]

PowerPoint

PowerPoint and other slide formats, such as Prezi, can be an excellent mode of communication because slide-generating software combines words with visual elements to engage the reader and help explain complex ideas. PowerPoint is often used in conjunction

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with oral presentations, but its appeal is so intuitive that it can serve as a primary mode of communication. It's not without its detractors, however, who argue that it's too impersonal, disengaging and frequently misused.

Email

The growth of email since its inception nearly 50 years ago has been spectacular, and its use is so pervasive it's hard to imagine life without it. Recent research found there are more than 3.8 billion active email accounts worldwide (half the world's population),[25] and corporate employees average 105 emails each day.[26] Exhibit 10.5 shows the time managers and professionals spend daily on various tasks. Many managers report that they spend too much time on email. Email messages can be quickly written, edited, sent and stored. They can be distributed to one person or thousands although some companies (such as data company Nielsen) have banned the 'reply to all' feature.[27] Email is not without cost, however. In fact, according to research by global consultancy firm CIPHR, the average worker spends 13 hours a week on emails—that's almost 150 000 emails dealt with each minute.[28] A recent study also indicated that people focus longer on tasks and are less stressed when they're cut off from checking email, although other research suggests that email is only stressful for employees when their workload is already heavy.[29]

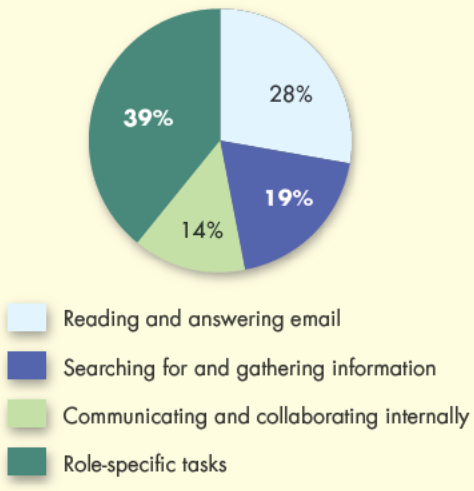
Instant messaging

Like email, instant messaging (IM) is a synchronous technology, meaning you need to be there to receive the message. If you're present when the IM comes in, you can respond in real time to engage in online typed dialogue. If you miss the incoming IM, you may be alerted when you next log on that a person tried to reach you. However, unlike with email, you're not usually expected to reply.

Text messaging

The guidelines for the business use of texting are still evolving but experts continually caution that business text language should be as formal as any other business communication. However, it's not advisable to use the level of informality and abbreviations we use in personal text messages, at work.[30]

EXHIBIT 10.5 Allocation of time at work for managers and professionals



SOURCE: Based on M. Chui et al., 'The social economy: unlocking value and productivity through social technologies', McKinsey & Company, July 2012, <www.mckinsey.com/insights/high_tech_telecoms_internet/the_social_economy>.

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Social media

Nowhere has communication been more transformed than in the rise of social networks such as Facebook and LinkedIn, and business is taking advantage of the opportunities these social media present. Many organisations have developed their own in-house social-networking applications, known as *enterprise social software*, and most have their own Facebook page and Twitter feeds.[31]

Global research has found that 93% of respondents thought that leaders using social media made better connections with customers, investors and employees (a 10% increase in two years).[32] They also found that 91% of respondents thought the use of social media enhanced leadership credibility (up 14% from two years earlier) and 90% of respondents thought it was an essential communication tool (up 10% from two years earlier).

So, do CEOs use social media effectively, or at all? Research today provides an indication that the majority of CEOs are still underutilising social media to advance their business interests.[33]

Unlike many social-media venues, LinkedIn was created as an online business network and, by 2016, was reported to have 467 million active users per month.[34] User profiles on the site are like virtual résumés. Communication is sometimes limited to endorsements of others' skills and establishment of business connections, although direct private communication is available and users can form and belong to groups. It is used increasingly by top CEOs and is the main popular network for them (22% of the top 50 companies' CEOs use LinkedIn).[35]

Twitter is a hybrid social-networking service for users to post 'micro-blog' entries of 280 characters to their followers about any topic, including work.

While there were 330 million Twitter users per month globally by the end of 2017 (an increase of 4% on the previous year), Australian CEOs appear to have a small but growing presence. In one 2018 study of Australia's 100 biggest listed and private companies ranked according to their public profile, only 24% of these 100 CEOs reported using Twitter.[36] In a study a year earlier, when the research was restricted to Australia's largest listed companies, the figure was 35%, with only one tweet posted per week on average.[37] Compared with other countries, the 2017 report ranked Australian CEOs fourth in terms of total presence on Twitter (and LinkedIn), sitting behind France, Norway and the Czech Republic respectively.

Australia's Andy Penn, CEO of Telstra, was ranked the third most popular (with 40 000 followers) behind Tim Cook (Apple) (more than 5 million followers) and Sergei Galitsky (Magnit) (167 000 followers).

While these numbers are encouraging, it's been consistently argued that by not using Twitter, too many Australian CEOs deny themselves a key means of communicating with customers, staff and the business community.

As Harvard professor and former Medtronic CEO Bill George noted, 'Can you think of a more cost-effective way of getting to your customers and employees?'[38]

Having many followers can be an advantage to a firm or a manager, but a huge liability when posts (tweets) are badly written or negative.

LinkedIn and Twitter are two of the most widely used social-media platforms for businesses, but they're not the only ones. Apps—easily accessed mobile-friendly platforms—are increasingly the forum of choice for the public. Some websites have apps, while other apps exist without corresponding websites. One of the biggest apps is WhatsApp, at 1.5 billion active monthly users globally.[39] Apps are most popular in regions where mobile phone usage is primary.[40] Asia has the world's largest number of social-media users, and apps play a large role in that part of the world through Line (Japan), WeChat (China) and Kakao (South Korea).[41] As an example of its ubiquity, WeChat had just over 1 billion active users in the third quarter of 2018.[42]

Blogs

A blog (short for web log) is a website about a single person or company. The growth of blogs is remarkable. In the 5-year period from 2011 to 2016, the number of worldwide blogs rose from 35.8 million to 178 million.[43]

Experts see blogging as a business necessity for organisations, so it should not be overlooked as a vital form of communication to employees and customers, who can post feedback if they choose.[44] However, outdated blogs look bad to employees, customers and the public, so new ones must be added continually to maintain relevancy.

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Myth or science?



'Today, writing skills are more important than speaking skills'

Never before have the writing skills of managers and employees been more on display. Whether we are tapping a keyboard or a screen, our communication with others is often unedited. (Thank goodness for spellcheck.) With all the written communication methods we currently employ, it would be easy to think upper management values writing skills over speaking skills. However, evidence suggests this is not the case.

As we discussed in Chapter 1, soft skills matter most to employers, regardless of industry. According to Nick Schultz of the American Enterprise Institute, 'Considerable evidence suggests that many employers would be happy just to find applicants who have the sort of "soft" skills that used to be almost taken for granted'. Although 'soft skills' refers to all interpersonal skills evident through speaking and writing, such skills are most on display in one-on-one discussions, interviews, meetings and presentations. The ability to speak well, particularly English, has become a job prerequisite for many multinational corporations.

The good news is that speaking ability—knowledge of when to speak, how to speak, how to sound, what to say—can be improved through training. According to leadership coach and author Kristi Hedges, most people can train on their own and don't need formal presentation classes. Speaking well hinges on clarity and sincerity of expression, so you can make significant improvements by researching speaking techniques, watching videos of practice sessions and practising new techniques in meetings. If learning to speak a foreign language fluently is a problem, full immersion through overseas assignments to native-speaking territories can be helpful if it is an option, as well as listening to and mimicking television and radio broadcasts in the other language. While it is a mistake to believe that writing skills have become more important than speaking skills, we can all make significant improvements in our verbal communications relatively quickly.

SOURCES: R. J. Aldrick and J. Kasuku, 'Escaping from American intelligence: culture, ethnocentrism and the Anglosphere', *International Affairs*, September 2012, pp. 1009–28; K. Hedges, 'Confessions of a former public speaking trainer: don't waste your money', *Forbes*, 19 April 2012; and N. Schultz, 'Hard unemployment truths about "soft" skills', *The Wall Street Journal*, 20 September 2012, p. A15.

Other forms of online communication

Flickr, Pinterest, GoogleOne, YouTube, Wikis, Jive, Socialtext and Social Cast are just a few of the many public and industry-specific social platforms, with new ones launching daily. Some are designed for only one or two types of posting: YouTube accepts only videos, for instance, and Flickr only videos and images.

Other sites have a particular culture, such as Pinterest's informal posts sharing recipes or decorating tips. The business applications have not been fully realised yet, but soon there will probably be at least one social-media site tailored to every type of business communication.

Non-verbal communication

Every time we deliver a verbal message, we also impart a non-verbal message.[45] Sometimes the non-verbal component may stand alone as a powerful message of our business communication. So, no discussion of communication would be complete without consideration of non-verbal communication, which includes body movements, the intonations or emphasis we give to words, facial expressions and the physical distance between the sender and the receiver.

We could argue that every body movement has meaning, and no movement is accidental (although some are unconscious). We act out our state of being with non-verbal body language. We can smile to project trustworthiness, uncross our arms to appear approachable and stand to signal authority.[46] Body language can convey status, level of engagement and emotional state.[47] Body language adds to, and often complicates, verbal communication. A body position or movement can communicate something of the emotion behind a message, but when it is linked with spoken language, it gives fuller meaning to a sender's message. Studies indicate that people read much more about other people's attitudes and emotions from their non-verbal cues than from their words. If the non-verbal cues conflict with the speaker's verbal message, the non-verbal cues are sometimes more likely to be believed by the listener.[48]

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EXHIBIT 10.6 Intonations: it's the way you say it!

Change your tone and you change your meaning:

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

SOURCE: Based on M. Kiely, 'When "no" means "yes"', *Marketing*, October 1993, pp. 7–9. Reproduced in A. Huczynski and D. Buchanan, *Organizational Behavior* (4th edn), Essex, UK: Pearson Education, 2001, p. 194.

If you read the minutes of a meeting, you wouldn't grasp the impact of what was said at the meeting in the same way as if you had been there or could see the meeting on video. There may be a range of reasons for this, including that the minutes are a record of events, as perceived and interpreted by the minute writer and endorsed by the meeting's chair. However, there's also no record of non-verbal communication. The emphasis given to words or phrases is missing. Exhibit 10.6 illustrates how intonations can change the meaning of a message. Facial expressions also convey meaning. Facial expressions, along with intonations, can show arrogance, aggressiveness, fear, shyness and other characteristics.

Physical distance also has meaning. What's considered proper spacing between people largely depends on cultural norms. A businesslike distance in some European countries may feel intimate in parts of Australia. If someone stands closer to you than is considered appropriate, it may indicate aggressiveness or sexual interest; if they stand further away, it may signal disinterest or displeasure with what's being said. A meeting member or a politician swivelling their chair so that they're not facing whoever is speaking can show contempt or disinterest.

10.4 Describe how channel richness underlies the choice of communication method.

Choice of communication method

Why do people choose one channel of communication over another—say a phone call rather than a face-to-face talk? A model of media richness helps explain channel selection among managers.[49]

Channel richness

Channels differ in their capacity to convey information. Some are rich in that they can handle multiple cues simultaneously, facilitate rapid feedback and be very personal. Others are lean in that they score low on these factors. As Exhibit 10.7 illustrates, face-to-face conversation scores highest in channel richness because it transmits the most information per communication episode: multiple information cues (words, postures, facial expressions, gestures, intonations), immediate feedback (both verbal and non-verbal) and the personal touch of 'being there'. Impersonal written media, such as formal reports and bulletins, rate lowest in richness.

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

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Choosing communication methods

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

Channel richness is a helpful framework for choosing your mode of communication. It isn't always easy to know when to choose oral rather than written communication, for instance, although experts say oral communication is key to success.

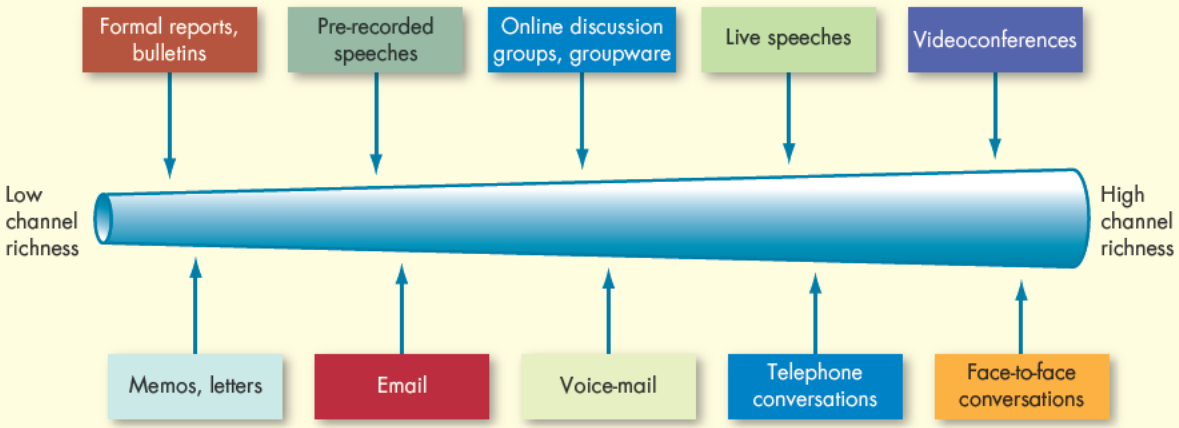
Whenever you need to gauge the receiver's receptivity, oral communication is usually the better choice. The marketing plan for a new product, for instance, may need to be worked out with clients in person so that you can see their reactions to each idea you're proposing. Also consider the receiver's preferred mode of communication; some individuals focus on content better over the phone than in meetings. The pace of your work environment matters, too. A fast-paced workplace may thrive on pop-by meetings, while a deadline-heavy team project may progress faster with scheduled videoconferences.

Much of what we communicate face-to-face is in the delivery, so also consider your speaking skills when choosing your communication method. Research indicates that the sound of your voice is twice as important as what you're saying. A good speaking voice—clear, moderated—can assist your career, while loud, questioning, irritating, immature, falsetto, breathy or monotone voices can hinder you.[50]

Written communication is generally the most reliable mode for complex and lengthy communications, and it can be the most efficient method for short messages as well, such as when a two-sentence text can take the place of a 10-minute phone call.

Choose written communication when you want the information to be tangible and verifiable and 'on the record'. People are usually forced to think more thoroughly about what they want to convey in a written message than in a spoken one, so your written communications should also be well thought out, logical and clear. But be aware that, as with

EXHIBIT 10.7 Information richness of communication channels



SOURCE: R. L. Daft and R. A. Noe, *Organizational Behavior*, Fort Worth, TX: Harcourt, 2001, p. 311.

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oral communication, your delivery is just as important as the content. Managers report that grammar mistakes and lack of business formality are unprofessional. 'People get passionate about grammar,' corporate writing instructor and author Jack Appleman noted. A recent study found that 45% of employers were adding training programs to teach grammar and communication skills.[51] Others argue that the use of social-media jargon and abbreviations is good for business. For your professional success, know your audience when possible, and use good grammar.

Letters are used in business primarily for networking purposes and when signatures need to be authentic. A handwritten thank-you note is never a wrong choice for an applicant to send after an employment interview, for instance, and handwritten envelopes are often put on the receiver's desk unopened by administrative staff. Although electronic written communication provides authentication by indicating the sender and date/time sent, a handwritten signature is still preferred, and sometimes required, for letters and contracts. Increasingly, electronic signatures are being used on business documents.

Use of more virtual communication carries its own challenges.[52] In general, respond to instant messages only when they're professional, and initiate them only when you know they'll be welcome. Remember that the information conveyed in an IM is more public than you might want (you can't be sure who's reading it), and that your conversation will not be stored for later reference.

There are significant gains and challenges from the introduction of text messaging in business settings. Texts are cheap to send and receive, and the willingness to be available for quick communications from clients and managers is conducive to good business. However, some users—and managers—view text messaging as intrusive and distracting. The rules of business etiquette are not yet established, resulting in offences ranging from texting at unreasonable hours to serial texting in bursts of short messages that keep receivers' phones buzzing annoyingly. Such a continual presence can also make it hard for employees to concentrate and stay focused.

Because instant messages can be intercepted easily, many organisations are concerned about the security of texting. For these reasons, it's best to severely limit personal text messages during office hours and to be cautious in using texting for business purposes.

Use of email also needs careful consideration. Here are some issues to consider when choosing email:

- *Risk of misinterpreting the message*. Research suggests that we can accurately decode an email's intent and tone only 50% of the time, yet most of us vastly overestimate our ability to send and interpret clear messages. When formulating a text message, make sure you re-read it for clarity first.[53]
- *Fallout from negative messages*. In Australia, the Fair Work Commission has ruled that to dismiss an employee other than face-to-face is 'unnecessarily callous'.[54] Professionals in today's organisations need to be careful when communicating negative messages via email.
- *Time-consuming nature*. Sorting and reading emails takes a long time. Writing emails can take even longer. Experts suggest the following strategies:

  — Don't check email in the morning.
  — Check email in batches, not throughout the day.
  — Unsubscribe to the extra clutter of e-newsletters and product endorsements.

- *Limited expression of emotions*. Some researchers say the lack of visual and vocal cues means emotionally positive messages, such as those including praise, will be seen as more emotionally neutral than the sender intended.[55] Email tends to have a disinhibiting effect on people; without the recipient's facial expression to temper their emotional expression, senders write things they would never be comfortable saying in person. When others send flaming messages, remain calm and try not to respond in kind. Try to see the message from the other party's point of view.[56]

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- *Privacy concerns.* There are many privacy issues with email.[57] First, your emails may be monitored. The growing field of digital forensics focuses on investigating emails from all company devices (computers, smartphones, etc.) sent by employees, particularly on emails sent to an organisation's competitors.[58] For these reasons, you shouldn't write anything you wouldn't want made public.
- *Professionalism.* It's important to not let the informality of text messaging spill over into business emails. Many prefer to keep business communication relatively formal.[59] Avoid jargon and slang, use formal titles, use formal email addresses for yourself, make your message concise and ensure it's well written.

As we saw earlier, at the corporate level, the returns on using social media are mixed. Some of the most spectacular gains are in the sales arena, both business-to-public and business-to-business. For instance, one sales representative for virtual-meetings company PGi landed his fastest sale ever by instantly connecting with a potential client after TweetDeck alerted him that a CEO was tweeting his frustration about web conferencing.[60] Social media is also increasingly utilised for recruitment and talent acquisition.

Whether to choose to use a social-media outlet for business purposes depends on business considerations: does the social-media outlet support the organisation's and your efforts? As a manager, you should 'think about business issues first, and then talk about technology second,' advises Oracle director Steve Boese.[61]

The same is true for employees. Collaborative and learning opportunities gained through your participation in corporate social networking can be a big benefit to your career and the organisation.

Some companies have policies governing the use of social media, but many don't. It's difficult for management to control the content employees post; even well-intentioned employees post comments that could be construed as harmful to their company's reputation or that reveal confidential or sensitive information. Software that mines social media sites can check up on a job applicant, and the growing field of digital forensics helps investigate potential problems with current employees, but cybersleuthing can be time-consuming and expensive.[62] And acting on violations of an organisation's social media policy is tricky. Therefore, if you want to use social media for business purposes as a manager, make certain you're connected with all levels of management engaged in the effort.

Information security

Security is a huge concern for nearly all organisations with private or proprietary information about clients, customers and employees. Organisations worry about the security of the electronic information they seek to protect, such as hospital patient data, the physical information they still keep in file cabinets and the information they entrust their employees with knowing, such as Apple's need-to-know-only information sharing. The recent adoption of cloud-based electronic data storage has brought a new level of worry and, given 51% of managers in a recent survey stated that they were considering cloud-based human resources software, its business use will likely increase.[63] However, fears about cloud computing continue in the light of multiple cyber-security breaches. Australia introduced a notifiable breaches scheme in early 2018 and within the first 6 months there were 487 reported breaches, including the widely publicised breaches at the Australian Government's My Health Record, Facebook, Amazon and the Commonwealth Bank of Australia .[64]

As we've seen, most companies actively monitor employee Internet use and email records, and some even use video surveillance and record phone conversations. However, practices such as these can seem invasive to employees. An organisation can relieve employee concerns by engaging them in the creation of information-security policies and giving them some control over how their personal information is used.[65]

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Ethical choice



Lying the right way: an ethical case for deceitful communication

We have focused on how we can make our communication more effective, but when might it be okay not to be effective in our communication or even be effective in deceitful communication?

It might be anticipated that deliberately ineffective or deceptive communication is as ubiquitous in business as in everyday life. And yet, when it comes to business communication, the general expectation is that leaders and managers should and will engage in non-deceptive communication when dealing with employees, customers and stakeholders.

Ethical communication generally involves choosing the correct medium to deliver the message, delivering fact-based messages truthfully and accurately, and recognising the short-term and long-term consequences of the communication. Modern organisations now herald organisational codes of conduct that espouse corporate values such as honesty, integrity, respect, accountability and equity, all of which extend to business communication.

From an ethical perspective, some might consider lying or engaging in deceptive communication to always be wrong; others might consider it acceptable if it's 'for the greater good', while others might consider all such conduct as wrong while recognising that some deception is 'helpful' and thereby pardonable. In more recent times, we hear of 'spinning' the truth—not quite the truth but not quite a lie—withholding vital facts or polishing the ones that are revealed in a generous light.

Telling the truth or the whole truth can cause panic, distress and low morale. Business leaders have been known to be 'economical' with the truth with employees, in a case of a company financial crisis or through a change initiative, or even to protect the company and preserve its reputation.

But there continues to be widespread public concern around deceptive communication in the workplace, particularly in the current age of increased reporting of corporate misconduct and where transparency and honesty now appear to be the demanded norm.

However, one series of studies suggests that there are occasions when it's ethical to deceive and not tell the truth.

These studies recognised that while deception is generally considered to be self-serving, there are circumstances when it can be benevolent in nature and can represent a form of ethical communication that builds trust and boosts morale.

For these circumstances to exist, the research concluded that it was essential that the deceiver (1) *knows* that the target of the deception is better off with a lie, (2) *knows* that the target of the deception prefers comfort rather than candour and (3) is *confident* that the target of the deception knows you're looking after them. For example, these conditions might prevail in the case where a senior manager communicates severe criticism of a junior employee's risk-taking behaviour to that employee's immediate supervisor. The supervisor may choose not to pass the criticism on to the employee because they believe the employee is generally performing at a satisfactory level, and that such criticism would be demoralising and unhelpful to the employee's overall development.

If this isn't the case, the researchers concluded 'truth-telling' is always necessary if strong resentment from the deceived party is to be avoided.

However, if all preconditions were present, perhaps paradoxically, the studies revealed that the target of the deceit found the deceiver to be more moral when perceived to be deceiving for benevolent purposes.

For the study's authors, benevolence trumped honesty every time since, in their words, 'hypocrisy breeds resentment and rebellion, while benevolence begets trust'.

They suggest we all must learn to master how to 'lie the right way' and argue that this will help build businesses, networks, trust and morale.

SOURCES: W. Yakowicz, 'Why honesty is not always the best policy at work', 19 September 2014, <www.inc.com/will-yakowicz/honesty-is-not-the-best-policy.html>; M.J. Lupoli, E.E. Levine and A.E. Greenberg, 'Paternalistic lies', *Organisational Behavior and Human Decision Processes*, vol.146, May 2018, pp. 31–50; R. Mayhew, 'What are key principles of ethical communication?', bizfluent, 11 June 2018; A. E. Greenberg, E. E. Levine and M. J. Lupoli, 'When is it OK to tell a well-meaning lie?', *Harvard Business Review*, 4 September, 2018; and C. Shortsleeve, 'Honesty isn't always the best policy in relationships. Here's when experts say it might be better to lie', *Time*, 2 October 2018.

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Persuasive communications

10.5 Differentiate between automatic and controlled processing of persuasive messages.

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

Automatic and controlled processing

To understand the process of communication, it's useful to consider two relatively different ways that we process information.[66] Think about the last time you bought a can of soft drink. Did you carefully research brands and engage in your own taste test to see which types you actually prefer? Or did you reach for the can that had the most appealing advertising images? If we're honest, we'll admit glitzy ads and catchy slogans do indeed have an influence on our choices as consumers. We often rely on automatic processing, a relatively superficial consideration of evidence and information making use of heuristics such as those we discussed in Chapter 6. Automatic processing takes little time and effort, so it makes sense to use it for processing persuasive messages related to topics we don't care much about. The disadvantage is that it lets us be easily fooled by a variety of tricks, such as a catchy jingle or glamorous photograph.

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

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

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

So what makes someone engage in either automatic or controlled processing? There are a few rules of thumb for determining what types of processing an audience will use.

Interest level

One of the best predictors of whether people will use an automatic or a controlled process for reacting to a persuasive message is their level of interest in the message.[67] Interest levels reflect the impact a decision is going to have on your life. When people are very interested in the outcome of a decision, they're more likely to process information carefully. That's probably why people look for so much more information when deciding about something important (such as where to live) rather than something relatively unimportant (such as which soft drink to buy).

Prior knowledge

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

Personality

Are you the type of person who always likes to read at least five reviews of a movie before deciding whether to see it? Do you carefully consider several movies before making a choice? Perhaps you even research recent films by the same stars and director. If so, you're probably high in need for cognition, a personality trait of individuals who are most likely to be persuaded by evidence and facts.[68] Those who are lower in need for cognition are more likely to use automatic processing strategies, relying on intuition and emotion to guide their evaluation of persuasive messages.

Message characteristics

Another factor that influences whether people use an automatic or a controlled processing strategy is the characteristics of the message itself. Messages provided through relatively lean communication channels, with little opportunity for users to interact with the content of the message, tend to encourage automatic processing. For example, television advertisements are too fast for really deliberative thought and we will automatically process these. Conversely,

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messages provided through richer communication channels, such as a long magazine article, tend to encourage more deliberate processing.

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

10.6 Identify common barriers to effective communication.

Barriers to effective communication

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

Filtering

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

Filtering refers to a sender purposely manipulating information so the receiver will see it more favourably. A manager who tells their boss what they feel the boss wants to hear is filtering information.

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

Selective perception

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

Information overload

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

Individuals have a finite capacity for processing data. When the information people have to work with exceeds their processing capacity, the result is information overload, and dealing with it has become a huge challenge for individuals and for organisations. It's a barrier to communication that people can manage—to some degree—by following the steps outlined earlier in the chapter.

When individuals have more information than they can sort out and use they tend to select, ignore, pass over or forget information. Or they may put off further processing until the overload situation is over. In any case, the result is lost information and less effective communication. This makes it all the more important to deal with information overload. It may make sense to think about reducing exposure to technology to avoid letting the latest incoming message disturb your work and re-order your day's schedule. One radical way is to limit the number of devices you access. For example, international brewer Coors moved its sales teams from laptops plus other devices to just iPads, resulting in increased productivity.

Emotions

People often interpret the same message differently when they're angry or distraught than they would when they're happy. For example, individuals in positive moods are more confident about their opinions after reading a persuasive message, so well-crafted arguments have

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stronger impacts on their opinions.[69] People in negative moods are more likely to scrutinise messages in greater detail, whereas those in positive moods tend to accept communications at face value.[70] Extreme emotions such as jubilation or depression are most likely to hinder effective communication. In such instances, people are most prone to disregard their rational and objective thinking processes and substitute emotional judgements.

Language

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

When Michael Schiller, a business consultant, was talking with his 15-year-old daughter about where she was going with her friends, he told her: 'You need to recognise your ARAs and measure against them'. Schiller said that, in response, his daughter 'looked at him like he was from outer space'. (For the record, ARA stands for accountability, responsibility and authority). Those new to corporate jargon may find acronyms such as ARA, words such as 'skeds' (schedules) or 'deliverables' (verifiable outcomes of a project) and phrases such as 'get the low-hanging fruit' (deal with the easiest parts first) bewildering, in the same way that parents may be mystified by teen slang.[71]

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

Silence

It's easy to ignore silence or a lack of communication, precisely because it's defined by the absence of information. Employees are more likely to be silent if they are being mistreated by managers, are experiencing frequent negative emotions and rumination, or feel like they have less power in the organisation.[72] Silence can also be a simple outcome of information overload or a period of delay for considering a response. For whatever reasons, research suggests using silence and withholding communication are common and problematic.[73] One survey found that more than 85% of managers reported remaining silent about at least one issue of significant concern.[74] Employee silence means that managers lack information about ongoing operational problems. And silence regarding discrimination, harassment, corruption and misconduct means that top management can't take action to eliminate this behaviour.

Silence is less likely where minority opinions are treated with respect, work–group identification is high, and high procedural justice prevails.[75] Practically, this means that managers must make sure they behave in a supportive manner when employees voice divergent opinions or express concerns, and give the concerns due consideration. One act of ignoring or belittling an employee for expressing concerns may well lead the employee to withhold important future communication.

Communication apprehension

An estimated 5–20% of the population[76] suffers debilitating communication apprehension, or social anxiety.[77] These people experience undue tension and anxiety in oral communication, written communication or both.[78] They may find it extremely difficult to talk with others face-to-face or become extremely anxious when they have to use the telephone, instead relying on emails when a phone call would be faster and more appropriate.

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

Studies show that oral-communication apprehensives avoid situations for which oral communication is a dominant requirement,[79] such as teaching.[80] But almost all jobs require some oral communication. Of greater concern is evidence that high oral-communication apprehensives distort the communication demands of their jobs in order to minimise the need for communication.[81] So, be aware that some people severely limit their oral communication and rationalise this practice by telling themselves it isn't necessary in order to do their job effectively.

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Lying

The final barrier to effective communication is outright misrepresentation of information, or lying. People differ in their definition of what constitutes a lie. For example, is deliberately withholding information about a mistake you made a lie, or do you have to actively deny your role in the mistake to pass the threshold of deceit? While the definition of a lie will continue to befuddle both ethicists and social scientists, there's no denying the prevalence of lying. In one diary study, the average person reported telling one to two lies per day, with some individuals telling considerably more.[82] Compounded across a large organisation, this is an enormous amount of deception happening every single day! Evidence also shows that people are more comfortable lying over the phone than face-to-face and more comfortable lying in emails than when they have to write with pen and paper.[83]

Can you detect liars? Despite a great deal of investigation, research generally suggests most people are not very good at detecting deception in others.[84] The problem is, there are no non-verbal or verbal cues unique to lying—averting your gaze, or pausing and shifting your posture can also be signals of nervousness, shyness or doubt. Moreover, most people who lie take a number of steps to guard against being detected, so they might deliberately look a person in the eye when lying because they know that direct eye contact is (incorrectly) assumed to be a sign of truthfulness. Finally, many lies are embedded in truths; liars usually give a somewhat true account with just enough details changed to avoid detection.

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

10.7 Discuss how to overcome the potential problems in cross-cultural communication.

Cultural factors

Effective communication is difficult under the best of conditions. Cross-cultural factors clearly create the potential for increased communication problems. A gesture that's well understood and acceptable in one culture can be meaningless or lewd in another. Only 18% of companies have documented strategies for communicating with employees across cultures, and only 31% require that corporate messages be customised for consumption in other cultures.

Cultural barriers

Researchers have identified a number of problems related to language difficulties in cross-cultural communications.[85]

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

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

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

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

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Cultural context

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

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

Cultures tend to differ in the degree to which context influences the meaning that individuals take from communication.[86] In high-context cultures, such as China, Korea, Japan and Vietnam, people rely heavily on non-verbal and subtle situational cues in communicating with others, and a person's official status, place in society and reputation carry considerable weight. What is *not* said may be more significant than what *is* said. In contrast, people from Europe and Australia reflect low-context cultures. They rely essentially on spoken and written words to convey meaning; body language and formal titles are secondary (see Exhibit 10.8).

What do these contextual differences mean in terms of communication? Actually, quite a lot. Communication in high-context cultures implies considerably more trust by both parties. What may appear to be casual and insignificant conversation in fact reflects the desire to build a relationship and create trust. Oral agreements imply strong commitments in high-context cultures. And who you are—your age, seniority, rank in the organisation—is highly valued and heavily influences your credibility. Managers tend to 'make suggestions' rather than give orders.

But in low-context cultures, enforceable contracts tend to be in writing, precisely worded and highly legalistic. Similarly, low-context cultures value directness. Managers are expected to be explicit and precise in conveying intended meaning.

A cultural guide

There's much to be gained from business intercultural communications. It's safe to assume that every single one of us has a different viewpoint that's culturally shaped. Because we do have differences, we have an opportunity to reach the most creative solutions possible with the help of others if we communicate effectively.

According to Fred Casmir, a leading expert in intercultural communication research, we often don't communicate well with people outside of our culture because we tend to generalise from only knowing their cultural origin. This can be insensitive and potentially disastrous, especially when we make assumptions based on observable characteristics. Many of us have a richly varied ethnic background and would be offended if someone addressed us according to what culture our physical features might favour, for instance. Also, attempts to be culturally sensitive to another person are often based on stereotypes propagated by media. These stereotypes usually don't have a correct or current relevance.

Casmir noted that because there are far too many cultures for anyone to understand completely, and individuals interpret their own cultures differently, intercultural communication should be based on sensitivity and pursuit of common goals. He found the ideal condition is an ad hoc 'third culture' that a group can form when they seek to incorporate aspects of each member's cultural communication preferences. The norms this subculture establishes through

EXHIBIT 10.8 High-context versus low-context cultures



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appreciating individual differences create a common ground for effective communication. Intercultural groups that communicate effectively can be highly productive and innovative. Casmir and other experts offer the following suggestions to reduce misinterpretations when communicating with people from a different culture:

1. *Know yourself.* Recognising your own cultural identity and biases is critical to understanding the unique viewpoint of other people.
2. *Foster a climate of mutual respect, fairness and democracy.* Clearly establish an environment of equality and mutual concern. This will be your 'third culture' context for effective intercultural communication that transcends each person's cultural norms.
3. *Learn the cultural context of each person.* You may find more similarities to or differences from your own frame of reference than you might expect. Be careful not to categorise them by culture of origin, however.
4. *When in doubt, listen.* If you speak your opinions too early, you may be more likely to offend the other person. You'll also want to listen first to better understand the other person's intercultural language fluency and familiarity with your culture.
5. *State facts, not your interpretation.* Interpreting or evaluating what someone has said or done draws more on your own culture and background than on the observed situation. If you state only facts, you'll have the opportunity to benefit from the other person's interpretation. Delay judgement until you've had sufficient time to observe and interpret the situation from the differing perspectives of all concerned.
6. *Consider the other person's viewpoint.* Before sending a message, put yourself in the recipient's shoes. What are their values, experiences and frames of reference? What do you know about their education, upbringing and background that can give you added insight? Try to see the people in the group as they really are first, and take a collaborative problem-solving approach whenever potential conflicts arise.
7. *Proactively maintain the identity of the group.* Like any culture, the establishment of a common-ground 'third culture' for effective intercultural communication takes time and nurturing. Remind members of the group of your common goals, mutual respect and the need to adapt to individual communication preferences.[87]

Summary

You've probably discovered the link between communication and employee productivity, engagement and satisfaction in this chapter: the greater the clarity, the better the employee outcomes. Distortions, ambiguities and incongruities between verbal and non-verbal messages all increase uncertainty and reduce effectiveness. Careful attention to the methods and modes for each communication ensures that the message is interpreted properly by the receiver.

Implications for managers

- Remember that your communication mode will partly determine your communication effectiveness.
- Obtain feedback from your employees to make certain your messages—however they are communicated—are understood.
- Remember that written communication creates more misunderstandings than oral communication; communicate with employees through in-person meetings when possible.
- Make sure you use communication strategies appropriate to your audience and the type of message you're sending.
- Keep in mind communication barriers such as culture and an individual's capacity and psychology.

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MONITORING EMPLOYEE SOCIAL MEDIA

POINT

Everyone uses social media. Well, almost everyone: recent reports suggest that between 2.6 and 3.2 billion people around the world access social media, with the greatest social-media penetration reported in the United States (70%), Northern Europe (66%) and East Asia (64%). Australia sits at 55% penetration.

Organisations that don't follow their employees' social-media presence are missing an opportunity to expand their business and strengthen their workforce. With social media, the potential scope of employee influence in the outside world is hugely increased, and the company can monitor and identify employees with the best endorsement potential. Employees savvy about social media can have a substantial positive effect on the bottom line.

Monitoring employees' social-media presence can also strengthen the workforce by identifying the best talent. Managers can look for potential online celebrities—frequent bloggers and Twitter users with many followers—to approach for co-branding partnerships. Scrutiny can also help employers detect employee workplace concerns and help anticipate employee problems. That can spill over into the workplace.

Employee monitoring is considered a useful tool in combatting cyber attacks and avoiding data leaks; in preventing damage to the employer's reputation through negative comments by employees on social media; and in preventing employer vicarious liability for conduct of its employees on social-media sites (even where the offending conduct was outside of the office and office hours).

For these reasons, managers may want to monitor employees' social-media postings and to act upon infringements of company policies. Many do so already.

A job candidate's social-media presence provides one more input to hiring and retention decisions that many companies already take advantage of. In reality, there's no difference between the employee and the person—they're one and the same, on or off working hours.

Managers should therefore develop enforceable social-media policies and create a corporate infrastructure to regularly research and monitor social-media activity. The potential increase in business and limit on liability is ample return for dedicating staff and work hours to building a successful monitoring program.

COUNTERPOINT

There's little to be gained and much to be lost when organisations follow candidates' and employees' presence on social media. The risk of legal liability for this intrusion on privacy is growing despite Australia being regarded as one of the easiest countries for employers to monitor their workers, second only to the United States.

A recent White Paper revealed that the automated monitoring of employee e-communications is generally permissible under Australian law provided the legislation is followed, but there's no 'express consent' needed from the employee. If an employer wanted to monitor an employee's social media, there are some compliance obligations to be performed, but it's still permissible. Failure to follow its obligations may give rise to a costly legal case from an employee.

Recruiting managers who check candidates' social-media postings can find information that may affect the hiring decision, but to use such information might also expose a company to a costly legal claim, if doing so breaches employment laws, including discrimination laws.

Furthermore, managers are ill-equipped to monitor, interpret and act upon employees' social-media postings, and few have any experience or training in using the medium for business use.

In any event, an employee's online image doesn't reveal much of use to the company—certainly not enough to warrant the time and money a business would spend on monitoring.

Also, employees have a right to a professional image and a private image and, unless the company is 'friended', employers should stay out of employees' personal business.

As they're used as private, recreational venues, Facebook and other sites should be regarded with the same respect as would membership of a club, if violation of employees' privacy is to be avoided.

Using employees' personal social media presence as a marketing tool is also unethical because employees should not be expected to expand the company's client base through their personal contacts, nor should they be expected to endorse the company after working hours.

SOURCES: S. F. Gale, 'Policies must score a mutual like', *Workforce Management*, August 2012; R. Huggins and S. Ward, 'Countries with the highest percentage of adults who use social networking sites', *USA Today*, 8 February 2012, p. 1A; A. L. Kavanaugh, E. A. Fox, S. D. Sheetz, S. Yang, L. T. Li, D. J. Shoemaker et al., 'Social media use by government: from the routine to the critical', *Government Information Quarterly*, October 2012, pp. 480–91; S. Johnson, 'Those Facebook posts could cost you a job', *San Jose Mercury News*, 16 January 2012; S. Kemp, 'Digital in 2018: World's Internet users pass the 4 billion mark', *We Are Social* and *Hootsuite*, 30 January 2018; G. Nott, 'Legally snooping on employees a doddle in Australia, finds law firm analysis', *CIO from IDG*, 19 February 2018; H. Pearson and J. Denvil, 'Managing Workforce Cyber Risk in a Global Landscape: A Legal Review', White Paper by Hogan Lovells, commissioned by Forcepoint; P. Williams, 'Why your boss is allowed to read your emails and check your browser history', *ABC News*, 3 September 2018; and 'Number of social network users worldwide from 2010 to 2021 (in billions)', *Statista*, <www.statista.com/statistics/278414/number-of-worldwide-social-network-users/>.

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Questions for review

1. What are the functions and process of communication?
2. What are the communication differences between downward, upward and lateral communication sent through small-group networks and the grapevine?
3. What are the methods of oral, written and non-verbal communication?
4. How does channel richness underlie the choice of communication method?
5. What is the difference between automatic and controlled processing of persuasive messages?
6. What are some common barriers to effective communication?
7. How do you overcome the potential problems of cross-cultural communication?

Application and employability

The ability to communicate messages to others effectively is vital to succeeding in the workplace. Communication allows us to manage group members, provide and receive feedback, share our emotions, persuade others and exchange information. A strong understanding of how to communicate effectively with others can help you be a better co-worker by enabling you to set goals, coordinate with a team and continually improve through feedback. In this chapter, you learned better communication and analysis skills by assessing whether organisations still value oral communication, understanding how to communicate with someone who is deaf, and studying the pros and cons of employees using social media. In the remainder of the chapter, you'll discover the difficulties of emotional sharing through email, learn about gender differences in communication style, and look at techniques for managing gossip in the workplace.

Experiential exercise

CONVEYING TONE THROUGH EMAIL

Pair off with someone you haven't worked with before.

In this exercise, you'll pretend that you work for a small airconditioning company. Occasionally one of your co-workers, Daniel, asks you to visit clients when they have an issue. Because this is not an official part of your job, you do this as a favour to Daniel and feel comfortable turning down his requests if you're unable to help him. When you're about to leave to go to lunch, you see the following email.

Subject: Issue with Phillips Park Animal Kennel Air Conditioning

Good afternoon,
You mentioned that you're picking up lunch at that burger place in Phillips Park. I just got a call from the Phillips Park Animal Kennel. The air conditioner we just installed went out this morning. Do you think you could go over there before you pick up lunch to smooth things over? A service technician can't make it out there until 3 o'clock today, so they're pretty annoyed.

Thanks!
Dan

You're already behind on your work, but you also know Daniel needs your help.

Take 5 minutes, and each write down a one-sentence reply to Daniel telling him whether or not you'll go to the kennel before lunch.

Pick one of six tones to use in the email: angry, sarcastic, apologetic, sympathetic, enthusiastic or neutral.

Trade your response with your partner and guess what tone they picked.

Questions

1. Did you guess correctly? Why or why not?
2. Have your partner read their email to you aloud; then read the same email aloud. Did the tone change depending on who read the email aloud? Why or why not?
3. Rewrite your emails so they are three sentences long. Is the tone clearer in these emails? Why or why not?

Case study 1

DO MEN AND WOMEN SPEAK THE SAME LANGUAGE?

We've talked a lot about how culture affects communication style. Did you know that within cultures, men and women may be socialised to have different communication styles? Just as there are cultural communication barriers, there may also be gender-based communication barriers.

When Boston Consulting Group tried to discover why their female employees were often dissatisfied with their male employees, the answer seemed to be different communication styles. Many women felt that, in order to fit into the predominantly male culture, they had to adopt a more

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masculine communication style. Carol Kinsey Goman, author of *The Nonverbal Advantage: Body Language at Work* and founder of Kinsey Consulting, has found many ways men's and women's communication styles tend to vary. Goman believes there are advantages and disadvantages to stereotypically male and female communication. Female communication styles typically involve reading body language and interpreting non-verbal cues, good listening skills and displaying empathy. On the other hand, female communication styles may be perceived by their male counterparts as too indirect and overly diplomatic. Males are encouraged to be authoritative by talking more, interrupting others more and emphasising power. Yet the stereotypical male communication style also has many weaknesses. Sometimes, by emphasising decisiveness, masculine communication may seem too blunt, insensitive and overly confident.

Is one communication style more effective than others? Not according to Goman. The key is to use the full spectrum of communication and not adopt an extremely masculine or feminine style. The male communication style is better in situations that require decisiveness, while the female style is more effective in collaborative environments. By tailoring communication styles to the situation, employees can be more effective. And by finding a happy medium between the two styles, an employee, male or female, can appear assertive as well as compassionate to their intended audience.

Following this advice, Boston Consulting Group launched a training program to teach upper management how to use both communication styles. While going through the training program, many senior partners realised they'd been encouraging their younger female staff members to adopt a more male communication style without recognising the advantages of female communication styles. One senior consultant recalled telling a female employee that she would seem more charismatic if she adopted a more commanding presence. He also realised that, by being domineering in interactions, he was making it harder for women to speak up during their interactions.

Questions

1. What are some other situations where having a stereotypically male communication style may be advantageous? What about situations where having a stereotypically female communication style may be more advantageous?
2. How might male and female communication styles differ across cultures?
3. Do you feel like your communication style corresponds with your gender? Why or why not?

SOURCES: Based on C. K. Goman, 'Is your communication style dictated by your gender?' *Forbes*, 31 March 2016, <https://www.forbes.com/sites/carolkinseygoman/2016/03/31/is-your-communication-style-dictated-by-your-gender/#d373caceb9d3>; and Elejalde-Ruiz, 'To retain women, consulting firms target gender communication differences', *The Chicago Tribune*, 6 September 2016, <https://www.chicagotribune.com/business/ct-bcg-women-communication-0906-biz-20160906-story.html>.

Case study 2

TRYING TO CUT THE GRAPEVINE

Whether or not gossip benefits organisations has become a grey area. In some contexts, gossip may be beneficial. Some leaders, such as Aviva Leebow Wolmer, CEO of Pacesetter, believe that gossip can be harnessed by managers to make a positive impact on the organisation. While Wolmer generally believes gossip has a negative influence, she also thinks gossip can be used as a way to bond with co-workers and to create a sense of excitement in the office. In addition, when employees gossip with clients, clients may feel more valued by the company because they were given what they perceive to be the inside scoop. What about when gossip alienates an employee?

According to anthropologists, humans gained the ability to gossip through evolution. Gossip allowed our tribal ancestors to form bonds while also learning who to avoid. According to recent research, negative gossip may have been used to identify individuals who had broken norms (see Chapter 8) about sharing with the tribe. By ostracising the individual who did not act in the best interest of the tribe, the group as a whole benefitted. Unfortunately, in the modern-day workplace, office gossip may serve to exclude others. And unlike our tribal ancestors, gossip is often not directed towards employees who have acted against a group. Instead, gossip about a specific individual is often a means of incivility (see Chapter 8).

An employee can deal with being the target of malicious office gossip in several ways. Dr Berit Brogaard of the University of Miami suggests not confronting the person spreading rumours through the grapevine but that instead reaching out to a supervisor (if they're not also part of the rumour mill) or human resources may beneficial. Alternatively, openly talking about gossip in a blasé manner may take away the gossiper's motivation. Like many bullying behaviours, gossip is often meant to harm the target emotionally. When the gossiper realises that they aren't achieving this goal, they will sometimes stop.

Gossip can also harm individuals other than the target. Gossip that targets an individual may break up an office as people take sides. This can lead to low job satisfaction, lower trust and a decrease in work productivity as people fail to cooperate with each other. Karin Lunland argues that the leader has a primary responsibility to manage it well because once the office culture takes a turn for the worse, talented employees may choose to leave for a company with a more positive environment. Managers can try to avoid this situation by meeting with the team and discussing the problem, or creating official policies regarding workplace gossip.

Questions

1. What are some tactics employees can use to avoid being the target of office gossip?

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2. As we've seen, there are positive benefits to gossip. How can managers create policies that target negative gossip while also preserving the benefits of positive gossip?
3. As stated above, gossip was originally a way to help group members identify an individual who didn't act in the best interests of the group. Can gossip ever serve the same purpose in an office? Why or why not?

SOURCES: Based on M. Schwantes, 'Head off harmful office gossip', *Chicago Tribune*, 30 January 2017, <http://www.chicagotribune.com/business/success/inc/tca-head-off-harmful-office-gossip-20170130- story.html>; A. L. Wolmer, 'Five ways to transform work gossip into positive communication', *Entrepreneur*, 7 April 2017, <https://www.entrepreneur.com/article/290522>; L. Dodgson, 'Four ways to deal with a coworker who's spreading gossip about you', *Independent*, 22 March 2017, <https://www.independent.co.uk/life-style/how-to-deal-with-gossip-at-work-psychological-tricks-a7644121.html>; and B. Brogaard, 'How to deal with the gossipmonger at your workplace', *Psychology Today*, 10 October 2016, <https://www.psychologytoday.com/us/blog/the-superhuman-mind/201610/how-deal-the-gossipmonger-your-workplace>; K. Naslund, 'Gossip: what leaders must do to stop it', *Forbes*, 22 January 2018, <https://www.forbes.com/sites/forbescoachescouncil/2018/01/22/gossip-what-leaders-must-do-to-stop-it/#5a6a7e0a5f81>.

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CHAPTER

11 Leadership

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

11.1 Summarise the conclusions of the trait theories of leadership.

11.2 Identify the central tenets and main limitations of behavioural theories.

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

11.4 Describe the contemporary theories of leadership and their relationship to foundational theories.

11.5 Discuss the role of leaders in creating ethical organisations.

11.6 Explain the difference between substitutes for leadership and neutralisers of leadership.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓		✓	✓	✓	✓	✓
Communication		✓			✓		
Collaboration		✓			✓		
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility			✓		✓		

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Values-based leadership at Frontline Safety Australia

A recent report by Stephanie Chung and Associates identified ten personality traits and capabilities that successful CEOs share. These include the capacity to build relationships, reading people, good communication skills, effective listening and a willingness to coach others. Jenny Hoffman, founder and CEO of Frontline Safety Australia exemplifies each of these capabilities, and credits her own personal value system as being the anchor for all that she does in her role as a leader.



Founder and CEO of Frontline Safety Australia, Jenny Hoffman
SOURCE: Jessica Tolmie.

'My values—integrity, trust, loyalty and excellence—are the foundation of my approach to leadership, and I try to lead by example and understand the challenges of those around me.'

As CEO of a specialist retail and manufacturing company that provides state-of-the-art protective clothing for security, police and military personnel, Jenny understands the value of effective communication with customers, suppliers and her co-workers and support staff.

'Clear, open and honest communication is so important, and applies equally to our clients and our staff. Having a clear customer focus helps in this respect—listening to their needs enables us to build a team of individuals internally who are pro-active in supporting one another to meet the client's needs.'

Jenny's instinctive understanding of the value of genuine interpersonal relationships built on effective communication has enabled her to grow Frontline Safety Australia from a small regional business headquartered in the Hunter Region of New South Wales, to a company with global reach that now serves international markets through its successful tenders with organisations such as the United Nations.

For Jenny, one of the most important aspects of being an effective leader is being able to build a successful team around you—and building that team to pursue excellence in all that they do. Having worked in every role within her organisation at one point in time—from product development to marketing and sales, to finance, negotiation and tendering, to production, quality and customer service—Jenny has a very clear understanding of the challenges that each specialist role presents. She is able to use these insights to recruit and select high-performers who are self-starters and highly motivated team players.

Between 2012 and 2016, Jenny completed her MBA, which led her to a deeper understanding of the role that a leader needs to play in setting up the right organisational processes and practices. During this time she read widely and was influenced by Jim Collins's best-selling book *Good to Great*. His emphasis on getting the right people on the bus in the right seats has been something that Jenny has put into practice in building her team at Frontline Safety.

'We are building our support structure of highly capable individuals as we grow, and as we do this, we are moving towards self-managed, proactive teams.'

Frontline Safety recently opened new, purpose-built premises, integrating its office space, showroom and warehouse facilities in one location close to the CBD. Involving others in the journey of the company is a hallmark of Jenny's leadership, which is

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both inclusive and empowering. For Jenny, effective leadership comes from her natural capacity to listen to others, to understand their needs and to help and support them in their professional development. In her view, co-workers, suppliers, customers and industry partners all have valuable insights to share, and these insights can contribute significantly to the success of the business. For Jenny, leadership is about bringing these ideas together, harnessing collective effort and enabling co-workers to grow, support one another and achieve their best.

SOURCES: Based on personal interviews conducted with Jenny Hoffman in 2018; and S. Chung, '10 Personality Traits Successful CEOs Share', LinkedIn article, 2017, <www.inc.com/stephanie-chung/10-personality-traits-every-ceo-should-have.html>.

LEADERSHIP IS A COMPLEX TOPIC and we can see that leaders like Jenny possess a special something that sets them apart. She demonstrates that good leaders are also coaches and mentors and play an active part in providing learning opportunities for the next generation of leaders. However, her approach is not the only kind of effective leadership. In this chapter, we'll define leadership and examine what makes an effective leader exceptional.

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

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

Organisations need strong leadership and strong management for optimal effectiveness. Leaders are needed today to challenge the status quo, create visions of the future and inspire organisational members to want to achieve the visions. Managers are needed to formulate detailed plans, create efficient organisational structures and oversee day-to-day operations.

11.1 Summarise the conclusions of the trait theories of leadership.

Trait theories

Throughout history, strong leaders—Buddha, Napoleon, Mao, Churchill, Lee Kuan Yew, Mahathir Mohamad and Gandhi—have been described in terms of their traits. Trait theories of leadership focus on personal qualities and characteristics.

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

Early research efforts at isolating leadership traits resulted in a number of dead-ends. A review in the late 1960s of 20 different studies identified nearly 80 leadership traits, but only five were common to four or more of the investigations.[1] By the 1990s, after numerous studies and analyses, about the best we could say was that most leaders 'are not like other people', but the particular traits that characterised them varied a great deal from review to review.[2] It was a confusing state of affairs.

A breakthrough, of sorts, came when researchers began organising traits around the Big Five personality framework (see Chapter 4).[3] Most of the dozens of traits in various leadership reviews fit under one of the Big Five (ambition and energy are part of extraversion, for instance), giving strong support to traits as predictors of leadership.

A comprehensive review of the leadership literature, when organised around the Big Five, has found extraversion to be the most predictive trait of effective leaders,[4] but that it's more strongly related to the ways leaders emerge rather than how effective they are. Certainly, sociable and dominant people are more likely to assert themselves in group situations, but leaders need to make sure they're not too assertive—one study found that leaders who scored very high on assertiveness were less effective than those who were moderately high.[5] Extraverted leaders may be more effective when leading groups of passive employees rather than proactive employees[6] and so, while extraversion can predict effective leadership, this relationship may be more due to the unique facets of the trait and to situational factors.

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Conscientiousness and openness to experience showed strong relationships to leadership, although they weren't quite as strong as extraversion. Agreeableness and emotional stability, however, were not so strongly correlated with leadership. Overall, the trait approach does have something to offer. Leaders who like being around people and are able to assert themselves (extraverted), are disciplined and able to keep commitments they make (conscientious) and are creative and flexible (open) do have an apparent advantage when it comes to leadership, suggesting that good leaders have key traits in common.

Conscientiousness and extraversion are also positively related to leaders' self-efficacy, which explains most of the variance in followers' ratings of leader performance.[7] People are more likely to follow those who are confident they're going in the right direction.

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

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

Based on the latest findings, we offer two conclusions. First, traits can predict leadership. Twenty years ago, the evidence suggested otherwise, but this was probably due to the lack of a valid framework for classifying and organising traits. The Big Five framework seems to have rectified that. Second, traits do a better job predicting the emergence of leaders than actually distinguishing between effective and ineffective leaders.[12] The fact that an individual exhibits the traits and others consider that person to be a leader doesn't necessarily mean the leader is successful at getting their group to achieve its goals.

Behavioural theories

11.2 Identify the central tenets and main limitations of behavioural theories.

The failures of early trait studies led researchers in the late 1940s to the 1960s to pursue a different direction. They wondered whether there was something unique in the way that effective leaders behave. Trait research provides a basis for selecting the right people for leadership. In contrast, behavioural studies implied that people could be trained to be leaders. Many argued that behavioural theories of leadership had advantages over trait theories.

behavioural theories of leadership Theories proposing that specific behaviours differentiate leaders from non leaders.

The most comprehensive and replicated behavioural theories resulted from the Ohio State University leadership studies in the late 1940s,[13] which sought to identify independent dimensions of leader behaviour. Beginning with more than 1000 dimensions, the researchers narrowed the list to two that substantially accounted for most of the leadership behaviour described by employees. They called these 'initiating structure' and 'consideration'.

Initiating structure is the extent to which a leader is likely to define and structure their role and those of employees in the search for goal attainment. It includes behaviour that attempts to organise work, work relationships and goals. A leader high in initiating structure is someone who 'assigns group members to particular tasks', 'expects workers to maintain definite standards of performance' and 'emphasises the meeting of deadlines'.

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

Consideration is the extent to which a person's job relationships are characterised by mutual trust, respect for employees' ideas and regard for their feelings. A leader high in consideration helps employees with personal problems, is friendly and approachable, treats all employees as equals and expresses appreciation and support. Survey findings have revealed that when asked to indicate the factors that most motivated them at work, 66% of employees mentioned appreciation.[14]

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

Leadership studies at the University of Michigan's Survey Research Center had similar objectives: to locate behavioural characteristics of leaders that appeared related to performance

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Career OBjectives



How can I get my boss to be a better leader?

My boss is the CEO, and she's a gossipy, in-your-business oversharer. She's always asking our top management team personal questions and sharing information with anyone. The other day, I caught her emailing my colleague about my salary and career prospects! What should I do about her poor leadership?

—Phil

Dear Phil,

Nobody likes an oversharer! Perhaps your boss isn't aware of the impact of her behaviour and thinks she is just being friendly. Assuming this is the case, you might be able to make her think first before sharing. If you're comfortable addressing her, you may suggest a private meeting to discuss your concerns. You should bring a list of the types of information she solicits and shares—with an example or two—and, if she's open to discussion, problem-solve with her about her habit. She may see that her open-book approach is undermining her leadership effectiveness.

Another tactic might be starting with researching the best privacy practices, laws and business guidelines. Be sure to source your organisation's human resources handbook for any mentions of privacy expectations. Then, in your meeting, you could present your research findings.

With both direct approaches, you run the risk of offending your boss, which may very well happen if she becomes embarrassed. And she may defend her behaviour and not see the problem if her oversharing is actually strategic gossip, which could have ramifications for what she then thinks and says about you!

These approaches still might be worth trying, but from what you've said about her, it's highly unlikely she will change her general behaviour. Research indicates that her personal tendencies will prevail over time. It sounds like she's extraverted, for instance, and you're not going to change that. She may be clever and manipulative, purposefully leveraging her information for personal gain without a concern for others (high-Machiavellian or narcissistic). In that case, self-awareness can help, but her behaviour won't change unless she is willing to practise self-regulation.

Perhaps most important, it doesn't seem that you like your boss. This may be a real problem that you can't surmount. How are you going to build a relationship of trust with her—trust that will be needed for you to continue to feel motivated and work hard? Unfortunately, if you can't thrive in this environment, it may be best to move on.

Good luck for your best possible outcome!

SOURCES: Based on A. E. Colbert, M. R. Barrick and B. H. Bradley, 'Personality and leadership composition in top management teams: implications for organizational effectiveness', *Personnel Psychology* 67, 2014, pp. 351–87; R. B. Kaiser, J. M. LeBreton and J. Hogan, 'The dark side of personality and extreme leader behavior', *Applied Psychology: An International Review* 64, no. 1, 2015, pp. 55–92; and R. Walker, 'A boss who shares too much', *The New York Times*, 28 December 2014, p. 7.

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

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

effectiveness. The Michigan group also came up with two behavioural dimensions: employee-oriented leaders emphasised interpersonal relationships by taking a personal interest in the needs of their employees and accepting individual differences between them; and production-oriented leaders emphasised the technical or task aspects of the job—their main concern was in accomplishing their group's tasks. These dimensions are closely related to the Ohio State University dimensions. Employee-oriented leadership is similar to consideration, and production-oriented leadership is similar to initiating structure. In fact, most leadership researchers use the terms synonymously.[15]

The results of behavioural theory studies have been reasonably positive. One review of 160 studies found that the followers of leaders high in consideration (and to a lesser degree, initiating structure) were more satisfied with their jobs, were more motivated and had more respect for their leader. Both consideration and initiating structure were found to be moderately related to leader and group performance along with ratings of leader effectiveness. Initiating structure was more strongly related to higher levels of group and organisation productivity and more positive performance evaluations.[16]

Some research from a Global Leadership and Organizational Behavior Effectiveness (GLOBE) study suggests there are international differences in preference for initiating structure and

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consideration.[17] The study found that leaders high in consideration succeeded best in countries where cultural values did not favour unilateral decision making; for example, Brazil. As one Brazilian manager said in the GLOBE study, 'We do not prefer leaders who take self-governing decisions and act alone without engaging the group. That's part of who we are'. Compared to Brazilian employees, the French have a more bureaucratic view of leaders and are less likely to expect leaders to be considerate. A leader high in initiating structure (relatively task-oriented) will do best in this culture, and can make decisions in a relatively autocratic manner. According to the GLOBE study, Chinese culture emphasises being polite, considerate and unselfish, but it also has a high performance orientation. As such, consideration and initiating structure may both be important to succeed in that culture.

Summary of trait and behavioural theories

Leaders who have certain traits and who display consideration and structuring behaviours do appear to be more effective. Parts of each theory can help explain aspects of leadership emergence and effectiveness, but identifying the exact relationships is not a simple task. Unfortunately, there are no clear answers to valid questions like:

- Which trait or behaviour predicts a particular outcome?
- What combinations of traits and behaviours deliver particular outcomes?
- Is there a causal relationship between traits and behaviours that can help us predict certain desirable leadership outcomes?
- Are conscientious leaders (trait) more likely to be structuring (behaviour)?
- Are extraverted leaders (trait) more likely to be considerate (behaviour)?

More research is needed to explore the relationship between the two theories.

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

Contingency theories

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

Some tough-minded leaders seem to gain a lot of admirers when they take over struggling companies and help lead them out of the doldrums.

Predicting leadership success is more complex than isolating a few traits or behaviours. What may have worked in very bad times and in very good times for some leaders may not translate into long-term success. The failure by researchers in the mid-20th century to obtain consistent results in predicting effective leaders led to a focus on situational influences. The relationship between leadership style and effectiveness suggested that, under condition *a*, style *x* would be appropriate, whereas style *y* was more suitable for condition *b*, and style *z* for condition *c*. But what *were* conditions *a, b* and *c*? It was one thing to say that leadership effectiveness depends on them and another to be able to identify them.

The Fiedler contingency model

The first comprehensive contingency model for leadership was developed by Fred Fiedler.[18] The Fiedler contingency model proposes that effective group performance depends on the proper match between the leader's style and the degree to which the situation gives the leader control.

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

Identifying leadership style

Fiedler believes that a key factor in leadership success is the individual's basic leadership style.[19] He created the least preferred co-worker (LPC) questionnaire to identify that style by measuring whether a person is task-oriented or relationship-oriented. The LPC questionnaire asks respondents to think of all the colleagues they have ever had and describe the one person they least enjoyed working with by rating that person on a scale of 1 to 8 for each of 16 sets

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

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of contrasting adjectives (such as pleasant–unpleasant, efficient–inefficient, open–guarded, supportive–hostile). If you describe the person you are least able to work with in favourable terms (a high LPC score), Fiedler would label you relationship-oriented. In contrast, if you see your least-preferred colleague in relatively unfavourable terms (a low LPC score), you are primarily interested in productivity and are task-oriented. About 16% of respondents score in the middle range[20] and fall outside the theory's predictions. The discussion that follows relates to the 84% who score in either the high or the low range of the LPC questionnaire.

Fiedler assumes that an individual's leadership style is an internal trait and relatively stable or permanent in nature. This means that if a situation requires a task-oriented leader and the person in the leadership position is relationship-oriented, either the situation has to be modified or the leader has to be replaced by one whose leadership style matches the situational context to achieve optimal effectiveness.

Defining the situation

After assessing an individual's basic leadership style through the LPC questionnaire, Fiedler developed another framework in which he made empirically supported generalisations about which styles of leadership were best or worst for different organisational settings. Fiedler sought to determine the 'favourableness' of a setting towards either task-orientated or relationship-orientated leadership behaviours by using three situational variables, prioritised in a hierarchy as follows:

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

task structure The degree to which job assignments are procedurised.

position power Influence derived from someone's formal structural position in the organisation; includes power to hire, fire, discipline, promote and award salary increases.

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

For Fiedler, leader–member-relations was twice as important as task structure, which, in turn, was twice as important as a leader's position power. The order of importance was based on the perceived contribution of each situational variable to the leader's sense of control in a leadership situation, which he called 'situational favourability'. A high score in leader–member relations indicated a positive leader–follower culture and loyal followers who had confidence in their leader. A high score in task structure indicated task requirements were clear, possible solutions was finite and success was easily measured. A high score in position power indicated that the leader had power to reward and punish followers.

Accordingly, a high score in the leader–member relations, task structure and position power indicates high levels of leader control, a 'favourable situation' to use Fiedler's terminology. A very favourable situation might include a payroll manager who is well respected and whose employees have confidence in them (good leader–member relations), for which the activities to be done—such as wage calculations, cheque writing and report filing—are specific and clear (high task structure), and where the job provides considerable freedom to reward and punish employees (strong position power). An unfavourable situation might be that of the disliked chairperson of a volunteer church fundraising team. In this job, the leader has very little control.

Matching leaders and situations

Combining the three situational variables yields eight possible situations in which leaders can find themselves (see Exhibit 11.1). The Fiedler model proposes matching an individual's LPC score and these eight situations to achieve maximum leadership effectiveness.[21] Fiedler concluded that task-oriented leaders perform better in situations that are either very favourable to them or very unfavourable. So, when faced with a category I, II, III, VII or VIII situation, task-oriented leaders perform better. Relationship-oriented leaders, however, perform better in moderately favourable situations—categories IV to VI. Fiedler subsequently condensed these eight situations down to three.[22] He maintains that task-oriented leaders perform best in situations of high and low control, while relationship-oriented leaders perform best in moderate control situations.

How would you apply Fiedler's findings? You would match leaders (in terms of their LPC scores) with the type of situation (in terms of leader–member relationships, task structure and

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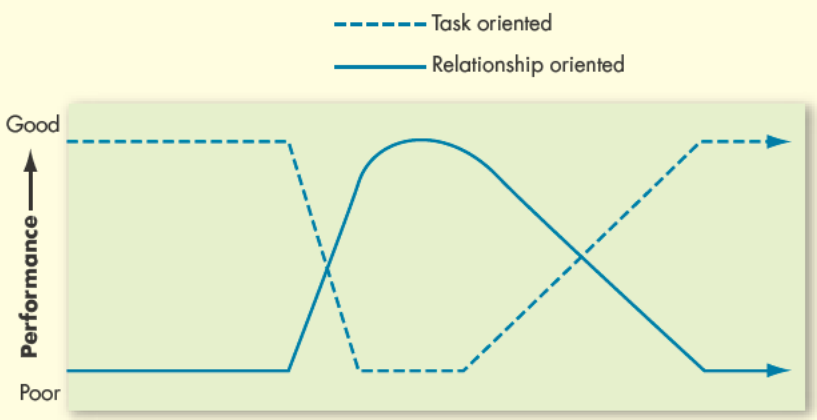
EXHIBIT 11.1 Findings from the Fiedler model



Category	I	II	III	IV	V	VI	VII	VIII
Leader–member relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task structure	High	High	Low	Low	High	High	Low	Low
Position power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

position power) they best suited. But remember that Fiedler views an individual's leadership style as fixed. Therefore, there are only two ways to improve leader effectiveness.

First, you can change the leader to fit the situation (as a cricket captain may put a fast bowler or spin bowler into the attack depending on the type of batsman). If a group situation is highly unfavourable but is currently led by a relationship-oriented manager, the group's performance could be improved under a manager who is task-oriented. The second alternative is to change the situation to fit the leader, by restructuring tasks or by increasing or decreasing the leader's power to control factors such as salary increases, promotions and disciplinary actions.

Evaluation

Studies testing the overall validity of the Fiedler model find considerable evidence to support substantial parts of it.[23] If we use only three categories rather than the original eight, there's ample evidence to support Fiedler's conclusions.[24] But the logic underlying the LPC questionnaire is not well understood, and respondents' scores are not stable.[25] The situational variables are also complex and difficult for practitioners to assess.[26]

Although LPC theory is the most widely researched contingency theory, three others deserve mention: situational leadership theory, path–goal theory and the leader-participation model.

Situational leadership theory

Situational leadership theory (SLT) focuses on the followers and draws on the same task and relationship constructs of behaviour used in the Ohio and Michigan studies by proposing that the optimal leadership style will be determined by the situational context and the developmental level of the follower to execute the task. In its original form, the model proposed that effective leadership is achieved by selecting the appropriate leadership style to match the followers' *readiness,* or ability and willingness to accomplish a specific task.

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

A revision of this model in 1985 led to the proposal of SLII, an updated paradigm using more specific terminology. In this second incarnation of the theory, leadership behaviours were

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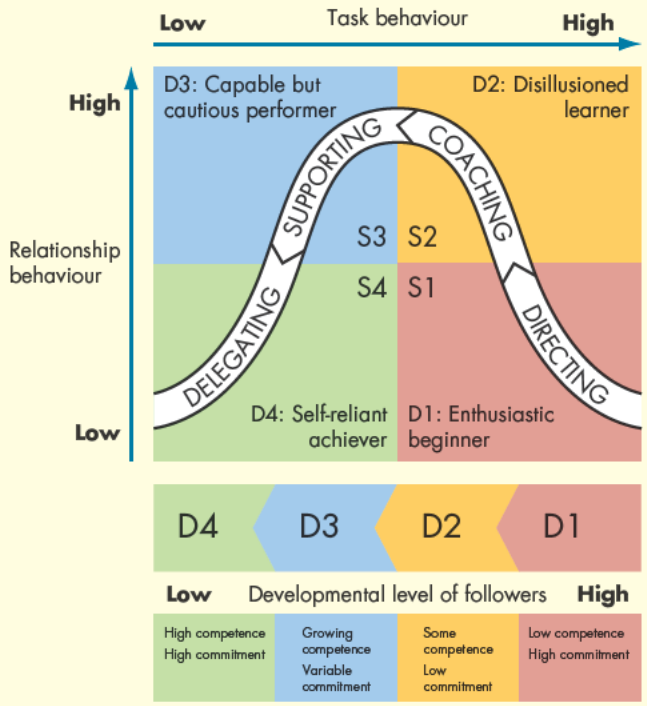
identified as directing, coaching, supporting and delegating. The original terms 'follower readiness and ability' were changed to 'follower developmental level'. Leader relationship behaviours now emphasised emotionally intelligent, socially supportive, two-way communication. The use of the term 'follower developmental level' sought to more accurately capture the competence and commitment of followers in completing a specific task.

SLII puts forward a four-quadrant model of leadership as depicted in Exhibit 11.2, where leadership style is considered most effective when it matches the developmental level of the follower.

In SLII, a leader should choose one of four leadership behaviours depending on follower's developmental level. These are:

- *directing* (low relationship behaviour, high task behaviour by leader, with low competence but high commitment shown by the follower) for what was now called the enthusiastic beginner
- *coaching* (high relationship behaviour, high task behaviour by leader, with some competence but low commitment shown by the follower) for what was now called the disillusioned learner
- *supporting* (high relationship behaviour, low task behaviour by leader, with growing competence and variable commitment by the follower) for what was now called the capable but cautious performer
- *delegating* (low relationship behaviour, low task behaviour by leader, with high competence and high commitment shown by the follower) for what was now called the self-reliant achiever.

EXHIBIT 11.2 The SLII Model



Adapted from K. H. Blanchard, *SLII: A Situational Approach to Managing People*, Escondido, CA: Blanchard Training and Development, 1985; and K.H. Blanchard, D. Zigarmi and R. Nelson, 'Situational leadership after 25 years: a retrospective', *Journal of Leadership Studies* 1, no. 1, 1993, pp. 21–36.

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SLII has intuitive appeal. It acknowledges the importance of followers and builds on the logic that leaders can compensate for any limitation in follower competence and motivation. Yet research efforts to test and support the theory have generally been disappointing[27] because possible explanations include internal ambiguities and inconsistencies in the model itself as well as problems with research methodology in tests. So, despite its intuitive appeal and wide popularity, any endorsement must be cautious for now.

Path–goal theory

Developed by Robert House, path–goal theory extracts elements from the Ohio State University leadership research on initiating structure and consideration and the expectancy theory of motivation.[28] It's based on the premise that followers are motivated if three conditions are satisfied:

path–goal theory A theory that 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 organisation.

- followers believe they're capable of performing the task if they put in the effort
- followers can see that their effort will result in the expected outcome
- followers perceive the expected outcomes to be of value to the followers, as individuals.

Therefore, under this theory, it's the leader's job to provide followers with the information, support or other resources necessary to achieve their goals. (The term 'path–goal' implies that effective leaders clarify followers' paths to their work goals and make the journey easier by reducing roadblocks.)

This theory recognised four leadership behaviours needed to motivate followers (directive, supportive, participative, achievement-orientation) but it also recognised that there are follower and environmental contingencies that can affect leadership effectiveness. These contingencies were categorised as the skills and experience of the follower (for the employee contingencies) and task structure and team dynamics (for environmental contingencies).

According to path–goal theory, whether a leader should be directive, supportive, participative or achievement-orientated depends on a complex analysis of the situation. The theory is predictive in nature and so, for example, it would predict that:

- directive leadership would yield greater follower performance and satisfaction when tasks are ambiguous or stressful than when they're highly structured and well laid out
- supportive leadership would result in high follower performance and satisfaction when followers are performing structured tasks
- directive leadership would likely be perceived as redundant by followers with high ability or considerable experience.

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

There's some support for the path–goal model but there remains some inconsistency in support for the validity of its basic assumptions, and its choice of, or relationship between, its chosen variables.

Leader-participation model

The final contingency theory argues that the *way* the leader makes decisions is as important as *what* they decide. Victor Vroom and Phillip Yetton's leader-participation model relates leadership behaviour and participation in decision making.[31] Like the path–goal theory, it says that leader behaviour must adjust to reflect the task structure. The model is normative—it provides a decision tree of seven contingencies and five leadership styles for determining the form and amount of participation in decision making.

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

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As one leadership scholar noted, 'leaders do not exist in a vacuum'; leadership is a symbiotic relationship between leaders and followers.[32] But the theories covered to this point assume that leaders use a fairly homogeneous style with everyone in their work unit. Think about your experiences in groups. Did leaders often act very differently towards different people? Our next theory considers differences in the relationships that leaders form with different followers.

11.4 Describe the contemporary theories of leadership and their relationship to foundational theories.

Contemporary theories of leadership

Leader–member exchange (LMX) theory

Think of a leader you know. Did this leader have favourites who made up their 'in-group'? If you answered 'yes', you're acknowledging the foundation of leader–member exchange theory.[33] Leader–member exchange (LMX) theory argues that, because of time pressures, leaders establish a special relationship with a small group of their followers. These individuals make up the in-group; they're trusted, they get a disproportionate amount of the leader's attention and they're more likely to receive special privileges. Other followers fall into the out-group.

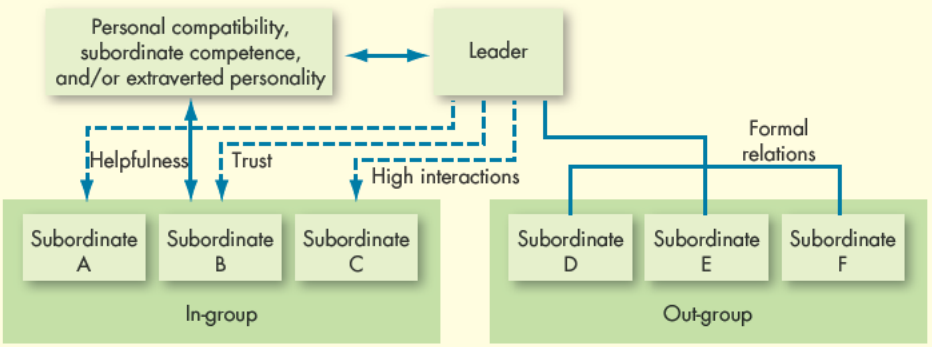
leader–member exchange (LMX) theory A theory that supports leaders' creation of in groups and out groups; subordinates with in group status will have higher performance ratings, less turnover and greater job satisfaction.

The theory proposes that, early in the history of the interaction between a leader and a given follower, the leader implicitly categorises the follower as an 'in' or an 'out', and that relationship is relatively stable over time. Leaders induce LMX by rewarding those employees with whom they want a closer linkage and punishing those with whom they don't.[34] But for the LMX relationship to remain intact, the leader and the follower must invest in the relationship.

Just how the leader chooses who falls into each category is unclear, but there's evidence that in-group members have demographic, attitude and personality characteristics similar to the leader's or a higher level of competence than out-group members[35] (see Exhibit 11.3). Leaders and followers of the same gender tend to have closer (higher LMX) relationships than those of different genders.[36] Even though the leader is doing the choosing, the followers' characteristics are driving the categorising decision.

Research to test LMX theory has been generally supportive, with substantive evidence that leaders do differentiate among followers. These disparities are far from random. Followers with in-group status receive higher performance ratings, engage in more helping or citizenship behaviours at work, engage in less deviant or counterproductive behaviours at work and report greater satisfaction with their superior. LMX influences these work outcomes by improving employee trust, motivation, empowerment and job satisfaction (although trust in the leader has the largest effect).[37] One study conducted in an entrepreneurial firm in southeast China found

EXHIBIT 11.3 Leader–member exchange theory



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LMX is related to creative and innovative behaviour.[38] Another study conducted in Portugal and the United States found that LMX was associated especially strongly with followers' commitment to the organisation when their leaders were seen as embodying the values and identity of the organisation.[39]

These positive findings for in-group members shouldn't be surprising, given our knowledge of the self-fulfilling prophecy (see Chapter 6). Leaders invest their resources in those they expect will perform best. And believing that in-group members are the most competent, leaders treat them as such and unwittingly fulfil their prophecy.[40]

LMX can lead to more negative outcomes. For example, when the treatment of the in-group is starkly different from the treatment of the out-group (e.g. when the leader plays favourites), both the in-group and the out-group can realise negative effects from LMX. One study in Turkey demonstrated that when leaders differentiated strongly among their followers in terms of their relationships (some followers had very positive LMX, others very poor), employees responded with more negative work attitudes and higher levels of withdrawal behaviour.[41]

Moreover, research in China and the United States has indicated that differential leadership treatment hurts team trust and perceptions of procedural justice, especially when the team members work closely together.[42] Other research has shown that, although in-group team members showed increased performance, the team as a whole became uncoordinated in the LMX environment and overall performance suffered.[43] In fact, where close-knit teams choose to help out-group members retain their confidence and self-efficacy by offering a supportive team environment, it will often be at the cost of the relationship between leaders and employees.[44]

These relationships may be stronger when followers have a more active role in shaping their own job performance. Research on 287 software developers and 164 supervisors showed that LMX relationships have a stronger impact on employee performance and attitudes when employees have higher levels of autonomy and a more internal locus of control.[45]

Charismatic leadership

Are leaders born or made? What makes great leaders extraordinary? Two contemporary leadership theories—charismatic leadership and transformational leadership—share a common theme in the great leader debate: they view leaders as individuals who inspire followers through words, ideas and behaviours.

In terms of charismatic leadership, former Australian prime minister Bob Hawke, Andrew Forrest (founder of Fortescue Metals Group), Sir Richard Branson (founder of the Virgin Group of companies) and Indra Nooyi (former CEO and current chairperson of PepsiCo), are individuals frequently cited as being charismatic leaders. What do they have in common?

What is charismatic leadership?

Max Weber, a sociologist, defined *charisma* (from the Greek for 'gift') more than a century ago as 'a certain quality of an individual personality, by virtue of which they are set apart from ordinary people and treated as endowed with supernatural, superhuman or at least specifically exceptional powers or qualities. These are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of these qualities the individual concerned is treated as a leader'.[46] Weber argued that charismatic leadership was one of several ideal types of authority.

The first researcher to consider charismatic leadership in terms of OB was Robert House. According to House's charismatic leadership theory, followers attribute heroic or extraordinary leadership abilities when they observe certain behaviours and tend to give such leaders power.[47] A number of studies have attempted to identify the characteristics of charismatic leaders (see Exhibit 11.4).[48]

charismatic leadership theory A leadership theory where followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviours.

Are charismatic leaders born or made?

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

Individuals are born with traits that make them charismatic, on average. In fact, studies of identical twins found that they scored similarly on charismatic leadership measures, even if they were raised in different households and had never met. Personality is also related to

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EXHIBIT 11.4 Key characteristics of charismatic leaders

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

SOURCE: Based on J. A. Conger and R. N. Kanungo, *Charismatic Leadership in Organizations*, Thousand Oaks, CA: SAGE, 1998, p. 94.

charismatic leadership; charismatic leaders are likely to be extraverted, self-confident and achievement-oriented.[49]

Although a small minority thinks that charisma is inherited and can't be learned, most experts believe that individuals can be trained to exhibit charismatic behaviours.[50] After all, just because we inherit certain tendencies doesn't mean we can't learn to change.

Research indicates that a more charismatic leadership style can be developed in all of us, within our own limitations. One study of German managers suggests that training managers to be inspirational in their communications with followers was successful at increasing related charismatic behaviours.[51]

To develop an aura of charisma, use your passion as a catalyst for generating enthusiasm. Speak in an animated voice, reinforce your message with eye contact and facial expressions, and gesture for emphasis. Bring out the potential in followers by tapping into their emotions, and create a bond that inspires them. Remember, enthusiasm is contagious!

How charismatic leaders influence followers

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

vision statement A formal articulation of an organisation's vision or mission.

How do charismatic leaders actually influence followers? The research suggests a four-step process.[52] It begins with articulating an appealing vision, a long-term strategy for attaining a goal by linking the present with a better future for the organisation. Desirable visions fit the times and circumstances and reflect the uniqueness of the organisation.

Second, a vision is incomplete without an accompanying vision statement, a formal articulation of an organisation's vision or mission. Charismatic leaders may use vision statements to 'imprint' on followers an overarching goal and purpose. They then communicate high-performance expectations and express confidence that followers can attain them. This enhances follower self-esteem and self-confidence.

Next, through words and actions the leader conveys a new set of values and sets an example for followers to 'imitate'. One study of bank employees showed that charismatic leaders were more effective because their employees personally identified with them. Charismatic leaders also set a tone of cooperation and mutual support. A study of 115 government employees found that they had a stronger sense of personal belonging at work when they had charismatic leaders, which increased their willingness to engage in helping and compliance-oriented behaviour.[53]

Finally, the charismatic leader engages in emotion-inducing and often unconventional behaviour to demonstrate courage and conviction about the vision. Followers 'catch' the emotions their leader is conveying, which leads them to identify affectively with the organisation.[54]

Some followers' personalities are especially susceptible to charismatic leadership.[55] Consider self-esteem. An individual who lacks self-esteem and questions their worth is more likely to absorb a charismatic leader's direction rather than their own way of leading or thinking.

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Does effective charismatic leadership depend on the situation?

Research shows impressive correlations between charismatic leadership and high performance and satisfaction among followers.[56] People working for charismatic leaders are motivated to exert extra effort and, because they like and respect their leader, express greater satisfaction. Organisations with charismatic CEOs are also more profitable, and charismatic university professors enjoy higher course evaluations.[57]

However, charisma may not always be generalisable; its effectiveness may depend on the situation. Charisma appears most successful when the follower's task has an ideological component or involves an environment of high stress or uncertainty.[58] When people are psychologically aroused (even in laboratory studies), they are seen to be more likely to respond to charismatic leaders.[59] People are especially receptive to charismatic leadership when they sense a crisis, when they're under stress or when they fear for their lives. This may explain why, when charismatic leaders surface, it's likely to be in politics or religion, during wartime, or when a business is in its infancy or facing a life-threatening crisis. In 1997, when Apple was floundering and lacking direction, the board persuaded charismatic co-founder Steve Jobs to return as interim CEO and return the company to its innovative roots. More recently, US president Donald Trump offered a charismatic vision 'to make America great again' by alleviating job insecurity and strengthening border security and public safety.[60]

Another situational factor apparently limiting charisma is level in the organisation. Top executives create vision, and charisma probably better explains their successes and failures than those of lower-level managers. It's more difficult to use a person's charismatic leadership qualities in lower-level management jobs or to align their visions with the larger goals of the organisation as a whole.

The dark side of charismatic leadership

If charisma is power, then that power can be used for good and for ill. Unfortunately, charismatic leaders who are larger-than-life don't necessarily act in the best interests of their organisations.[61] Many have used their power to remake companies in their own image and have allowed their own interests and personal goals to override the goals of the organisation. Leaders of companies such as Enron, Worldcom, OneTel and HIH Insurance recklessly used organisational resources for their personal benefit, and several senior executives violated laws and ethical boundaries by engaging in various forms of corporate accounting fraud.

A study based on interviews with 312 senior-level staff in an Australian consumer company found that, contrary to current beliefs, the style of charismatic leaders doesn't suit all employees. Every employee is different and some may prefer a leader who provides more clarity and guidance than the big-picture approach generally associated with charismatic leaders.[62]

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

Transactional and transformational leadership

A stream of research has focused on differentiating transformational leaders from transactional leaders.[63] The Ohio State University studies, Fiedler's model and path–goal theory describe transactional leaders, who guide their followers towards established goals by clarifying role and task requirements. Transformational leaders inspire followers to transcend their self-interests for the good of the organisation and can have an extraordinary effect on their followers. Richard Branson of the Virgin Group is an example of a transformational leader. He pays attention to the concerns and needs of individual followers; he changes followers' awareness of issues by helping them look at old problems in new ways; and he excites and inspires followers to put in extra effort to achieve group goals. Research suggests that transformational leaders are most effective when their followers can see the positive impact of their work through direct interaction with customers or other beneficiaries.[64]

Exhibit 11.5 briefly identifies and defines the characteristics that differentiate these two types of leaders.

transactional leaders
Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

transformational leaders
Leaders who inspire followers to transcend their own self interests and who are capable of having a profound and extraordinary effect on followers.

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EXHIBIT 11.5 Characteristics of transactional and transformational leaders

Transactional leader

Transactional leaders engage in a range of behaviours, from the most active—contingent reward—to the least active—laissez-faire.

- ***Contingent reward***: Contracts exchange of rewards for effort, promises rewards for good performance, recognises accomplishments
- ***Management by exception (active)***: Watches and searches for deviations from rules and standards, takes correct action
- ***Management by exception (passive)***: Intervenes only if standards are not met
- ***Laissez-faire***: Abdicates responsibility, avoids making decisions

Transformational leader

Transformational leaders acquire a higher level of follower engagement and performance by demonstrating four defining elements:

- ***Idealised influence***: Acts as a role model and evokes a powerful emotional identification of followers with their leader, provides vision and sense of mission, instils pride, gains respect and trust
- ***Inspirational motivation***: Communicates emotive messages of challenging and compelling goals and high expectations, uses symbols to focus efforts, expresses important purposes in simple ways
- ***Intellectual stimulation***: Challenges conventional thinking and encourages alternative ways of doing things, promotes self-efficacy and creative problem solving.
- ***Individualised consideration***: Gives personal attention, treats each employee individually, coaches, advises

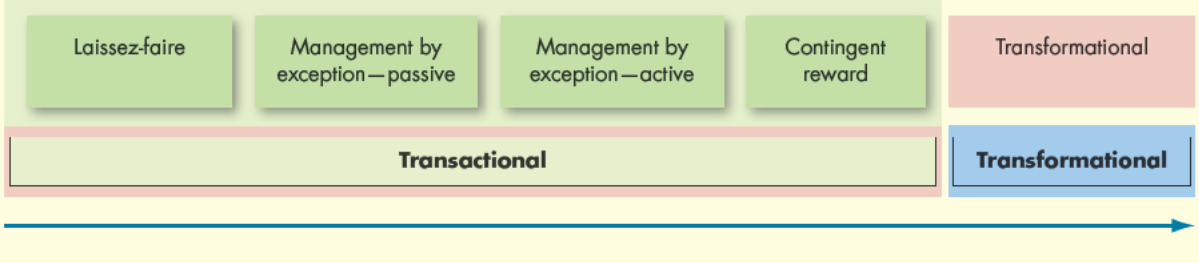
SOURCES: Based on A. H. Eagly, M. C. Johannesen-Schmidt and M. L. Van Engen, 'Transformational, transactional, and laissez-faire leadership styles: a meta-analysis comparing women and men', *Psychological Bulletin* 129, no. 4, 2003, pp. 569–91; and T. A. Judge and J. E. Bono, 'Five Factor model of personality and transformational leadership', *Journal of Applied Psychology* 85, no. 5, 2000, pp. 751–65.

Transactional leadership and transformational leadership aren't opposing approaches to getting things done.[65] They complement each other, although they're not equally important. Transformational leadership builds on transactional leadership and produces levels of follower effort and performance beyond that which transactional leadership alone can do. But the reverse isn't true. So, if you're a good transactional leader but you don't have transformational qualities, you're likely to be only a mediocre leader. The best leaders are transactional and transformational.

Leadership engagement model

Exhibit 11.6 shows the leadership engagement continuum and demonstrates the increasing level of emotional engagement invested by the leader when they adopt different transactional

EXHIBIT 11.6 Leadership engagement continuum



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and transformational leadership styles. Laissez-faire is the most passive and therefore the least emotionally engaged of leader behaviours.[66] Management by exception (active or passive) is slightly better than laissez-faire, but it's still considered not optimal. Management-by-exception leaders tend to be available only when there's a problem, which is often too late. Contingent reward leadership can be an engaged style of leadership but won't get employees to go above and beyond the call of duty. Only with transformational leaders will employees do that.

Exhibit 11.7 shows the leadership engagement model, in which the level of emotional engagement is plotted against the level of active engagement by the leader with respect to their followers.

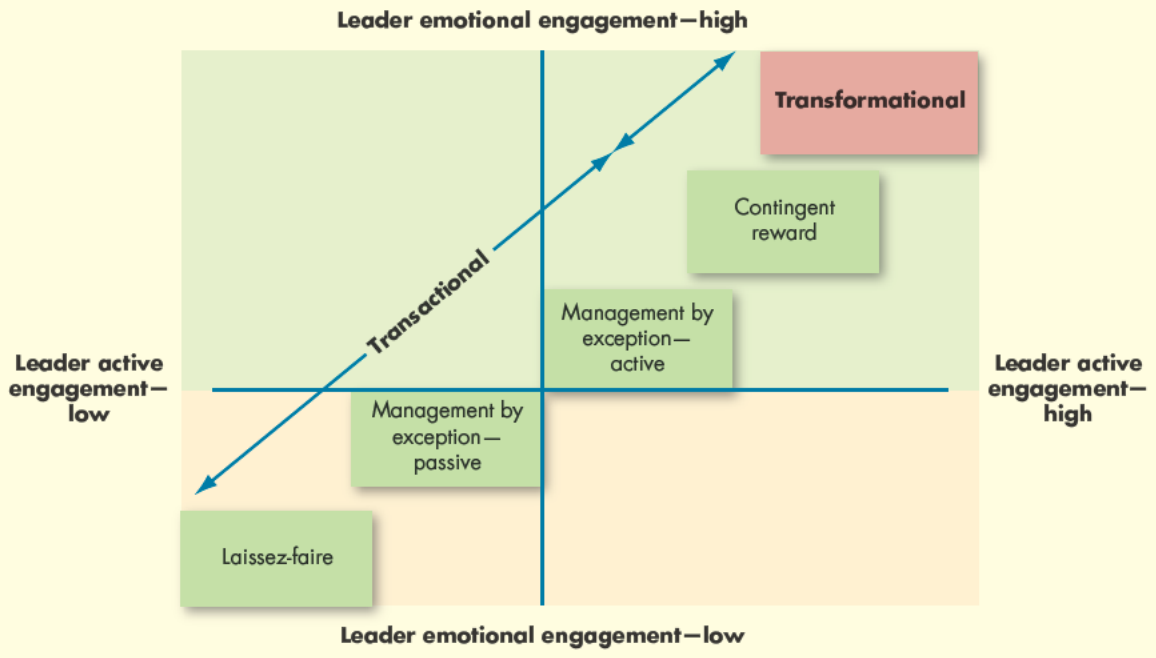
Only when all four elements of transformational leadership are present and active will leaders be able to motivate followers to perform above expectations and transcend their self-interest for the sake of the organisation. Individualised consideration, intellectual stimulation, inspirational motivation and idealised influence all result in extra effort from workers, higher productivity, higher morale and satisfaction, higher organisational effectiveness, lower turnover, lower absenteeism and greater organisational adaptability. Based on the leader engagement model, highly effective leaders are those who demonstrate the optimal balance and blend of passivity to activity and degree of emotional engagement needed for the situational context before them.

Transformational leadership theory is not perfect, however, and contingent reward leadership may not characterise transactional leaders only. Indeed, the four defining elements in transformational leadership (see Exhibit 11.5) aren't always superior in effectiveness to transactional leadership. Contingent reward leadership can work as well as transformational leadership. Even laissez-faire can be optimal with certain followers; for example, highly motivated, high-performance teams, with role, task and goal clarity.

How transformational leadership works

Individual-focused transformational leadership is behaviour that empowers individual followers to develop ideas, enhance their abilities and increase self-efficacy. Followers are more likely to pursue ambitious goals, agree on the strategic goals of the organisation and believe that the goals they're pursuing are personally important.[67]

EXHIBIT 11.7 Leadership engagement model



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Transformational leaders engender commitment on the part of followers and elicit greater trust from subordinates[68]. Research has found such leaders to be more effective because they're more creative, but also because they encourage those who follow them to be creative too.[69] In companies with transformational leaders, there's greater decentralisation of responsibility, managers show more propensity to take risks and compensation plans are geared towards long-term results, all of which facilitate corporate entrepreneurship.[70] One study of information-technology workers in China found that empowering leadership behaviour led to feelings of positive personal control among workers, which increased their creativity at work.[71]

Companies with transformational leaders also show greater agreement among top managers about the organisation's goals, which yields superior organisational performance.[72] Similar results, showing that transformational leaders improve performance by building consensus among group members, have been demonstrated in the military.[73] Transformational leaders are able to increase follower self-efficacy, giving the group a 'can-do' spirit.[74] Such team-focused transformational leadership will emphasise group goals, shared values and beliefs, and unified efforts. However, research in China suggests that, in team situations, the members' identification with the group could override the effects of transformational leadership.[75]

Just as vision helps explain how charismatic leadership works, vision explains part of the effect of transformational leadership. One study found that vision was even more important than a charismatic (effusive, dynamic, lively) communication style in explaining the success of entrepreneurial companies.[76]

Evaluation of transformational leadership

Transformational leadership has been impressively supported in disparate occupations (school principals, teachers, marine commanders, ministers, presidents of MBA associations, military cadets, union shop stewards, sales representatives) and at various job levels. One study of R&D firms found that teams whose project leaders scored high on transformational leadership produced better quality products, as judged one year later, and were more profitable five years later.[77] Another study looking at employee creativity and transformational leaders found that employees with transformational leaders had more confidence in their ability to be creative at work and showed higher levels of creative performance.[78] A review of 117 studies testing transformational leadership found it was related to higher levels of individual follower performance, team performance and organisational performance.[79]

Transformational leadership isn't equally effective in all situations, however. It has a greater impact on the bottom line in small, privately held companies than in more complicated organisations.[80] The personal nature of transformational leadership may be most effective when leaders can directly interact with the workforce and make decisions rather than when they report to an external board of directors or deal with a complex bureaucratic structure. Another study showed that transformational leaders were more effective in improving group potency in teams that were higher in power distance and collectivism (see Chapter 6).[81]

Other research using a sample of employees in China and the United States found that transformational leadership has a more positive relationship with perceived procedural justice among individuals who are lower in power-distance orientation, which in turn relates to a stronger transformational leadership–citizenship behaviour relationship among those higher in power distance.[82] Transformational leaders also build higher levels of trust, which reduces stress for followers.[83] In short, transformational leadership works through a number of different processes.

One study demonstrated how different types of transformational leadership can be effective depending on whether work is evaluated at the team or the individual level.[84]

In summary, transformational leadership is more strongly correlated than transactional leadership with lower turnover rates, higher productivity, lower employee stress and burnout, and higher employee satisfaction.[85] Like charismatic leadership, it can be learned. One study of bank managers found branches managed by those who underwent transformational leadership

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training performed significantly better than branches whose managers didn't receive training. Other studies show similar results.[86].

Unlike charismatic leadership, transformational leaders focus on what the leader is saying, rather than the passionate or dynamic way they are saying it, which is central to charismatic leadership. Nevertheless, the two theories are more alike than different. At their heart, both focus on the leader's ability to inspire followers, and sometimes they do so in the same way. Because of this, some researchers believe the concepts are somewhat interchangeable.[87]

The GLOBE study—of 18 000 leaders from 825 organisations in 62 countries—links a number of elements of transformational leadership with effective leadership, regardless of country.[88] This conclusion is very important because it disputes the contingency theory view that leadership style needs to adapt to cultural differences.

Vision, foresight, providing encouragement, trustworthiness, dynamism, positivity and proactiveness top the list of transformational leadership elements that appear to be universal. The GLOBE team concluded that 'effective business leaders in any country are expected by their subordinates to provide a powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfil the vision, and excellent planning skills to assist in implementing the vision'.[89] A vision is important in any culture, but the way it's formed and communicated may need to vary by culture.

Pro-social and socially aversive leadership

Transformational leadership is generally considered to be strongly pro-social due to the uplifting effect it has on subordinates. It's important to note, however, that other darker forms of leadership can sometimes be mistaken for transformational approaches to leadership.

Recent research into the dark triad of personality has identified three broad leadership approaches that are widely considered to be socially aversive and malevolent.[90] These are narcissistic leadership, Machiavellian leadership and psychopathic leadership. All three forms of leadership have a callous core that reveals itself in the leader's tendency to exploit followers, often masking this intent with a superficial charm that's sometimes misread as inspirational.

Narcissistic leaders typically have high levels of self-belief, tremendous energy and drive, and can be inspiring public speakers. In all these respects, they're very much like transformational leaders. Yet narcissists also feel entitled and can frequently overreach due to their own sense of grandiosity. They tend to lack empathy and this makes it difficult for them to engage deeply with followers on a one-to-one basis. Initially they're good at attracting followers and admirers, but find it difficult to sustain meaningful relationships, as their socially aversive qualities gradually become more apparent.

Machiavellian leaders are highly capable planners who are strongly task-focused, convincing and adept at forging alliances with others. These qualities can sometimes lead followers to mistake them for transformational leaders. But Machiavellians are highly manipulative, calculating and expedient in their dealings with others. They typically adopt a win-at-all-costs approach that's quite socially aversive. Machiavellian leaders are often masters of deceit and routinely employ manufactured charm and flattery to hide their true exploitative nature and intent towards others.

Psychopathic leaders are the most malevolent of the dark triad personalities. At their core, psychopathic leaders have an incapacity for empathy, a staggering disregard for the interests of others, and a tendency towards cruelty and the exploitation of followers. Balanced against this, they're often energetic, proactive, highly convincing liars, adept at concealing their socially aversive intentions, and skilled at manipulating others through superficial charm. Some people misinterpret their energy and drive as evidence of transforming leadership capabilities.

It's the socially aversive qualities which underlie the temperaments of narcissists, Machiavellians and psychopaths that ultimately distinguish them from the more pro-social transformational leaders in today's organisations.

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11.5 Discuss the role of leaders in creating ethical organisations.

Ethics and trust in leadership

Although theories have increased our understanding of effective leadership, the previous section on socially aversive leadership reveals to us that they don't explicitly deal with the role of ethics and trust, which many argue is essential to complete the picture. Leadership is not value-free. In assessing its effectiveness, we need to address the means that a leader uses to achieve goals, as well as the content of those goals. The role of the leader in creating ethical expectations for all members is crucial.[91]

Here, we consider the two concepts of ethics and trust under the rubric of authentic leadership and servant leadership.[92] Authentic leadership and servant leadership and the broader philosophical framework of ethical leadership have grown in prominence through the field of positive organisational behaviour (POB), particularly in the past ten years. POB focuses on how organisations can promote productive, healthy, ethical and positive social experiences. The field has developed against a backdrop of increasingly regular reports of corporate scandals and shareholder and stakeholder demands for more ethical conduct within the business world.

Ethical leadership

Only recently have researchers begun to consider the ethical implications in leadership.[93] One reason may be the acknowledgement that many past and current leaders have suffered from ethical shortcomings. Another reason may be the growing realisation that although every member of an organisation is responsible for ethical behaviour, many initiatives aimed at increasing organisational ethical behaviour are focused on the leaders. The role of the leader in creating the ethical expectations for all members is crucial.[94]

Ethical top leadership influences not only direct followers but spreads all the way down the organisational structure because leaders set expectations.[95] Leaders rated as highly ethical tend to be evaluated very positively by their subordinates, who are also more satisfied and committed to their jobs and experience less strain and turnover intentions.[96] Followers of these leaders are also more motivated, perform better and engage in more organisational citizenship behaviours (OCBs) and fewer counterproductive work behaviours (CWBs).[97] Ethical leaders can change norms: one reason why employees engage in more OCBs and fewer CWBs is because their perceptions on whether each is equitable (or 'fair') become altered so that OCBs are perceived as more equitable.[98] Ethical leaders also increase group awareness of moral issues, increase the extent to which the group is willing to speak up about ethical issues and raise their empathic concern for others.[99] Research also found that ethical leadership reduced interpersonal conflicts.[100]

Ethics and leadership intersect at a number of junctures. Transformational leadership has ethical implications, since these leaders change the way followers think. Charisma, too, has an ethical component. Unethical leaders use their charisma to enhance power over followers, directed towards self-serving ends. For this reason, scholars have tried to integrate ethical and charismatic leadership by advancing the idea of socialised charismatic leadership—leadership that conveys other-centred (not self-centred) values by leaders who model ethical conduct.[101] Socialised charismatic leaders are able to bring employee values in line with their own values through their words and actions.[102]

socialised charismatic leadership A leadership concept where leaders convey values that are other centred versus self centred and who role model ethical conduct.

Leaders who treat their followers with fairness, especially by providing honest, frequent and accurate information, are seen as more effective.[103] Related to this is the concept of humility, another characteristic ethical leaders often exhibit as part of being authentic. Research indicates that leaders who model humility help followers to understand the growth process for their own development.[104] Leaders rated as highly ethical tend to have followers who engage in more organisational citizenship behaviours and who are more willing to bring problems to the leaders' attention.[105] Research has also found that ethical leadership reduces interpersonal conflicts.[106]

Because top executives set the moral tone for an organisation, they need to set high ethical standards, demonstrate them through their own behaviour, and encourage and reward integrity in others while avoiding abuses of power, such as giving themselves large raises and bonuses

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while laying off employees. One research review found that role modelling by top leaders positively influenced managers throughout their organisations to behave ethically and fostered a climate that reinforced group-level ethical conduct. The findings suggest that organisations should invest in ethical leadership training programs, especially in industries with few ethical regulations. The researchers furthermore advised that ethical leadership training programs to teach cultural values should be mandated for leaders who take foreign assignments or manage multicultural work teams.[107]

For ethical leadership to be effective, it's not enough for the leader simply to possess high moral character. After all, there's no universal standard for ethical behaviour, and ethical norms vary by culture, by industry and even sometimes within an organisation. Leaders must be willing to express their ethical beliefs and persuade others to follow their standards. Followers must believe in both the leader and the overlying principles, even if they don't personally agree with every minor stance.

To convey their beliefs, leaders should learn to express their moral convictions in statements that reflect values shared with their organisation's members. Leaders can build on this foundation of trust to show their character, enhance a sense of unity and create buy-in from followers. The leader's message should announce high goals and confidence that they can be reached.

Ethical leaders' statements are often positive messages, such as Winston Churchill's opening for his World War II victory speech: 'This is your hour. This is not a victory of a party or any class. It's a victory of the great British nation as a whole'. An example of an ethical leader's negative message is this speech by Gandhi: 'Even if all the United Nations opposes me, even if the whole of India forsakes me, I will say, "You are wrong. India will wrench with nonviolence her liberty from unwilling hands"'. Positive and negative ethical leader statements can be equally effective when they deliver clear, moral, inclusive, goal-setting statements with persuasiveness. In fact, they can set trends in motion to make the seemingly far-fetched become real.[108]

What is authentic leadership?

Authentic leadership focuses on the moral aspects of being a leader. It's a relatively recent field of scholarship and there's a divergence of opinion as to what authentic leadership theory is and how to define it. That said, there seems to be common agreement that at their core, authentic leaders have a strong sense of consistency and continuity in their espoused and enacted values, an 'individual authenticity' that enables others to trust them.

Authentic leaders know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly.[109] Their followers consider them to be ethical people. The primary quality produced by authentic leadership, therefore, is trust. Authentic leaders share information, encourage open communication and stick to their ideals. The result is that people come to have faith in them. Authentic leaders share information, encourage open communication and stick to their ideals. Authentic leaders are also humble—research indicates that leaders who model humility help followers to understand the growth process for their own development.[110]

authentic leaders Leaders who know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly. Their followers would consider them to be ethical people.

Authentic leadership, especially when shared among top management team members, creates a positive energising effect that heightens teamwork, team productivity and the organisation's performance.[111] When leaders practise what they preach, or act on their values openly and candidly, followers tend to develop a strong affective commitment and trust in their leader and, to a lesser degree, to improve their performance and OCBs.[112]

Because the concept is relatively new, however, there's only emerging research on authentic leadership. It's a promising direction to think about ethics and trust in leadership because it focuses on the moral aspects of being a leader. Transformational or charismatic leaders can have a vision and can communicate it persuasively, but sometimes the vision is wrong (as in the case of Hitler), or the leader is more concerned with their own needs or pleasures, such as Bernie Madoff (former New York stockbroker, investment adviser and the confessed operator of a Ponzi scheme).[113]

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Servant leadership

Robert Greenleaf first proposed his concept of servant leadership in 1977 and focused on leader humility and servitude. Servant leaders go beyond their own self-interests and focus on opportunities to help followers to grow and develop. They don't use power to achieve ends; they emphasise persuasion. Recent research has further developed our understanding of servant leadership by defining characteristics of servant leadership as empowerment, accountability, humility and self-awareness, authenticity, courage, empathy and stewardship.[114] Because servant leadership focuses on serving the needs of others, research has focused on its outcomes for the well-being of followers.

What are the effects of servant leadership? One study of 123 supervisors found it resulted in higher levels of commitment to the supervisor, self-efficacy and perceptions of justice, which were all related to OCB.[115] This relationship between servant leadership and follower OCB appears to be stronger when followers are focused on being dutiful and responsible.[116] Second, servant leadership increases team potency (a belief that your team has above-average skills and abilities), which in turn leads to higher levels of group performance.[117] Third, a study with a nationally representative sample of 250 workers found higher levels of citizenship associated with a focus on growth and advancement, which in turn was associated with higher levels of creative performance.[118]

Servant leadership may be more prevalent and more effective in certain cultures.[119] When asked to draw images of leaders, a recent study found that Americans tend to draw them in front of the group, giving orders to followers. Singaporeans tend to draw leaders at the back of the group, acting more to gather a group's opinions together and then unify them from the rear. This suggests the East-Asian prototype is more like a servant leader, which might mean servant leadership is more effective in these cultures.

Ethical choice

Holding leaders ethically accountable



No one thinks leaders shouldn't be accountable. Leaders must balance many and conflicting stakeholder demands. The first, largely unspoken, demand is for strong financial performance; leaders are probably terminated more often for missing this goal than for all other factors combined. When you balance the often-extreme pressure for financial performance with the desire most leaders have to act ethically towards their employees, there is unfortunately little leadership accountability to ensure ethical leadership is happening. Given that pressure, ethical leadership may be under-rewarded and depend solely on the leader's innate decency.

Ethical leadership is a relatively new area of research attention. Demonstrating fairness and social responsibility and abiding by the law even run counter to many old-school models of leadership. Consider, for example, the advice of legendary management guru Peter Drucker (1967): 'It is the duty of the executive to remove ruthlessly anyone—and especially any manager—who consistently fails to perform with high distinction. To let such a man stay on corrupts the others'. Modern ethical leadership guidelines say this cut-throat mindset fails to consider the moral implications of treating people as objects at an organisation's disposal.

While few organisations still require 'performance at all costs', financiers, shareholders and boards have the reward power to teach leaders which outcomes to value. Ethical leadership resounds positively throughout all organisational levels, resulting in responsible and potentially highly profitable outcomes, but the ultimate ethical test will come when shareholders—and leaders—show signs of balancing these accountabilities themselves.

SOURCES: T. E. Ricks, 'What ever happened to accountability?', *Harvard Business Review*, October 2012, pp. 93–100; J. M. Schaubroeck, S. T. Hannah, B. J. Avolio, S. W. J. Kozlowski, R. G. Lord, L. K. Treviño et al., 'Embedding ethical leadership within and across organizational levels', *Academy of Management Journal* 55, 2012, pp. 1053–78; P. F. Drucker, *The Effective Executive*, New York: Harper & Row, 1967; and J. Stouten, M. van Dijke and D. De Cremer, 'Ethical leadership', *Journal of Personnel Psychology* 11, 2012, pp. 1–6.

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Myth or science?



'Top leaders feel the most stress'

Leaders of corporations fight pressures from their boards, customers, managers and employees. Wouldn't it stand to reason that they're the most stressed people in their organisations? Apparently not. According to studies from Harvard University, the University of California–San Diego and Stanford University, leadership brings a blissful relief from the stress felt by individuals who aren't in managerial roles. Not only did leaders report less anxiety than non-leaders, but their cortisol (stress hormone) levels were also lower, indicating they're biologically less likely to register stress. Another study found that individuals in higher status occupational groups registered less perceived stress and lower blood-pressure readings than those in lower-status occupations.

If you're thinking this is one more reason 'it's better at the top', you may be right, if only partially. It is true that leaders appear to show fewer signs of stress by virtue of being leaders, regardless of higher income or longer job tenure. However, researchers found no 'magic level' in an organisation at which employees feel a reduction in stress levels.

One study found that stress reduction correlates with feelings of control. Leaders with more subordinates and greater power felt less stress than other individuals who knew they had less control over outcomes. Top leaders who control the resources of their corporations and have plenty of employees to carry out their directives, therefore, can fight stressors before they affect them.

SOURCES: M. Korn, 'Top-level leaders have less stress than others', *The Wall Street Journal*, 3 October 2012, p. B6; G. D. Sherman, J. J. Lee, A. J. C. Cuddy, J. Renshon, C. Oveis, J. J. Gross et al., 'Leadership is associated with lower levels of stress', *Proceedings of the National Academy of Sciences of the United States of America*, 30 October 2012, pp. 17903–7; and E. Wiernik, B. Pannier, S. Czernichow, H. Nabi, O. Hanon, T. Simon et al., 'Occupational status moderates the association between current perceived stress and high blood pressure: evidence from the IPC Cohort Study', *Hypertension*, March 2013, pp. 571–7.

Trust and leadership

Trust is a psychological state that exists when you agree to make yourself vulnerable to someone else because you have positive expectations about how things are going to turn out.[120] Even though you're not completely in control of the situation, you're willing to take a chance that the other person will 'come through' for you.

trust A positive expectation that someone else will not act opportunistically.

Trust is a primary attribute associated with leadership; breaking it can have serious adverse effects on a group's performance.[121] As one author noted: 'Part of the leader's task has been, and continues to be, working with people to find and solve problems, but whether leaders gain access to the knowledge and creative thinking they need to solve problems depends on how much people trust them. Trust and trustworthiness modulate the leader's access to knowledge and cooperation'.[122]

Followers who trust a leader are willing to be vulnerable to the leader's actions, confident that their rights and interests will not be abused.[123] Transformational leaders create support for their ideas in part by arguing that their direction will be in everyone's best interests. People are unlikely to look up to or follow someone they perceive as dishonest or likely to take advantage of them. So, as you might expect, transformational leaders do generate higher levels of trust from their followers, which in turn is related to higher levels of team confidence and, ultimately, higher levels of team performance.[124]

In a simple contractual exchange of goods and services, your employer is legally bound to pay you for fulfilling your job description. But today's rapid reorganisations, diffusion of responsibility and collaborative team-based work style mean that employment relationships aren't stable, long-term contracts with explicit terms. Rather, they're more fundamentally based on trusting relationships than ever before. In contemporary organisations, where work is less closely documented and specified, voluntary employee contribution based on trust is absolutely necessary. And only a trusted leader will be able to encourage employees to reach beyond themselves to a transformational goal.

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11.6 Explain the difference between substitutes for leadership and neutralisers of leadership.

Challenges to our understanding of leadership

Jim Collins says, 'In the 1500s, people ascribed all events they didn't understand to God. Why did the crops fail? God. Why did someone die? God. Now our all-purpose explanation is leadership'.[125] But much of an organisation's success or failure is due to factors outside the influence of leadership. Sometimes it's just a matter of being in the right or wrong place at a given time. This section presents two perspectives and one technological change that challenge accepted beliefs about the value of leadership.

Leadership as an attribution

attribution theory of leadership A leadership theory that leadership is merely an attribution that people make about other individuals.

As you may remember from Chapter 6, attribution theory examines how people try to make sense of cause-and-effect relationships. The attribution theory of leadership says that leadership is merely an attribution that people make about other individuals.[126] Consequently, we attribute intelligence, outgoing personality, strong verbal skills, aggressiveness, understanding and industriousness to leaders.[127] At the organisational level, we tend to see leaders, rightly or wrongly, as responsible for extremely negative or extremely positive performance.[128]

Attribution theory suggests that what's important is projecting the appearance of being a leader rather than focusing on actual accomplishments. Leader-wannabes who can shape the perception that they're smart, personable, verbally adept, assertive, hardworking and consistent in their style can increase the probability that their bosses, colleagues and employees will view them as effective leaders.

Substitutes for and neutralisers of leadership

substitutes Attributes, such as experience and training, that can replace the need for a leader's support or ability to create structure.

neutralisers Attributes that make it impossible for leader behaviour to make any difference to follower outcomes.

One theory of leadership suggests that, in many situations, leaders' actions are irrelevant.[129] Experience and training are among the substitutes that can replace the need for a leader's support or ability to create structure. Organisational characteristics, such as explicit, formalised goals, rigid rules and procedures, and cohesive work groups, can also replace formal leadership, while indifference to organisational rewards can neutralise its effects. Neutralisers make it impossible for leader behaviour to make any difference to follower outcomes (see Exhibit 11.8).

This observation should not be too surprising. After all, we've introduced a number of variables—such as attitudes, personality, ability and group norms—that affect employee performance and satisfaction. It's simplistic to think that employees are guided to goal accomplishments solely by the actions of their leader. Leadership is simply another independent variable in our overall OB model.

There are many possible substitutes for and neutralisers of many different types of leader behaviours across many different situations. Moreover, sometimes the difference between substitutes and neutralisers is fuzzy. If you're working on a task that's intrinsically enjoyable, theory predicts that leadership will be less important because the task itself provides enough motivation. But does that mean that intrinsically enjoyable tasks neutralise leadership effects, or substitute for them, or both? Another problem is that, while substitutes for leadership (such as employee characteristics, the nature of the task and so on) matter to performance, it doesn't necessarily mean that leadership doesn't.[130]

Selecting leaders

The entire process that organisations go through to fill management positions is essentially an exercise in trying to identify effective leaders. You might begin by reviewing the

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EXHIBIT 11.8 Substitutes for and neutralisers of leadership

Defining characteristics	Relationship-oriented leadership	Task-oriented leadership
Individual		
Experience/training	No effect on	Substitutes for
Professionalism	Substitutes for	Substitutes for
Indifference to rewards	Neutralises	Neutralises
Job		
Highly structured task	No effect on	Substitutes for
Provides its own feedback	No effect on	Substitutes for
Intrinsically satisfying	Substitutes for	No effect on
Organisation		
Explicit, formalised goals	No effect on	Substitutes for
Rigid rules and procedures	No effect on	Substitutes for
Cohesive work groups	Substitutes for	Substitutes for

SOURCE: Based on S. Kerr and J. M. Jermier, 'Substitutes for leadership: their meaning and measurement', *Organizational Behavior and Human Performance*, December 1978, p. 378.

knowledge, skills and abilities needed to do the job effectively. Personality tests can identify traits associated with leadership: extraversion, conscientiousness and openness to experience. Testing to find a leadership-candidate's score on self-monitoring also makes sense; high self-monitors are better at reading situations and adjusting their behaviour accordingly. Given the value of social skills in managerial effectiveness, candidates with high emotional intelligence should have an advantage, especially in situations requiring transformational leadership.[131]

Experience is a poor predictor of leader effectiveness, but situation-specific experience is relevant. You can interview to determine whether a candidate's prior experience fits the position you're trying to fill, and to identify whether they have leadership traits such as extraversion, self-confidence, a vision, the verbal skills to frame issues or a charismatic physical presence.

Training leaders

Organisations spend billions of dollars on leadership training and development.[132] These efforts take many forms—from 100 000-dollar executive MBA programs offered by universities to ongoing executive-style mentoring programs, run by the large, global consultancy firms.

In-house leadership programs conducted by human resource departments in Australian organisations involve many areas, but typically include:

- strategic vision creation
- executive implementation
- follower mentoring
- trust-building
- dexterity and adaptability in leadership style
- self-knowledge and resilience.

Leadership training is regarded as a particularly important area in contemporary organisations due to the effect that leadership can have on organisational productivity.

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Summary

Leadership plays a central part in understanding group behaviour because it's the leader who usually directs us towards our goals. Knowing what makes a good leader should therefore be valuable in improving group performance. The early search for a set of universal leadership traits failed. However, recent efforts using the Big Five personality framework show strong and consistent relationships between leadership and extraversion, conscientiousness and openness to experience. The behavioural approach's major contribution was narrowing leadership into task-oriented (initiating structure) and people-oriented (consideration) styles. By considering the situation in which the leader operates, contingency theories promised to improve on the behavioural approach. Theories such as LPC and SLII provide leaders with an understanding of the situational factors that affect follower performance. More recent investigations into leadership have alerted us to the importance of ethics, authenticity and trust. These variables are acknowledged to have significant influence on leadership effectiveness in today's organisations.

Implications for managers

- For management positions, recruit candidates who exhibit transformational leadership qualities and who have demonstrated vision and charisma.
- Test and interview in order to identify people with leadership qualities.
- Recruit candidates you believe are ethical and trustworthy for management roles, and train current managers in your organisation's ethical standards in order to increase leadership effectiveness.
- Seek to develop trusting relationships with followers because, as organisations have become less stable and predictable, strong bonds of trust are replacing bureaucratic rules in defining expectations and relationships.
- Consider investing in leadership training, such as formal courses, workshops, rotating job responsibilities, work-based learning projects, coaching and mentoring.

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HEROES ARE MADE, NOT BORN

POINT

If you really get down to specifics, you can see that CEOs start in leadership roles early in life. They have similar backgrounds, childhood challenges and coping strategies. In fact, it's easy to see a CEO-in-the-making at your local garage sale.

What's the profile of burgeoning CEOs? It starts with their parents, who are almost always successful through industriousness. For example, Sir Richard Branson, English business magnate and founder of the Virgin group of companies, grew up with a father who was an English barrister and a grandfather who was an English High Court judge. His mother, Dame Eve Branson was the daughter of a major in the British armed forces. Dame Branson, a renowned philanthropist and author of novels and children's books, served in the forces during World War II and after the war toured as a ballet dancer, worked as an air hostess, ran a real estate business, and was a military police officer and a probation officer.

Ricardo Semler, the Brazilian entrepreneur best known for his transformational leadership style and radical form of industrial democracy and innovative management practices, grew up with an autocratic, traditional industrialist father, from whom he took over as CEO when he was 21 years old in 1980, which was the same year in which he became the youngest Harvard MBA graduate. By 1994, Ricardo was named by *Time* as one of the global 100 young leaders.

Second, future CEOs are raised with responsibilities. Susan Story, CEO of utility company American Water, learned as a child that 'no matter how bad things get, it's about working hard and taking personal responsibility, because nobody owes you anything'. Dame Eve Branson once sent her son, Richard, off on an 80-kilometre bike ride to the English coast with only some sandwiches and an apple when he was not even 12 years old. She told him to find water on the way and he didn't manage to get back home until the next day. She said she wanted to teach him the importance of stamina and a sense of direction!

Third, burgeoning CEOs are successful leaders when they're young. Richard Branson started his first successful business, a student magazine, at 16 years of age and within one year had generated a net worth of £50 000.

Clearly, CEOs start early.

COUNTERPOINT

CEOs who start early have good stories to tell when they become successful, but that doesn't necessarily mean they represent the majority. Let's look at a few other aspects of the tender years of CEOs.

First, we know that much of our personality is attributable to genetics, but it's incorrect to infer that we can (a) map the genetic trail for a personality trait from ancestors to CEO or (b) tell where a young person's traits will lead. Likewise, we can't say that if the parents are successful through industriousness, their children will be. Susan Story's parents worked in a cotton mill and a wastewater plant, and they 'didn't have a lot of money'.

Mitch Rothschild is CEO and founder of the medical website Vitals.com, which regards itself as the largest online database for patient reviews of doctors and facilities. He has observed, 'Parents influence you either because you want to be like them or because you want to not be like them'.

Second, what child is raised without responsibilities? None, even if all they have to do is go to school. There are plenty of CEOs who had a lot of responsibilities growing up, and others who didn't.

Third, it would be a mistake to conclude that CEOs start as young leaders. The ones who don't, simply don't talk about it. The late Dame Anita Roddick, founder of The Body Shop, didn't open her first Body Shop until she was 34 years old. Naomi Simson, Australian entrepreneur and founder of RedBalloon, an online experience gift retailer, had a career in corporate marketing before she started RedBalloon at the age of 37.

The stories of CEOs who start early make for good press reports, but CEOs don't by definition start early. What we can say, though, is that genetics and experiences both shape young people, and that the relationship between those factors and CEO success is complex.

SOURCES: Based on A. Bryant, 'The job description is just the start', *The New York Times*, 14 September, 2014, p. 2; A. Bryant, 'Pushing beyond comfort zones', *The New York Times*, 25 January 2015, p. 2; C. Crossland, J. Zyung, N. J. Hiller and D. C. Hambrick, 'CEO career variety: effects on firm-level strategic and social novelty', *Academy of Management Journal* 57, no. 3, 2014, pp. 652–74; Roddick, *Body and Soul: Profits with Principles*, New York: Crown Publishing, 1991; Richard Branson, *Losing my Virginity*, Australia: Random House Publishers, 2005; Ricardo Semler, *Maverick!*, New York: Warner Books, 1995; and Naomi Simson, *Live What You Love: When Passion and Purpose Change Your Life*, Harlequin Enterprises (Australia) Pty Ltd., 2015.

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Questions for review

1. What are the conclusions of the trait theories of leadership?
2. What are central tenets and main limitations of behavioural theories of leadership?
3. What is Fiedler's contingency model? How is it distinguished from other contingency theories?
4. How do charismatic and transformational leadership compare and contrast? Are they valid? How do they compare to earlier foundational leadership theories?
5. Why do ethics and trust matter to leadership?
6. What are substitutes for leadership? How do they differ from neutralisers of leadership?

Application and employability

Understanding how leaders emerge, what makes leaders effective, and how to lead and influence people to pursue a vision and achieve organisational goals are invaluable skills. These skills will help you become more employable and perhaps improve your chances of being promoted in your job. Not only is this information important for knowing how to lead, it's also important for knowing how to interact and communicate effectively with your manager or supervisor. From this chapter, we know leadership is a multifaceted concept: our personality traits can affect whether we become a leader (and whether we're likely to be good at it). This may be important when you're in a position where you have a say in appointing a leader to your team or department. You should now have a better idea about what leaders do and how situations constrain them. You also know how important newer conceptualisations of leadership have focused on the specific relationships that managers have with their subordinates and how charisma, authenticity, ethicality and transformational leadership can influence follower commitment. In this chapter, you improved your critical thinking and your knowledge application and analysis skills by debunking the myth that leaders experience the most stress, learning how to confront an oversharing boss, navigating the tension between ethical leadership and older schools of leadership and debating whether CEOs start leadership roles early in life. By the end of the chapter, you'll have developed these skills, along with communication and collaboration skills, by identifying examples of leaders from multiple contexts, discussing the value of management consultancy advice in relation to strategic leadership, and considering the use of leadership algorithms for leadership development.

Experiential exercise

WHAT'S IN A LEADER?

1. Working on your own, write down 12 adjectives that describe an effective business leader.
2. Form groups of four or five, taking your list with you. Appoint a note-taker and a spokesperson for each group.
3. Assign each group a category of leader:
   a. government leaders (e.g. presidents, prime ministers, members of parliament, senators)
   b. business leaders (e.g. CEOs, COOs, CFOs, entrepreneurs)
   c. community leaders (e.g. mayors and counsellors, campaigners, volunteers)
   d. humanitarian leaders (e.g. humanitarian organisation chiefs, aid volunteers, investigative journalists)
   e. university leaders (e.g. vice chancellors, deans, professors)
   f. sports leaders (e.g. coaches, captains, administrators)
   g. social/thought leaders (rights or other activists, whistleblowers, authors).
4. As a group, identify one contemporary leader or leader from history to serve as an appropriate example for your group. Discuss the defining characteristics or traits of that leader, determining examples that most of the group members consider to be defining characteristics of that person.
5. Individually, revisit your list of adjectives and volunteer to the group which adjectives you consider pertinent to the chosen leader. Compare your lists of adjectives, with the note-taker making a new list of the most common adjectives. (Count synonyms—e.g. decisive and forceful—as the same.)
6. Then, as a class, create a template with four columns and have the group spokespeople list each group's leader category, leader identity, agreed traits and agreed adjectives.
7. Ask each group whether:
   a. their agreed traits and adjectives make the person an effective leader. Why or why not?
   b. these agreed traits and adjectives make any leader in that category (e.g. government leader, sports leader) an effective leader. Why or why not?
8. As a class, discuss whether there are many similarities between the lists under each separate category. What does this tell you about the nature of leadership? What does this tell you about the importance of context?

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Case study 1

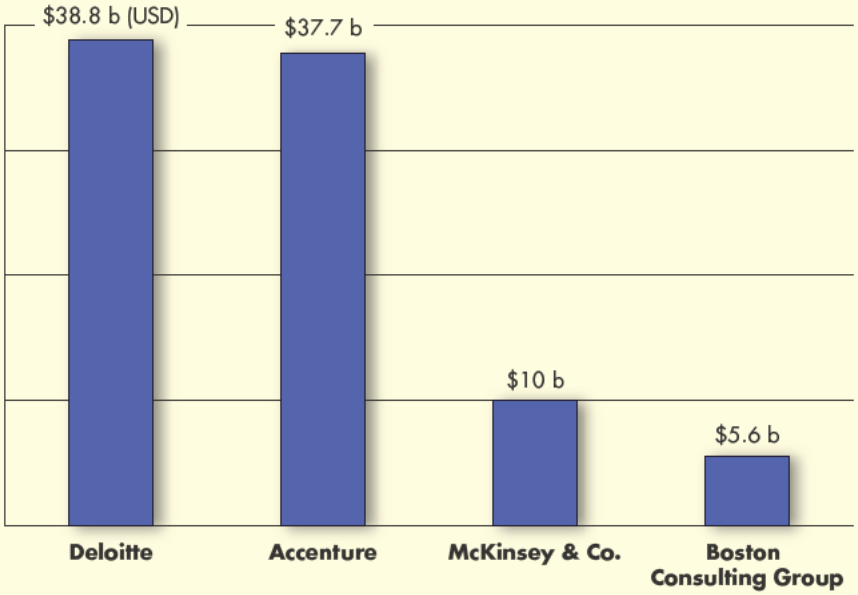
LEADERSHIP, STRATEGY AND THE MANAGEMENT CONSULTANCY INDUSTRY

Leadership is one of the most highly valued competitive capabilities in today's organisations, and strategic leadership is certainly no exception. Senior executive teams around the globe are increasingly reliant on guidance and advice from the world's top consultancy firms. Companies such as McKinsey & Co. and the Boston Consulting Group have developed global reputations for their ability to assist when it comes to developing the strategic acumen and leadership competencies of senior executives.

Global revenues generated by these large consulting houses bear testimony to the financial value placed on capable leadership in our contemporary organisations. Competent strategic leadership is widely viewed as one of the most important determinants of organisational success. Accordingly, large companies seeking a competitive edge often engage strategy consultants to work closely with them on an in-house basis to assist them with leadership development initiatives—particularly strategic leadership improvement at the senior managerial and executive team levels.

However, some commentators have questioned the value of the advice provided by these consultancy houses. For example, O'Shea, Madigan and Mathers have argued that over-reliance on external assistance can sometimes lead to a chronic dependence on consultants by senior organisational leaders. High-profile leaders such as Rupert Murdoch have also expressed reservations about the value of consultancy advice, suggesting that strategic leadership is a core responsibility of the CEO and the senior executive team. These arguments suggest that it's unwise for senior executives to become overly reliant on external support, as this can be taken as a signal that the company's management lacks the very leadership capabilities that they're being paid to exercise.

Global revenues: consulting houses with a specialist focus on building executive leadership capabilities



Questions

1. On balance, can consultants add value to the leadership selection process when they know little about the company, its culture, its enacted values or its philosophy? What are the advantages for senior executives who engage professional consultants to help them improve their leadership?
2. To what extent is it a duty for senior executives to rely on external consultants to select leaders? What are the risks involved in using management consultants to provide leadership advice to teams of senior executives?
3. What would be the key qualifying criteria you would insist upon if you were selecting a management consultancy to assist your company?

SOURCES: 'The top 50 consulting firms in 2018 ranked by revenue, prestige, growth and employee satisfaction', 2018, <www.consulting.com/top-consulting-firms>; S. Kamat, 'Top consulting firms in the world', MBA Crystal Ball (online), 2018, <https://www.mbacrystalball.com/blog/2018/07/06/top-consulting-firms-world/>; J. O'Shea, C. Madigan and A. Mathers, *Dangerous Company: The Consulting Powerhouses and the Businesses They Save and Ruin*, New York: Times Business, 1997; and M. Wolff, *The Man Who Owns the News: Inside the Secret World of Rupert Murdoch*, Random House, 2008.

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Case study 2

LEADERSHIP BY ALGORITHM

Is there a single, right way to lead? Research suggests not, the methods explored in this chapter suggest not, and common sense suggests that a one-size-fits-all approach could be disastrous because organisations exist for diverse purposes and develop unique cultures. Leadership development programs generally teach a best-practices model, but experts suggest that individuals trained in leadership techniques that are contrary to their own natures risk losing the authenticity crucial to effective leadership. A promising path to leadership may therefore lie in algorithms.

If you've ever taken a strengths-based assessment such as the Harrison Assessment or Gallup's Clifton StrengthsFinder, you know that surveys aimed at discovering your personality, skills and preferences result in a personal profile. These tools are helpful, but algorithms can take your leadership development to the next level of personalisation and application. They can take the results from each survey you complete, for instance, and use them to create a leadership program that matches your needs and abilities.

As the founder of management coaching organisation TMBC and author of *StandOut*, Marcus Buckingham is an expert on creating leadership programs. He recommends the following steps:

Step 1: *Find or develop assessment tools.* These might include a personality component, such as a Big Five inventory test, and can include other tests that companies can resource or create according to the leadership characteristics they are seeking to monitor.

Step 2: *Identify the top leaders in the organisation and administer the tests to them.* This step is not to determine what all the leaders have in common but to group the top leaders into categories by their similar profiles.

Step 3: *Interview the leaders within each profile category to learn about the techniques they use that work.* Often these techniques will be unique, unscripted and revealingly correlated to the strengths in each leader's assessment profile. Compile the techniques within each profile category.

Step 4: *The results of top leader profile categories and the leaders' techniques can be used to create an algorithm, or tailored method, for developing leaders.* Administer the assessment tests to developing leaders and determine their profile categories. The techniques from successful leaders can then be shared with the developing leaders who are most like them because they share the same profile category.

These steps provide a means for successful leaders to pass along to developing leaders the techniques that are likely to feel authentic to the developing leaders and that encourage creativity. The techniques can be delivered in an ongoing process as short, personalised, interactive and readily applicable tips and advice that yield results no two-week leadership development course could achieve.

Questions

1. If you have participated in leadership development programs, how effective did you find them in (a) teaching you techniques and (b) giving you practical strategies that you could use? What could they do better?
2. What are some potential negatives of using Marcus Buckingham's approach to leadership development?
3. How suitable do you believe Buckingham's steps would be if you were deciding to implement them in your current (or future) organisation? Why or why not?

SOURCES: Based on M. Buckingham, 'Leadership development in the age of the algorithm', *Harvard Business Review*, June 2012 pp. 86–94; M. D. Watkins, 'How managers become leaders', *Harvard Business Review*, June 2012, pp. 64–72; and J. M. Podolny, 'A conversation with James G. March on learning about leadership', *Academy of Management Learning & Education* 10, 2011, pp. 502–6.

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CHAPTER

12 Power and politics

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

12.1 Contrast leadership and power.

12.2 Contrast the bases of formal power and personal power.

12.3 Explain the role of dependence in power relationships.

12.4 Identify key power or influence tactics and their contingencies.

12.5 Identify the causes and consequences of abuse of power.

12.6 Describe how politics works in organisations.

12.7 Identify the causes, consequences and ethics of political behaviour.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓	✓	✓	✓	✓	✓	✓
Communication			✓		✓		✓
Collaboration		✓			✓		
Knowledge application and analysis	✓		✓	✓	✓	✓	✓
Social responsibility		✓				✓	✓

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Workplace bullying in parliament

We can gain insights into power at work by observing national and state governments. In August 2018 then Prime Minister Malcolm Turnbull called two leadership elections (called leadership 'spills') in quick succession, responding to a perceived challenge from within his party (the Liberal Party). Although he won the first, defeating Peter Dutton, his only challenger, he soon called a second election after a number of colleagues indicated their opposition. Believing he no longer had his party's support, Turnbull did not stand in the second spill, which led to another politician, Scott Morrison, winning the second election and replacing Turnbull as party leader and prime minister.



Former Liberal MP Julia Banks
SOURCE: Gary Ramage/Newspix.

This particular leadership spill was seen by some as more about 'personal vendettas rather than policy differences' and further messy implications of national politics began to emerge afterwards. Julia Banks, a Liberal MP, announced she had been intimidated by some members of her own party and the Labor party during the leadership spill. She issued a formal statement explaining that she was taking a stand against the 'scourge of cultural and gender bias, bullying and intimidation' and intended to step down from her seat in parliament at the next general election. She added, 'I have always listened to the people who elected me and put Australia's national interest before internal political games, factional party figures, self-proclaimed power-brokers and certain media personalities'.

Banks's story continued several weeks later, when she withdrew from the Liberal Party, continuing as a cross-bench (independent) MP and also announced that she would be standing as an independent candidate in the next election.

Although receiving considerable support in parliament, the media and the general public, not everyone agreed with her point of view. For example, another backbench member, Craig Kelly, responded to her statement, 'I think that you've got to roll with the punches in this game. We're political parties. It's a rough-and-tumble game'. Also, Senator Bridget McKenzie of the National Party suggested that the sort of behaviour some people might see as bullying, others could describe as 'a robust conversation'.

This last point is particularly important in situations where someone complains of workplace bullying. Although most of us would probably agree that bullying is damaging for organisations, it's not always clear what bullying actually is. Australian legislation attempts to define, and control, bullying at work as when someone 'repeatedly behaves unreasonably towards the worker, or a group of workers of which the worker is a member…[when] that behaviour creates a risk to health and safety'. The act also explains that it 'does not apply to reasonable management action carried

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out in a reasonable manner'. Perhaps the biggest problem here is that people often disagree regarding what's reasonable or unreasonable.

So, why would we include this when discussing power at work? Researchers tend to define bullying as the application, or abuse, of power, where individuals or groups attempt to coerce or intimidate other individuals or groups to acquiesce, either explicitly (such as coercing support for something in particular, like Julia Banks's claims regarding the leadership spill) or more implicitly (such as seeking to impose a general feeling of power over a bully's target).

Of course, it's always difficult to fully understand any situation involving power struggles between individuals and groups of people. We can never really hope to get the full picture and Julia Banks's experience has clearly divided opinion. This particular story (as reported here) tends to focus on Banks's perspective. For example, when describing the bullying she received, Banks interpreted it as an example of gender-based intimidation, although it remains unclear whether any men were subject to similar bullying prior to and during the spill.

So, although Julia Banks's experience raises lots of questions about this sort of workplace behaviour (not least, the issue of gender-based bullying), perhaps the broadest question we could ask would be whether it's possible to develop a definition of bullying that could be realistically applied in all organisational contexts as a key step forward in addressing and perhaps even eradicating this practice.

SOURCES: A. Branley, 'Julie Bishop criticises parliamentary colleagues for "appalling behaviour"', ABC News, 6 September 2018; M. Collett, 'Workplace bullying and why the "rough and tumble" of a job is no excuse', ABC News, 5 September 2018; R. Kieseker and T. Marchant, 'Workplace bullying in Australia: a review of current conceptualisations and existing research', *Australian Journal of Management and Organisational Behaviour* 2, no. 5, 1999, pp. 61–75; R. Lewis, 'Julia Banks resigns from the Liberal party', *The Australian*, 27 November 2018; and *Fair Work Act 2009*, Office of Legislative Drafting and Publishing, Canberra: Attorney-General's Department.

IN THIS CHAPTER, we'll learn about power, including how a person obtains power and the tactics employees use to exert their will over others. We'll also explore the role of political behaviour in maintaining power within an organisation. Power in organisations is a compelling force: people who have power deny it; people who want it try not to look like they're seeking it; and those who are good at getting it are secretive about how they got it.[1] We begin by exploring our natural association of power with leadership.

12.1 Contrast leadership and power.

A definition of power

In organisational behaviour, **power** refers to a capacity that A has to influence the behaviour of B so that B acts in accordance with A's wishes.[2] So, someone can have power but not use it; it's a capacity or a potential. Probably the most important aspect of power is that it is a function of **dependence**. The greater B's dependence on A, the greater A's power in the relationship. Dependence, in turn, is based on alternatives that B perceives and the importance B places on the alternative(s) that A controls. Someone only has power over you if they control something you desire. Imagine that you must pass a certain course to complete your university degree and only one lecturer teaches that course. That person has potential power over you because your alternatives are limited and you place great importance on passing the course. Similarly, if your time at university relies on financial support from your parents, you probably recognise the power they have over you. But

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

dependence B's relationship to A when A possesses something that B requires.

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once you've finished university, have a job and are making a good income, your parents' power is reduced significantly.

Money is a powerful dependence variable. Who among us hasn't heard of a rich relative who controls family members by making them perceive they might be written out of the will? One striking example was when portfolio manager Ping Jiang allegedly coerced analyst Andrew Tong to take female hormones and wear lipstick and make-up, because Jiang controlled Tong's access to day trading and, consequently, his livelihood.[3]

A careful comparison of our definition of power with the description of leadership in Chapter 11 shows that these concepts overlap. Leaders clearly use power to attain their goals. So, how are these terms—leadership and power—different? Power doesn't require goal compatibility, just dependence, while leadership requires some congruence between the goals of the leader and those being led. A second difference relates to the direction of influence. Much leadership research focuses on downward influence, often ignoring lateral and upward influence patterns, while power research considers all factors. Third, leadership research often emphasises style, asking answers to questions such as, 'How supportive should a leader be?' and 'How much decision making should be shared with followers?' In contrast, the research on power focuses on tactics for gaining compliance. Finally, leaders are often primarily seen as individuals, while power can be exercised by both individuals and groups.

You may have noted that, for a power relationship to exist, one person or group needs control over resources that the other person or group values. This is usually the case in established leadership situations. However, power relationships are possible in all areas of life, and there are various different sources of power, as we'll explain next.

Bases of power

12.2 Contrast the bases of formal power and personal power.

Where does power come from? What gives an individual or a group influence over others? One way to answer this is to identify the sources of power into two general types—formal and personal—and then further divide these into more specific categories.[4]

Formal power

Formal, or positional, power is based on someone's position in an organisation. It can come from the ability to coerce or reward, or from formal authority.

Coercive power

Coercive power depends on fear of the negative results if you fail to comply. It rests on the application, or the threat of application, of sanctions such as the infliction of pain, frustration through the restriction of movement, or control of basic physiological or psychological needs using force.

coercive power A power base that is dependent on fear.

At an organisational level, A has coercive power over B if A can dismiss, suspend or demote B, assuming B values B's job, or if A can assign B work activities B finds unpleasant, or treat B in a manner B finds embarrassing. Coercive power also comes from withholding key information. People in an organisation who have data or knowledge that others need can exercise coercive dependence. When subordinates are being abused by supervisors, coercive power is the main force that keeps them from retaliating.[5] For example, Julia Banks, in the opening vignette, might perceive her experience as an attempt by others to exercise direct coercive power over her.

Reward power

The opposite of coercive power is reward power, whereby people comply because it produces positive benefits; someone who can distribute rewards that others view as valuable will have power over them. These rewards can be either financial (such as controlling pay rates, pay increases and bonuses) or non-financial (including recognition, promotions, interesting work assignments, friendly colleagues and preferred work shifts or sales territories).[6]

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

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Legitimate power

legitimate power The power a person receives as a result of their position in a formal hierarchy.

In formal groups and organisations, probably the most visible type of power is through legitimate power. It represents the formal authority to control and use organisational resources based on structural position in the organisation.

Legitimate power is broader than the power to coerce and reward. It includes members' acceptance of the authority associated with a position. Power is so closely associated with the concept of hierarchy that just drawing longer lines in an organisation chart leads people to infer that the leaders are especially powerful and, if an executive is described as powerful, people tend to put the person in a higher position when drawing an organisation chart.[7] When school principals, bank managers or army captains speak, teachers, tellers and first lieutenants listen and usually comply.

Personal power

personal power Ways in which individuals translate power bases into specific actions.

Many of the most competent and productive chip designers at Intel have power, but their power is not formal. What they have is personal power, which comes from an individual's unique characteristics.[8] There are two bases of personal power: expertise and the respect and admiration of others. Personal power and formal power are not mutually exclusive, but personal power can be independent.

Expert power

expert power Influence based on special skills or knowledge.

Expert power is influence wielded as a result of special skills or knowledge. As jobs become more specialised, we become increasingly dependent on experts to achieve goals. Most would agree that doctors have expertise and consequently have expert power—we're likely to follow our doctor's advice. Computer specialists, tax accountants, economists, industrial psychologists and other specialists wield power as a result of their expertise.

Referent power

referent power Influence based on identifying with someone who has desirable personal traits.

Referent power is based on identifying with someone who has desirable personal traits. If I like, respect and admire you, you have power over me because I want to please you and/or be like you.

Referent power develops out of admiration for someone else and a desire to be like that person. It helps explain why celebrities are paid large sums to endorse products. Sport celebrities such as Nick 'Honey Badger' Cummins's product endorsements are valued by advertisers as much for his 'iconic locks, head tape and true-blue Aussie lingo'[9] as for his prowess as a rugby player. With practice, you and I could probably deliver as smooth a sales pitch as many celebrities, but consumers don't identify with you or me. People who aren't in formal leadership positions can have referent power and exert influence over others because of their charismatic dynamism, likability and emotional appeal.[10]

Which bases of power are most effective?

Of the three bases of formal power (coercive, reward, legitimate) and two bases of personal power (expert, referent), which is most important to have? Research suggests that personal sources of power are particularly effective. Both expert and referent power are positively related to employees' satisfaction with supervision, as well as their organisational commitment and performance, whereas reward and legitimate power seem less related to these outcomes. One source of formal power—coercive power—can actually backfire and is negatively related to employee satisfaction and commitment.[11]

Referent power is a powerful motivator. Consider Steve Stoute's company, Translation, which matches pop-star spokespeople with companies that want to promote their brands. Stoute paired Justin Timberlake with McDonald's, Beyoncé with Tommy Hilfiger and Jay-Z with Reebok. Stoute's business is all about referent power. His firm uses the credibility of these artists and performers to reach youth culture.[12] In other words, people buy products associated with 'cool' figures because they wish to identify with and emulate them.

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Dependence the key to power

12.3 Explain the role of dependence in power relationships.

As we've already suggested, dependence, or perception of dependence, is essential to power. Next we'll show how understanding dependence helps us understand power itself.

The general dependence postulate

Let's begin with a general postulate: 'the greater B's dependence on A, the more power A has over B'. When you alone control something others require, they're dependent on you, and therefore you have power over them.[13] If something is plentiful, possessing it will not increase your power. But, as the old saying goes, 'In the land of the blind, the one-eyed man is king!' Conversely, the more you expand your own options, the less power others have over you. This is why most organisations seek multiple suppliers rather than relying on only one. It also explains why so many aspire to financial independence, reducing the power that others can wield by limiting our access to opportunities and resources.

What creates dependence?

Dependence increases when the resource you control is important, scarce and non-substitutable.[14]

Importance

If nobody wants what you have, you'll have no dependents. However, there are many degrees of importance, ranging from needing the resource for survival to desiring a fashionable resource that's in fashion—or a convenient one.

Scarcity

Ferruccio Lamborghini, who created the exotic supercar brand, understood the importance of scarcity and used it to his advantage during World War II. When serving in Rhodes with the Italian army, his ability to repair tanks and cars that no one else could fix, impressed his superiors. After the war, he admitted that his ability was largely due to being the first person there to receive the repair manuals, which he memorised and then destroyed, which made him indispensable.[15] Scarcity–dependence relationships such as this are also visible in different occupations; if the supply of labour is low, relative to demand, workers can negotiate more attractive compensation and benefits than those in occupations with an abundance of candidates. For example, university administrators have little problem today finding English tutors. In contrast, the market for network systems analysts is extremely tight, with demand high and supply limited. The bargaining power of computer-engineering academics allows them to negotiate higher salaries, lighter teaching loads and other benefits.

Non-substitutability

The fewer substitutes there are for a resource, the greater the power afforded by control over it. For example, in universities where publishing is valued, the more a lecturer publishes research, the more power that person has because other universities also want employees who are well published; lecturers with few or no publications have much less mobility and are subject to the greatest influence from their superiors.

Social network analysis: a tool for assessing resources

One way to assess the exchange of resources and dependencies within an organisation is by using social network analysis.[16] This method examines patterns of communication among organisational members to identify how information flows between them. Within a social network, each individual or group is called a node, and the links between nodes are called ties. When nodes communicate or exchange resources frequently, they're said to have very

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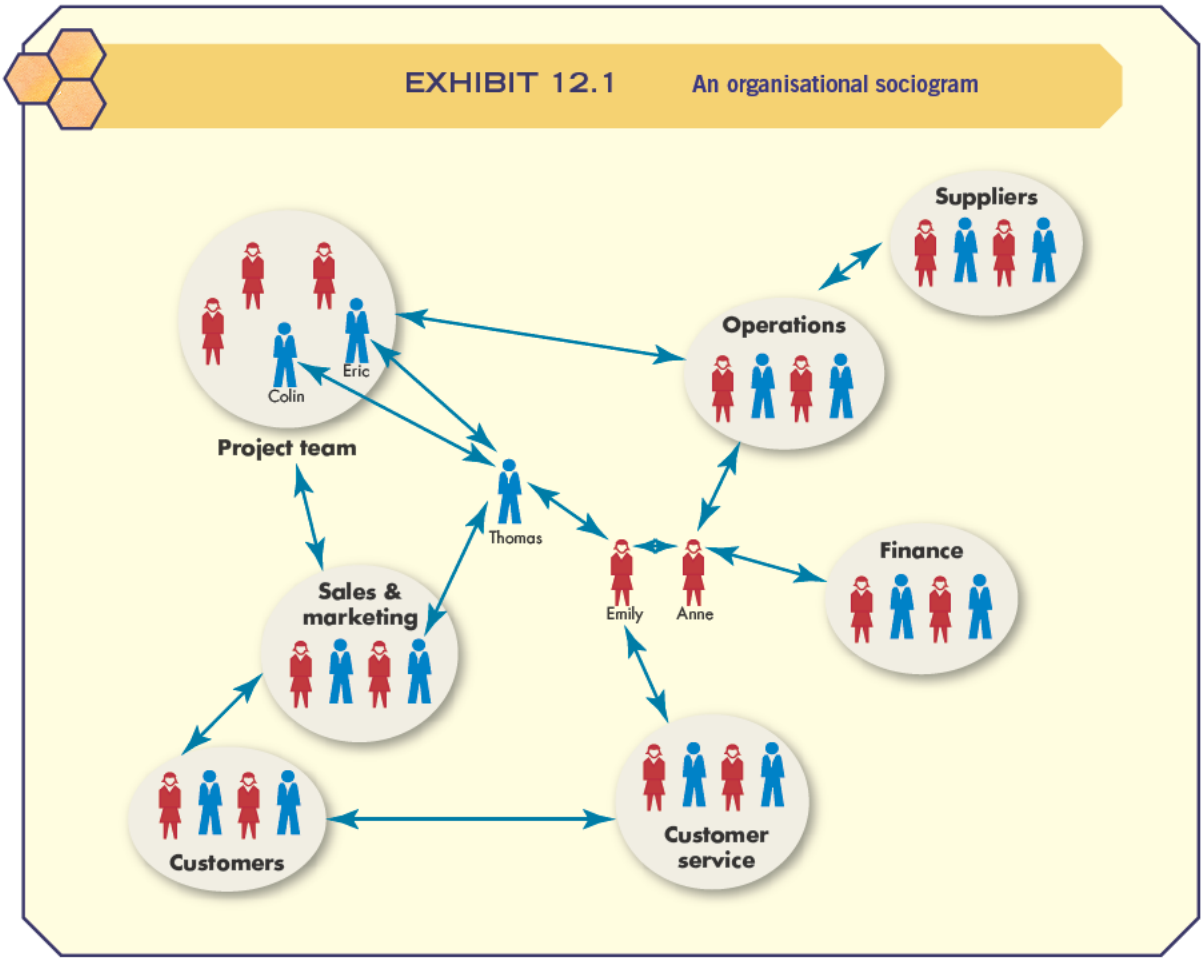

strong ties. Nodes that do communicate directly with one another can utilise intermediary nodes. In other words, some nodes act as brokers between otherwise unconnected nodes. A graphical illustration of the associations within a social network is called a sociogram. It functions like an informal organisation chart—the difference is that a formal organisation chart shows how authority is expected to flow, whereas a sociogram shows how resources really flow. An example of a sociogram is shown in Exhibit 12.1.

Networks can create substantial power dynamics, such as enforcing norms (see Chapter 8) or creating change within an organisation. Those acting as brokers tend to have more power because they can leverage the resources they acquire from different groups. In other words, many people depend on brokers, which gives the brokers more power. For example, organisational culture changes, such as corporate social responsibility (CSR) awareness, often begin in a single connected group of individuals, grow in strength and then slowly move to other connected groups through brokers over time.[17] Data from the United Kingdom's National Health Service show that change agents—people entrusted to lead major organisational change initiatives—have more success if they're information brokers.[18] However, these functions aren't without cost. One study found that people identified as central to advice networks were more likely to quit their jobs, possibly because their contribution is rarely adequately rewarded.[19]

Social network analysis of an organisation can be conducted in many ways.[20] Some organisations track the flow of email communication or document sharing across departments. Such big-data tools help gather objective information about how individuals exchange information. Other organisations use data from human resource information systems, scrutinising how supervisors and subordinates interact. Such analysis produces sociograms showing flows of resources and power. Leaders can then identify which brokers exert influence on which groups, and address these key individuals.

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Power tactics

12.4 Identify key power or influence tactics and their contingencies.

What power tactics do people use to translate power bases into specific action? What options do they have for influencing their bosses, co-workers or employees? Here we explore nine distinct influence tactics:[21]

power tactics Ways in which individuals translate power bases into specific actions.

1. *Legitimacy.* Relying on your authority position or saying that a request accords with organisational policies or rules.
2. *Rational persuasion.* Presenting logical arguments and factual evidence to demonstrate that a request is reasonable.
3. *Inspirational appeals.* Developing emotional commitment by appealing to a target's values, needs, hopes and aspirations.
4. *Consultation.* Increasing the target's support by involving them in deciding how you'll accomplish your plan.
5. *Exchange.* Rewarding the target with benefits or favours in exchange for following a request.
6. *Personal appeals.* Asking for compliance based on friendship or loyalty.
7. *Ingratiation.* Using flattery, praise or friendly behaviour prior to making a request.
8. *Pressure.* Using warnings, repeated demands and threats.
9. *Coalitions.* Enlisting the aid or support of others to persuade the target to agree.

Using power tactics

Which tactics could help you achieve a pay increase? You can start with rational persuasion. That means doing your homework and carefully thinking through why you deserve an increase—find how your pay compares with that of similar positions or build an argument based on your performance. Kitty Dunning landed a 16% pay rise after emailing her boss statistics showing she had increased sales.[22] You can also use salary calculators to compare your pay with that of others.[23]

Some tactics are more effective than others when establishing power. Rational persuasion, inspirational appeals and consultation are particularly effective when the audience is highly interested in the outcome of a decision process. Pressure often backfires and is typically the least effective of the nine tactics.[24] You can increase your chance of success by applying more than one type of tactic at the same time or sequentially, as long as they're compatible.[25] Using both ingratiation and legitimacy can reduce negative reaction to otherwise 'dictatorial' impositions, but only when the audience has little interest in the outcome of a decision process or the policy is routine.[26]

The effectiveness of some influence tactics depends on the direction of influence.[27] Exhibit 12.2 proposes that rational persuasion is the most effective tactic across organisational levels. Inspirational appeals and pressure work best downwards, helping influence subordinates,

EXHIBIT 12.2 Preferred power tactics by influence direction

Upward influence	Downward influence	Lateral influence
Rational persuasion	Rational persuasion	Rational persuasion
	Inspirational appeals	Consultation
	Pressure	Ingratiation
	Consultation	Exchange
	Ingratiation	Legitimacy
	Exchange	Personal appeals
	Legitimacy	Coalitions

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while personal appeals and coalitions help with lateral influence. Other factors that affect the effectiveness of influence include the sequencing of tactics, a person's skill in using the tactic and the organisational culture.

It's often advisable to begin with 'softer' tactics, exercising personal power, such as personal and inspirational appeals, rational persuasion and consultation. If these fail, you can try 'harder' tactics, such as exchange, coalitions and pressure, although, as formal power, these incur greater costs and risks.[28] A single soft tactic is more effective than a single hard tactic, and combining two soft tactics or a soft tactic and rational persuasion is more effective than any single tactic or a combination of hard tactics.[29]

The effectiveness of tactics depends on the audience.[30] People who respond better to soft power tactics tend to be reflective, are intrinsically motivated, and have high self-esteem and a greater desire for control. People who are more likely to comply with hard power tactics tend to be action-oriented, extrinsically motivated and more focused on getting along with others than with getting their own way.

Cultural preferences for power tactics

Power tactics are also influenced by cultural norms.[31] Those from individualistic cultures tend to see power as a legitimate means of advancing their personal ends, while those from collectivistic cultures see power in more social terms and as a means of helping others.[32] An international study found that US managers prefer rational appeal, whereas Chinese managers prefer coalition tactics.[33] These differences seem consistent with the two countries' value orientations. Reason is consistent with the US preference for direct confrontation and rational persuasion to influence others and resolve differences, while coalition tactics align with the Chinese preference for meeting difficult or controversial requests indirectly. Research has also shown that individuals in more individualistic cultures tend to engage in more self-enhancement behaviours (such as self-promotion) than do individuals in more collectivistic cultures.[34]

Applying power tactics

political skill The ability to influence others in such a way as to enhance your objectives.

People differ in their political skill, or their ability to influence others to enhance their own objectives. The politically skilled are effective users of influence tactics, particularly when the stakes are high, such as when the individual is accountable for important organisational outcomes. A key political skill is to exert influence without others detecting it, a key consideration because it's often damaging to be labelled 'political'.[35] Politically skilled individuals are also at home in environments with low levels of procedural and distributive justice. When an organisation is run with open and fairly applied rules, free of favouritism or biases, political skill can be negatively related to job performance ratings.[36]

Finally, we know that organisational cultures differ markedly—some are warm, relaxed and supportive, others are formal and conservative—and the type of culture will influence which tactics are considered appropriate. Some organisational cultures encourage participation and consultation, some encourage reason and others rely on pressure. People who fit the culture of the organisation tend to obtain more influence.[37] This is because people are better able to perform in the domains that are culturally and organisationally defined as important. Specifically, extraverts tend to be more influential in team-oriented organisations, and highly conscientious people are more influential in organisations that value working alone on technical tasks.

12.5 Identify the causes and consequences of abuse of power.

How power affects people

So far, we've discussed what power is and how it's acquired. But one important question remains: 'Does power corrupt?' There's certainly evidence that there are corrupting aspects of power. Power enables people to place their own interests ahead of others' needs or goals

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simply 'because they can'. The powerful can feel liberated to focus inwards and consequently place greater weight on their own aims and interests. Power also encourages individuals to 'objectify' others (to see them as tools to obtain their instrumental goals) and to see relationships as more peripheral.

That's not all. Powerful people react—especially negatively—to any threats to their competence. Powerful people seek to maintain their power, so if something threatens this power, they tend to take action to retain it, whether this harms others or not. Those holding power are more likely to make self-interested decisions when faced with moral hazards, such as when hedge fund managers take more risks with clients' money because they're rewarded for gains and are rarely punished for losses. Power can also encourage overconfident decision making.[38]

Power variables

As we've discussed, power can have some disturbing effects on people. But that's not the whole story—power is more complicated than that. It doesn't affect everyone in the same way and their power can have positive effects, too.

First, the toxic effects of power can be moderated by the wielder's personality. For example, people with anxious personalities are less likely to become corrupt if they don't believe using power would benefit them.[39] Second, organisational systems may help reduce the corrosive effects of power; although power can encourage people to behave in a self-serving manner, if they're formally held accountable for their behaviour, such behaviour is discouraged. Third, simply expressing gratitude towards powerful people makes them less likely to respond aggressively. Finally, people who start low in status and gain power are particularly likely to abuse their power because low status is threatening and the fear this creates can influence behaviour if power emerges later.[40]

As you can see, various factors can moderate the negative effects of power. But there can also be general positive effects. Power energises and increases motivation towards goals. It can also enhance our motivation to help others. For example, one study found that a desire to help others translated into actual work behaviour when people felt a sense of power.[41] This study points to an important insight about power. It's not so much that power corrupts as it reveals what we value. Supporting this line of reasoning, another study found that power led to more self-interested behaviour in those with weaker moral identities (the degree to which morals are central to someone's identity), while power actually enhanced moral awareness in those with stronger moral identities.[42]

Sexual harassment: unequal power in the workplace

Sexual harassment is generally seen as a significant abuse of power. It is defined as any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment. Under Australian federal legislation, sexual harassment is defined as 'an unwelcome sexual advance, unwelcome request for sexual favours or other unwelcome conduct of a sexual nature which makes a person feel offended, humiliated, or intimidated, and where that reaction is reasonable in the circumstances'.[43] Most nations have at least some policies to protect workers. However, whether the policies or laws are followed is a different matter.

sexual harassment Any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment.

In addition to legal and ethical ramifications, such harassment also has a negative impact on the work environment. Research shows that sexual harassment negatively affects job attitudes and leads those who feel harassed to withdraw from the organisation. In many cases, reporting sexual harassment doesn't improve the situation because the organisation responds in a negative or unhelpful way. For example, in 2017 the Australian television station Channel 7 received considerable criticism for the way it handled accusations of harassment by a young reporter who was dismissed and threatened with legal action following allegations she made about a senior colleague.[44] When organisational leaders make honest efforts to stop the harassment, the outcomes are much more positive.[45]

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A recent Australian survey found that one in two women and one in four men had experienced sexual harassment during their lifetime.[46] One problem with reporting is that sexual harassment is, to some degree, in the eye of the beholder. Women are more likely than men to see a given behaviour or set of behaviours as constituting sexual harassment. Men are less likely to see harassment in such behaviours as kissing someone, asking for a date or making sex-stereotyped jokes. As the authors of this study note, 'Although progress has been made at defining sexual harassment, it's still unclear as to whose perspective should be taken'.[47] The best approach for all employees is to be careful and to refrain from any behaviour that may be taken as harassing, even if that was not the intention. What one person sees as an innocent joke or hug may be seen as harassment by the other party.

Most studies confirm that the concept of power is central to understanding sexual harassment.[48] This seems true whether the harassment comes from a supervisor, a colleague or an employee (and whether the power is formally or informally applied). Sexual harassment is more likely to occur when there are large power differentials. The supervisor–employee dyad best characterises an unequal power relationship when formal power gives the supervisor the capacity to reward and coerce. Because employees want favourable performance reviews, salary increases and the like, supervisors control the resources that most employees consider important and scarce. As a result, sexual harassment by the boss typically creates the greatest difficulty for those being harassed. If there are no witnesses, it's the victim's word against the harasser's. Has this boss harassed others and, if so, will they come forward or will they fear retaliation?

Women in positions of power in an organisation can also be subjected to sexual harassment from men who are lower in the formal hierarchy although this phenomenon receives much less attention than harassment by a supervisor. Such subordinates devalue the formally powerful woman by highlighting traditional gender stereotypes that reflect negatively on her (such as helplessness, passivity or lack of career commitment), usually in an attempt to minimise or reverse power differentials. Increasingly, too, there are cases of women in positions of power harassing male employees.

We've seen how sexual harassment can be very damaging in an organisation, not to mention on the victims themselves. But it can be avoided. A manager's role in preventing sexual harassment is critical. These are some ways managers can protect themselves and their employees from sexual harassment:

- Implement a policy defining what constitutes sexual harassment, explaining its implications and penalties and establishing a procedure for addressing allegations.
- Ensure that employees don't encounter retaliation if they issue a complaint.
- Investigate every complaint and include the legal and human-resource departments.
- Make sure offenders are disciplined or that their employment is terminated.
- Run in-house seminars to raise awareness of the issues surrounding sexual harassment.

In this section we've focused on sexual harassment. However, harassment can take many forms. The bottom line is that employers, managers and their employees all have a responsibility, whether legally enforced, ethical or for business purposes, to protect their employees/colleagues from a hostile work environment, but they also need to protect themselves. Managers may be unaware that one of their employees is being harassed or bullied. But being unaware doesn't protect them or the organisation. If investigators believe a manager should have known about the harassment, both the manager and the company can be held liable.

12.6 Describe how politics works in organisations.

Politics: power in action

Whenever people get together in groups, power will be exerted. People want to carve out a niche from which to exert influence, earn rewards and advance their interests. When employees in organisations convert their power into action, we describe them as engaging in politics. Politically skilled individuals are able to use their bases of power effectively.[49] Politics is not only inevitable, but might be essential, too.

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Definition of organisational politics

There are many definitions of organisational politics. They tend to focus on using power to affect organisational decision making or on self-serving and organisationally unsanctioned behaviours.[50] For our purposes, political behaviour in organisations consists of activities that aren't required as part of an individual's formal role, but that attempt to influence the distribution of advantages and disadvantages within an organisation.[51] This definition encompasses how most people perceive organisational politics. Political behaviour requires some attempt to use power bases. It includes efforts to influence the goals, criteria or processes used for decision making. Our definition is broad enough to include various political behaviours such as withholding key information from decision makers, joining a coalition, whistleblowing, spreading rumours, leaking confidential information, exchanging favours with others in the organisation for mutual benefit and lobbying for or against an individual or decision. Such behaviours are often perceived negatively.

political behaviour Activities that aren't required as part of a person's formal role in an organisation but that attempt to influence the distribution of advantages and disadvantages within the organisation.

The reality of politics

Most experienced managers probably realise that political behaviour is a major part of organisational life[52] and many managers recognise that some political behaviour is both ethical and necessary, as long as it doesn't directly harm anyone else. They describe politics as a necessary evil and believe that someone who never uses political behaviour will struggle to get things done. Most also indicate that they had never been trained to use political behaviour effectively. But is it possible for an organisation to be politics-free? It's possible—but unlikely.

Organisations are made up of individuals and groups with different values, goals and interests.[53] This sets up the potential for conflict over the allocation of limited resources, such as departmental budgets, space, project responsibilities and salary adjustments.[54] If resources were abundant, then all constituencies within the organisation could satisfy their goals. But because they're limited, not everyone's interests can be provided for. Furthermore, gains by one individual or group are often *perceived* as coming at the expense of others within the organisation (whether they are or not). These forces foster competition for the organisation's limited resources.

A key factor that encourages politics within organisations is the realisation that most of the 'facts' used to allocate resources are open to interpretation. What, for instance, is good performance? What is an adequate improvement? What constitutes an unsatisfactory job? One person's 'selfless effort to benefit the organisation' is seen by another as a 'blatant attempt to further one's interest'.[55]

The coach of an A-grade rugby league or rugby union team knows that a high-performing goal-kicker with an 82% kicking success rate is preferable to one with 50% success. It's not a difficult decision to keep the goal-kicker with the 82% success rate and relegate the other to the reserve grade. However, what if you must choose between one player with a 79% and another with an 82% success rate? Then other, perhaps less obvious, factors need consideration: tackling rates, game expertise, attitude, potential, ability to perform in the scrum, team loyalty and so on. Managerial decisions more closely resemble choosing between the 79% kicker and the 82% kicker than the first, more obvious performance differential. It's in this large and ambiguous middle ground of organisational life—where the facts don't speak for themselves—that politics flourish. Even if the facts seem obvious, like the goal-kicking average, objectivity is doubtful. Who decides that this should be the key factor—why not leadership? Many sports teams appoint captains who contribute enormously to team performance, often at the cost of losing a little personal performance, due to the demands of captaincy.

Because most decisions are made in a climate of ambiguity—where facts are rarely objective and are open to interpretation—people often use whatever influence they can to support their goals and interests. That, of course, creates the activities we call politicking. Therefore, answering the earlier question of whether an organisation can be politics-free, we can say yes—if all members share the same goals and interests, if organisational resources are not scarce and if performance outcomes are completely clear and objective. But that doesn't describe the organisational world we live in. Take a look at the labels in Exhibit 12.3 used to describe the same phenomenon. These suggest that politics, like beauty, is in the eye of the beholder.

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EXHIBIT 12.3 Politics is in the eye of the beholder

'Political' label		'Effective management' label
1. Blaming others	vs	Fixing responsibility
2. 'Sucking up'	vs	Developing working relationships
3. Apple polishing	vs	Demonstrating loyalty
4. Passing the buck	vs	Delegating authority
5. Covering your rear	vs	Documenting decisions
6. Creating conflict	vs	Encouraging change and innovation
7. Forming coalitions	vs	Facilitating teamwork
8. Whistleblowing	vs	Improving efficiency
9. Scheming	vs	Planning ahead
10. Overachieving	vs	Competent and capable
11. Ambitious	vs	Career-minded
12. Opportunistic	vs	Astute
13. Cunning	vs	Practical-minded
14. Arrogant	vs	Confident
15. Perfectionist	vs	Attentive to detail

SOURCE: Based on T. C Krell, M. E. Mendenhall and J. Sendry, 'Doing research in the conceptual morass of organizational politics', paper presented at the Western Academy of Management Conference, Hollywood, California, April 1987.

12.7 Identify the causes, consequences and ethics of political behaviour.

The causes and consequences of political behaviour

Now that we've discussed the constant presence of politicking in organisations, let's discuss the causes and consequences of these behaviours.

Factors contributing to political behaviour

Not all groups or organisations are equally political. In some organisations, for instance, politicking is overt and rampant, while in others, politics plays a small role in influencing outcomes. Recent research has identified a number of factors that appear to encourage political behaviour that may explain this behaviour. Some are individual characteristics, derived from the unique qualities of the people the organisation employs; others are encouraged or enabled by the organisation's culture or internal environment. Exhibit 12.4 illustrates how both individual and organisational factors can increase political behaviour and provide favourable outcomes (increased rewards and averted punishments) for both individuals and groups in the organisation.

Individual factors

At the individual level, researchers have identified certain personality traits, needs and other factors likely to be related to political behaviour. In terms of traits, we find that employees who are high self-monitors, possess an internal locus of control and have a high need for power are more likely to engage in political behaviour.[56] The high self-monitor is more sensitive to social cues, exhibits higher levels of social conformity and is more likely to be skilled in political behaviour than the low self-monitor. Individuals with an internal locus of control, because they believe they can control their environment, are more prone to take a proactive stance and attempt to manipulate situations in their favour. Not surprisingly, the Machiavellian personality—characterised by the will to manipulate and the desire for power—is comfortable using politics as a means to further their self-interest.

Some individuals engage in more political behaviour simply because they're better at it. Such individuals read interpersonal interactions well, fit their behaviour to situational needs and excel at networking.[57] These people are often indirectly rewarded for their political

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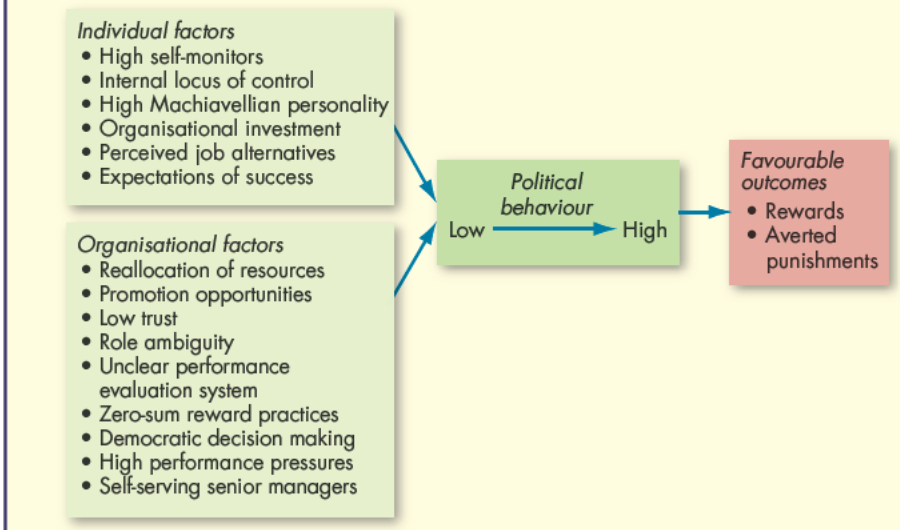
EXHIBIT 12.4 Factors that influence political behaviour



efforts. For example, a study of a construction firm in China found that politically skilled subordinates were more likely to be recommended for rewards from their supervisors and that politically oriented supervisors tended to respond positively to politically skilled subordinates.[58] Other international studies suggest that higher levels of political skill are associated with higher levels of perceived job performance.[59]

Career OBjectives



Should I become political?

My office is so political! Everyone tries to get ahead by plotting and scheming, rather than doing the job. Should I just go along with it and develop my own political strategy?

—Julia

Dear Julia,

It's definitely tempting to join in when other people behave politically. If you want to advance your career, you do need to think about social relationships and how to work with colleagues in a smart and diplomatic way. But that doesn't mean you have to give in to pressure to engage in organisational politics. In many workplaces, hard work and achievement don't seem to be recognised, encouraging politicking and lowering performance. But politics isn't just potentially bad for the company. People who are seen as political can be gradually excluded from social networks and informal communication. Co-workers can sabotage a person seen as dishonest or manipulative to avoid dealing with them. It's also likely that a political person will be the direct target of revenge from those who feel they've been wronged. If you want to provide a positive alternative to political behaviour in your workplace, there are a few steps you can take:

- *Document your work efforts, and find data to back up your accomplishments.* Political behaviour thrives in an ambiguous environment where standards for success are subjective and open to manipulation. The best way to shortcut politics is to move the focus towards clear, objective markers of work performance.
- *Call out political behaviour when you see it.* Political behaviour is, by its very nature, secretive and underhanded. By bringing politics to light, you limit this capacity to manipulate people against one another.
- *Try to develop a network with only those individuals who are interested in performing well together.* This makes it hard for very political people to interfere. On the other hand, trustworthy and cooperative people will be able to find genuinely supportive allies. These support networks will result in performance levels that a lone political person simply can't match. Remember, in the long run a good reputation can be your greatest asset!

SOURCES: Based on A. Lavoie 'How to get rid of toxic office politics', *Fast Company*, 10 April 2014; C. Conner, 'Office politics: must you play?', *Forbes*, 14 April 2013; and J. A. Colquitt and J. B. Rodell, 'Justice, trust, and trustworthiness: a longitudinal analysis integrating three theoretical perspectives', *Academy of Management Journal* 54, 2011, pp. 1183–206.

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Organisations foster politicking when reducing or redirecting resources. For example, in 2017 Fairfax Media announced a number of redundancies as a cost-cutting measure. This led to protests and industrial action by workers who believed journalistic job losses would weaken rather than strengthen the organisation. This shows how disagreements about how resources should be allocated can lead to political action.
SOURCE: Joe Castro/AAP Images.

Organisational factors

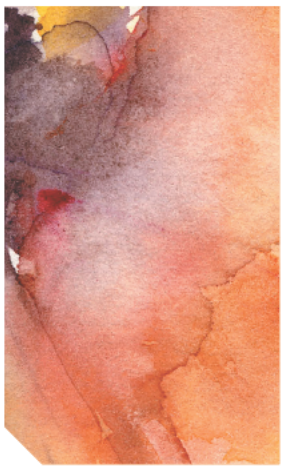
Although individual differences can and do play a role in fostering politicking, the evidence also shows that particular organisational situations and cultures promote (or discourage) politics. Politicking is likely to intensify if the organisation's existing pattern of resources changes (declining or increasing) and when there's opportunity for promotions.[60] When resources are reduced, people may engage in political actions to safeguard what they have. Also, any changes, especially those implying significant reallocation of resources within the organisation, are likely to stimulate conflict and increase politicking.

zero-sum An approach that treats the reward 'pie' as fixed so that any gains by one individual are at the expense of another.

The more an organisational culture emphasises the zero-sum or win–lose approach to reward allocations, the more employees will be motivated to engage in politicking. The zero-sum approach treats the reward 'pie' as fixed, so any gain one person or group achieves comes at the expense of another person or group. For example, if $15 000 is distributed among five

Myth or science?

'Powerful leaders keep their (fr)enemies close'



This statement appears to be true in some cases. The term 'frenemies' refers to friends who are also rivals or people who act like friends but secretly dislike each other. Keeping enemies close may be one explanation for what happened after the Liberal Party 'spill' referred to in the vignette at the beginning of this chapter. Scott Morrison (the new Prime Minister) appointed his main election opponent, Peter Dutton, to a senior position in his Cabinet. In another context, an entrepreneur decided not to sue a former college classmate who, after working for her start-up, took company knowledge to start his own company, in competition with his past employer.

Is it really wise to keep your enemies close? And, if so, why?

Research helps us answer these questions. For example, three experimental studies found that individuals chose to work in the same room as their rivals, even when advised that they would perform better apart; chose to sit closer to rivals when working together; and expressed an explicit preference to be closer to the rival. The primary reason given for the 'being closer' effect was a desire to monitor the rival's behaviour and performance.

The research also found that the 'keeping enemies closer' effect was stronger under certain conditions: when the individual was socially dominant, if the rival was perceived to offer more competition and when rewards and ability to serve as leader were dependent on their performance. This suggests that frenemies are seen as threatening and that we choose to keep our rivals close so we can keep an eye on the 'competition'.

SOURCES: M. Thompson, 'How to work with your startup frenemies', *VentureBeat*, 22 December 2012; and N. L. Mead and J. K. Maner, 'On keeping your enemies close: powerful leaders seek proximity to ingroup power threats', *Journal of Personality and Social Psychology* 102, 2012, pp. 576–91.

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employees for raises, any employee who gets more than $3000 takes money away from one or more of the others. Such practice encourages colleagues to try to make each other look bad while increasing the visibility of their own virtues.

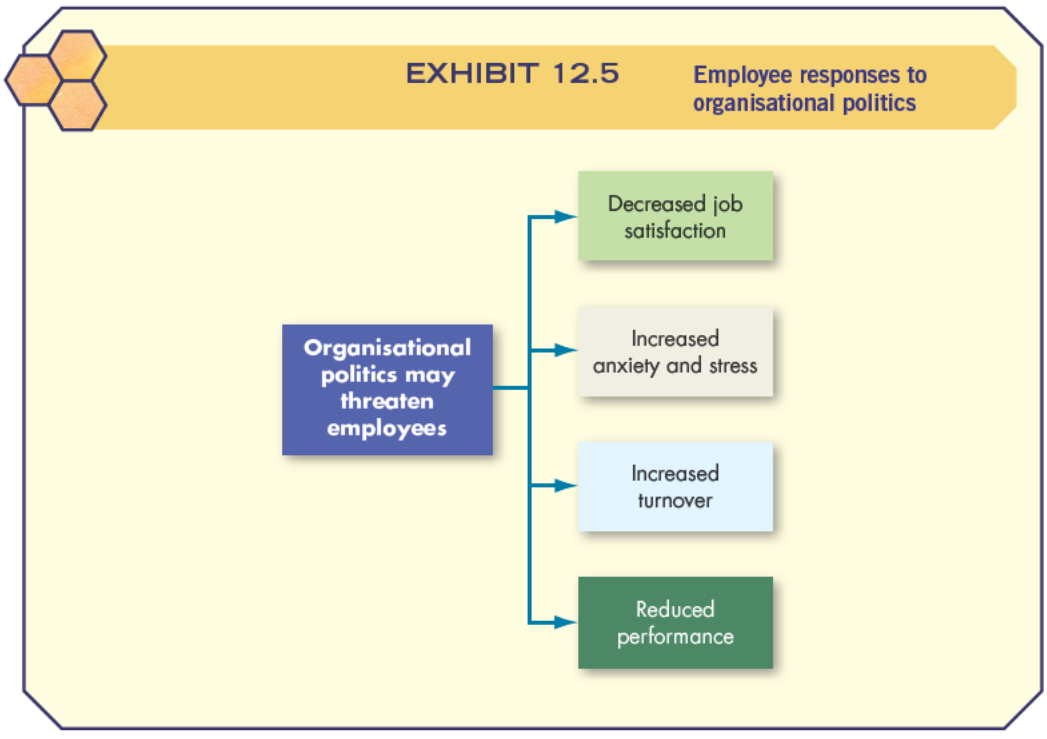
There are also political forces at work in the relationships between organisations, where politics works differently depending on the organisational cultures.[61] One study showed that when two organisations with very political environments interacted with one another, the political interactions between them hurt performance in collaborative projects. On the other hand, when companies with less internal political behaviour interacted with one another, even political disputes between them didn't lead to lower performance in collaborative projects. This study shows companies should be wary of forming alliances with companies that have high levels of internal political behaviour.

How do people respond to organisational politics?

We all have friends or relatives who complain about their workplace politics. But how do people react to organisational politics? Let's look at the evidence.

For people with modest political skills, or who don't want to play the politics game, outcomes tend to be predominantly negative, as demonstrated in Exhibit 12.5. There's considerable evidence that perceptions of organisational politics are negatively related to job satisfaction[62] and can increase job anxiety and stress. This seems to be due to the belief that if you don't engage in politics, you'll lose ground to the more active politickers, or because of the pressures that you experience after entering and competing in the political arena.[63] Not surprisingly, when politicking becomes too much to handle, it can lead employees to resign.[64] Finally, preliminary evidence suggests that politics leads to self-reported declines in individual performance, perhaps because employees perceive political environments as unfair, which demoralises them.[65]

The politics–performance relationship also appears to be moderated by an understanding of the 'hows' and 'whys' of organisational politics. Someone with 'a clear understanding of who is responsible for making decisions and why they were selected to be the decision makers would have a better understanding of how and why things happen the way they do than someone who doesn't understand the decision-making process in the organisation'.[66] When both politics and understanding are high, performance is likely to increase if people see politicking as an



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opportunity. But when understanding is low, politics is more likely to be seen as a threat, having a negative effect on performance.[67]

Workplace political behaviour also moderates the effects of ethical leadership.[68] One study found that male employees were more responsive to ethical leadership and showed the most citizenship behaviour when levels of both politics and ethical leadership were high. Women, on the other hand, appear most likely to engage in citizenship behaviour when the environment is consistently ethical and apolitical.

defensive behaviours Reactive and protective behaviours used to avoid action, blame or change.

Finally, when employees see politics as a threat, they often respond with defensive behaviours—reactive and protective behaviours to avoid action, blame or change[69] (Exhibit 12.6 provides some examples). In the short term, employees may find that defensiveness protects their self-interest, but eventually it wears them down. People who consistently rely on defensiveness find that, eventually, it's the only way they know how to behave. At that point, they lose the trust and support of their peers, bosses, employees and clients.

Impression management

We know that people have an ongoing interest in how others perceive and evaluate them. For example, Australians spend billions of dollars on diets, health-club memberships, cosmetics and plastic surgery—all intended to make them more attractive to others. Being perceived positively by others often has benefits for people in organisations. It might, for instance, help them initially to get the jobs they want in an organisation and, once hired, to get favourable evaluations, superior salary increases and more rapid promotions. In a political context, it might help sway the distribution of advantages in their favour. The process by which individuals attempt to control the impression that others form of them is called impression management (IM).[70]

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

EXHIBIT 12.6 Defensive behaviours

Avoiding action

Overconforming. Strictly interpreting your responsibility by saying things such as, 'The rules clearly state …' or 'This is the way we've always done it'.

Buck passing. Transferring responsibility for a task or decision to someone else.

Playing dumb. Avoiding an unwanted task by falsely pleading ignorance or inability.

Stretching. Prolonging a task so that someone appears to be occupied—for example, turning a two-week task into a four-month job.

Stalling. Appearing to be supportive publicly while doing little or nothing privately.

Avoiding blame

Buffing. Rigorously documenting activity to project an image of competence and thoroughness. (This is a nice way to refer to 'covering your back'.)

Playing safe. Evading situations that may reflect unfavourably on you, such as only taking on projects that are likely to succeed and getting risky decisions approved by superiors.

Justifying. Developing explanations that lessen your responsibility for a negative outcome and/or apologising to demonstrate remorse.

Scapegoating. Placing the blame for a negative outcome on external factors that aren't entirely blameworthy.

Misrepresenting. Manipulating information by distortion, embellishment, deception, selective presentation or obfuscation.

Avoiding change

Preventing. Trying to prevent a threatening change from occurring.

Self-protecting. Acting in ways to protect your self-interest during change by guarding information or other resources.

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Most likely, not everyone is equally concerned with IM. We could expect high self-monitors to be particularly concerned with IM,[71] while lower self-monitors tend to present images of themselves that are consistent with their personalities, regardless of the beneficial or detrimental effects for them. In contrast, high self-monitors are good at reading situations and melding their appearance and behaviour to fit each situation. Exhibit 12.7 summarises some of the most popular techniques you can use if you want to control the impression others form of you, and provides an example of each.

Keep in mind that the impressions people use IM to convey are not necessarily false (although, of course, they sometimes are).[72] Excuses, for instance, may be offered with sincerity. Referring

EXHIBIT 12.7 Impression management (IM) techniques

Conformity

Agreeing with someone's opinion to gain their approval; this is a form of ingratiation.

Example: Manager to boss: 'Your reorganisation plan for the western regional office is absolutely right. I couldn't agree with you more'.

Favours

Doing something nice for someone to gain their approval; this is a form of ingratiation.

Example: Salesperson to prospective client: 'I've got two tickets to the theatre tonight that I can't use. Take them. Consider it a thank you for taking the time to talk with me'.

Excuses

Explanations of a predicament-creating event aimed at justifying a failure or avoiding blame; this is a defensive IM technique.

Example: Sales manager to boss: 'We failed ... because the computer network crashed when we were preparing the copy'.

Apologies

Admitting responsibility for an undesirable event while simultaneously seeking a pardon for the action; this is a defensive IM technique.

Example: Employee to boss: 'I'm sorry I made a mistake on the report. Please forgive me'.

Self-promotion

Highlighting your best qualities, downplaying your deficits and calling attention to your achievements; this is a self-focused IM technique.

Example: Salesperson to boss: 'Matt worked unsuccessfully for three years to try to get that account. I sewed it up in six weeks. I'm the best closer this company has'.

Enhancement

Claiming that something you did is more valuable than most other members of the organisation would think it was; this is a self-focused IM technique.

Example: Journalist to editor: 'My work on this celebrity divorce story was really a major boost to our sales' (even though the story only made it to page 3 in the entertainment section).

Flattery

Complimenting others about their virtues in an effort to make yourself appear perceptive and likeable; this is an assertive IM technique.

Example: New sales trainee to peer: 'You handled that client's complaint so tactfully! I could never have handled that as well as you did'.

Exemplification

Doing more than you need to in an effort to show how dedicated and hard-working you are; this is an assertive IM technique.

Example: Sending emails from your work computer when you work late, so that your supervisor knows how long you've been working.

SOURCES: Based on B. R. Schlenker, *Impression Management*, Monterey, CA: Brooks/Cole, 1980; M. C. Bolino, K. M. Kacmar, W. H. Turnley and J. B. Gilstrap, 'A multi-level review of impression management motives and behaviors', *Journal of Management* 34, no. 6, 2008, pp. 1080–109; and R. B. Cialdini, 'Indirect tactics of image management beyond basking', in R. A. Giacalone and P. Rosenfeld (eds), *Impression Management in the Organization*, Hillsdale, NJ: Lawrence Erlbaum, 1989, pp. 45–71.

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to the example in Exhibit 12.7, the computer network might well have crashed on this occasion, but if this sort of thing happens very often, the sales manager's competence could be doubted, raising the question of why their work is so last minute in nature. Similarly, misrepresentation can have a high cost. If you 'cry wolf' once too often, people may not believe you if the wolf really comes. So, the impression manager must be cautious not to be perceived as insincere or manipulative.[73] In one example of this principle, participants in a study in Switzerland disliked an experimental confederate who claimed to be a friend of the popular Swiss tennis star Roger Federer, but generally liked confederates who said they were just fans.[74] Another study found that if managers attributed an employee's citizenship behaviours to IM, they actually felt angry (probably because they felt manipulated) and gave subordinates lower performance ratings. When managers attributed the same behaviours to prosocial values and concern about the organisation, they felt happy and gave higher performance ratings.[75] Essentially, people don't like to feel manipulated by impression managers, so such tactics should be employed with caution. Not all IM consists of talking yourself up, either. Research suggests modesty, such as giving credit to others and understating your own contribution, may create a more positive impression.[76]

Most studies of the effectiveness of IM techniques have related IM to two criteria: interview success and performance evaluations. Let's consider each of these.

Interviews and IM

The evidence indicates that most job applicants use IM techniques in interviews and that it works.[77] Interviewers are rarely able to detect when an individual is engaging in IM, especially when applicants are using deceptive IM.[78] To examine how effective different IM techniques are in interviews, one study grouped data from thousands of recruiting and selection interviews into appearance-oriented efforts (like looking professional), explicit tactics (like flattering the interviewer or talking up your own accomplishments) and verbal cues (like using positive terms and showing general enthusiasm).[79] Across all the dimensions, IM was a powerful predictor of candidates' performance. However, there was a twist. When interviews were highly structured (when interview questions were written in advance and focused on applicant qualifications) the effects of IM were much weaker. Manipulative behaviours like IM tend to have more effect in ambiguous and unstructured interviews. In addition, the effectiveness of impression management depends on the applicants' ability to correctly identify the traits or skills an interviewer is looking for.[80]

Performance evaluations and IM

In terms of performance ratings, the picture is quite different. Ingratiation is positively related to performance rating, so those who ingratiate themselves with their supervisors get higher performance evaluations. However, self-promotion often backfires. Self-promoters actually seem to receive lower performance evaluations.[81] There is an important qualifier to this result. Politically skilled individuals are more likely to translate IM into higher performance appraisals, while those with less political skill are often damaged by their IM.[82] Another study of 760 boards of directors found that individuals who ingratiate themselves to current board members (agree with the director, emphasise shared attitudes and opinions, compliment the director) increase their chances of being appointed to a board.[83] In another study, interns who ingratiated themselves with their supervisors were usually disliked and had their performance rated poorly—unless they were highly skilled politically, in which case ingratiation had the opposite effect.[84]

These results seem to make a lot of sense; ingratiating often works because most people (including interviewers and supervisors) like to be treated well. However, self-promotion might work more in interviews and backfire at work because your supervisor is more likely than an interviewer to know if you overstate your accomplishments (since the supervisor has observed your work over time). So, if you do self-promote, remember that what works in an interview might not work in the workplace.

Whether these conclusions about responses to politics are valid globally is another matter. As with other organisational behaviour topics, much of the research was conducted in North America. Studies that have included other countries suggest some minor modifications. For example, one study found that British employees seem to respond similarly to North American employees—that is, their perception of organisational politics relates to decreased job satisfaction and increased turnover—but that in countries that are more politically unstable, such as Israel, employees often seem more tolerant of workplace politics, perhaps because they're used to

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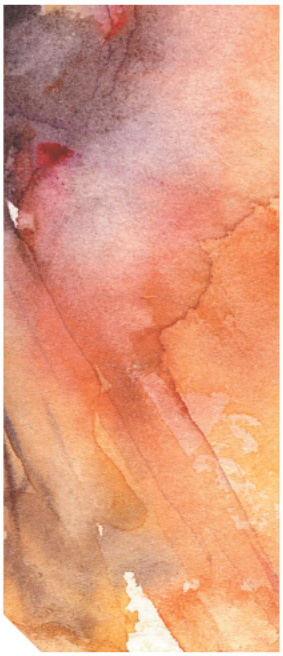
Ethical choice

How much should you manage interviewer impressions?



Most people agree that dressing professionally, highlighting previous accomplishments and expressing interest in a job are acceptable tactics to improve your IM in an interview. Strategies like flattering the interviewer and using positive nonverbal cues like smiling and nodding are also often advised.

In fact, research generally shows that such IM is beneficial. The more effort applicants put into highlighting their skills, motivation and admiration for the organisation, the more likely they are to be hired. A recent study in Taiwan examined this relationship, finding that interviewers saw applicants who talked confidently about their qualifications as a better fit for the job, and applicants who said positive things about the organisation as a better fit for the organisation. Positive nonverbal cues improved interviewer moods, which also improved the applicants' ratings.

Although impressing an interviewer can pay off, you can go too far (although this becomes more difficult to assess if you believe other candidates—your competitors—are engaging in excessive IM). Perhaps it's tempting to exaggerate a little more if you think everyone else is doing it. Remember that evidence that a person misrepresented qualifications in the hiring process is usually grounds for immediate termination. Even so-called white lies are a problem if they create unfounded expectations. For example, if you claim to have managed budgets in the past when all you were doing was tracking expenditures, you lack skills your boss will expect you to have. If you fail to deliver, it will look very bad for you. However, if you describe your experience more accurately but note your desire to learn, the company will know you need additional training and that you'll need a bit of extra time.

So what does an ethical, effective interview strategy entail? The key is to find a positive but truthful way to manage impressions. Don't be afraid to let an employer know about your skills and accomplishments, and be sure to show your enthusiasm for the job. At the same time, keep your statements as accurate as possible, and be careful not to overstate your abilities. In the long run, you're much more likely to be happy and successful in a job where both you and the interviewer can assess fit honestly.

SOURCES: Based on C. Chen and M. Lin, 'The effect of applicant impression management tactics on hiring recommendations: cognitive and affective processes', *Applied Psychology: An International Review* 63, no. 4, 2014, pp. 698–724; J. Levashina, C. J. Hartwell, F. P. Morgeson and M. A. Campion 'The structured employment interview: narrative and quantitative review of the research literature', *Personnel Psychology*, Spring 2014, pp. 241–93; and M. Nemko, 'The effective, ethical, and less stressful job interview', *Psychology Today*, 25 March 2014.

power struggles and have more experience in coping with them.[85] This suggests that people from politically turbulent countries in the Middle East or Latin America might be more accepting of organisational politics, and more willing to use aggressive political tactics in the workplace, than people from countries such as Great Britain or Switzerland.

The ethics of behaving politically

Although there are no clear-cut ways to differentiate ethical from unethical politicking, there are some important questions to consider. For example, what's the purpose of engaging in politicking? Sometimes we engage in political behaviours for no good reason. A well-known national league soccer player claimed he'd played rugby union for New South Wales when he never had. As a soccer player, he had little to gain by pretending to have played another code of football. Outright lies such as this may be an extreme example of IM, but many people have distorted information at some time to make a favourable impression. One thing to ask is whether it's worth the risk. Another question to ask is: does the utility of engaging in the political behaviour balance out any harm it could do to others? So, complimenting a supervisor on their appearance to gain favour may seem much less harmful than claiming credit for a project that others deserve.

Finally, does the political activity conform to standards of equity and justice? It can be hard to weigh the costs and benefits of a political action, but its ethicality is clearer. A department head who inflates the performance evaluation of a favoured employee and deflates the evaluation of a less favoured one, using these evaluations to justify a big pay increase for the former and none for the other, is discriminating unfairly against the second employee.

Unfortunately, powerful people can become very good at explaining self-serving behaviours in terms of the organisation's best interests. They can persuasively argue that unfair actions are really fair and just. Our point is that unethical people can justify almost any behaviour. Those

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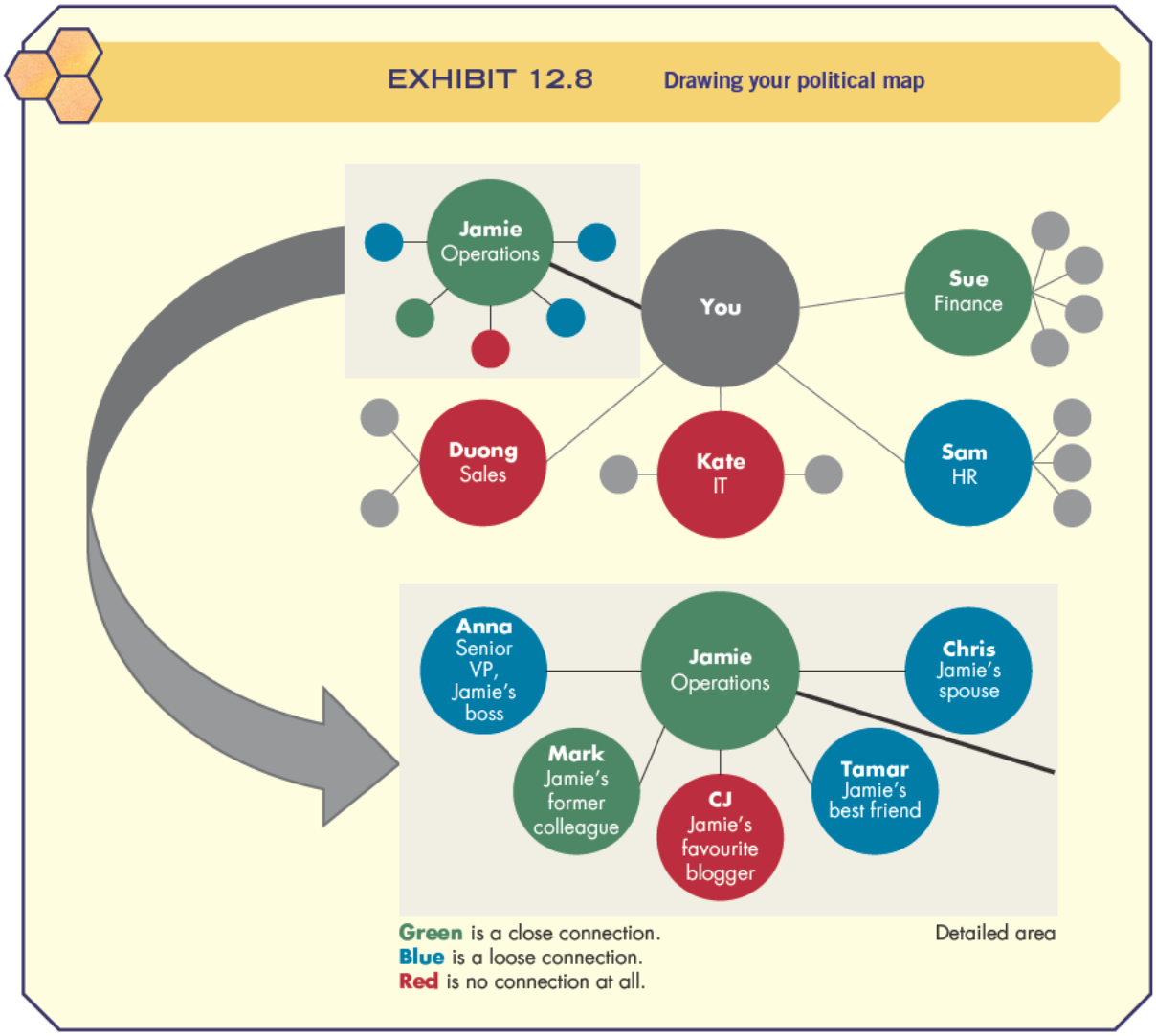

SOURCE: Based on D. Clark, 'A campaign strategy for your career', *Harvard Business Review,* November 2012, pp. 131–4.

who are powerful, articulate and persuasive are most vulnerable to ethical lapses because they're more able to get away with unethical practices. When faced with an ethical dilemma regarding organisational politics, try to consider whether playing politics is worth the risk, and whether others might be harmed in the process. If you have a strong power base, recognise the ability of power to corrupt. Remember that it's a lot easier for the powerless to act ethically, if for no other reason than they typically have very little political discretion to exploit.

Mapping your political career

As we've seen, politics isn't just for politicians. You can use the concepts presented in this chapter in some very tangible ways in your organisation. However, they also have another application: you.

It's useful to think about power and politics in terms of your own career. What are your ambitions? Who has the power to help you achieve them? What's your relationship to these people? One way to address these questions is with a political map, which can help you sketch out your relationships with the people who are important to your career. Exhibit 12.8 presents an example of a political map.[86] Let's walk through it.

Assume your future promotion depends on five people, including Jamie, your immediate supervisor. As you can see in Exhibit 12.8, you have a close relationship with Jamie (you'd be in real trouble otherwise). You also have a close relationship with Sue in finance. However, with the others, you have either a loose relationship (Sam) or none at all (Duong, Kate). One obvious

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implication of this map is the need to formulate a plan to gain more influence over, and a closer relationship with, these people. How might you do that?

The map also provides for a useful way to think about the power network. Assume the five individuals all have their own networks. In this case, though, assume these aren't so much power networks like yours as they are influence networks of the people who influence the individuals in power positions.

One of the best ways to influence people is indirectly. What if you played in a tennis league with Mark, Jamie's former colleague, who you know remains friends with Jamie? Gaining Mark's confidence, may help you to influence Jamie indirectly. In addition, why not post an entry on CJ's blog? You can complete a similar analysis for the other decision makers and their networks.

Of course, this map doesn't show everything you need to know—no map does. For example, rarely would all five people have the same amount of power. Maps are also harder to construct in the era of large social networks. Try to keep the map limited to the people who really matter to your career. All of this may seem a bit Machiavellian to you. However, only one person gets the promotion, and your competitors may have maps of their own. As we noted in the early part of the chapter, power and politics are part of organisational life. To decide not to play is deciding not to be effective. Better to be explicit with a political map than to proceed as if power and politics didn't matter.

Summary

Effective managers recognise the political nature of organisations—it's rarely a good idea to overrely on their formal (legitimate) power and ignore their informal bases of power as there's a thin line between power and leadership. Some people are more politically astute than others, being more aware of the underlying politics and better able to manage impressions. Those who can play politics often achieve higher performance evaluations, larger salary increases and more promotions than the politically naïve or inept. The politically astute are also more likely to minimise the effect of job stressors.

Few employees relish being powerless in their job and organisation. People respond differently to the various power bases. Expert and referent power are derived from an individual's personal qualities. In contrast, coercion, reward and legitimate power are more organisationally derived. Competence especially appears to offer wide appeal, and its use as a power base results in high performance by group members.

If you want to get things done in a group or an organisation, it helps to have power—and even the most junior member can exercise some power and influence. Of course, whatever the nature of your position in an organisation, political skill and powerbase, it is essential to consider the consequences of your behaviour on other people and the organisation as a whole. The ethical exercise of power and political behaviour requires all of us to reflect on our personal responsibility.

Implications for managers

- As a manager who wants to maximise your power in a group or an organisation, you may try to increase others' dependence on you. You might increase your power by developing knowledge or a skill that your boss needs and for which they perceive no ready substitute.
- You won't be alone in attempting to build your power bases. Others will try to increase your dependence on them, while you seek to minimise it and increase their dependence on you. The result can seem like a continual battle.
- Try to avoid putting others in a position where they feel they have no power.
- Assessing behaviour in a political framework can help you predict the actions of others and use that information to formulate political strategies that will gain advantages for you and your work unit.
- Consider that employees who have poor political skills or are unwilling to play the politics game generally relate perceived organisational politics to lower job satisfaction and self-reported performance, increased anxiety and higher turnover. Therefore, if you're adept at organisational politics, help your employees understand the importance of becoming politically savvy.

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EVERYONE WANTS POWER

POINT

We won't admit to wanting everything we secretly want. Money is one example. One psychologist found that few people would admit to wanting money, but they thought everyone else wanted it. They were half right—everyone wants money. And everyone wants power.

Psychologist David McClelland was famous for his study of underlying motives. He would measure people's motivation for power from his analysis of how they described pictures (called the Thematic Apperception Test). He didn't simply ask people how much they wanted power because he believed that more people really wanted power than would admit it, or even consciously realised it. And that's exactly what he found.

Why do we want power? Because it's good for us. It gives us more control over our lives. It gives us more freedom to do as we wish. There are few things worse in life than feeling helpless, and few better than feeling in charge of your destiny. Take Steve Cohen, founder of SAC Capital Advisors and one of the most powerful people on Wall Street. He buys Picassos, lives in a mansion, has white-gloved butlers and travels first class. People will do almost anything to please him—or even get near him. One writer notes, 'Inside his offices, vast fortunes are won and lost. Careers are made and unmade. Type-A egos are inflated and crushed, sometimes in the space of hours'. How is all of this bad for Steve Cohen?

Research shows that people with power and status command more respect from others, have higher self-esteem (no surprise there) and enjoy better health than those of less stature. Usually, people who tell you power doesn't matter are those who have no hope of getting it. Being jealous, like wanting power, is one of those feelings people just won't admit to.

COUNTERPOINT

Of course it's true that some people desire power—and often behave ruthlessly to get it. For most of us, however, power isn't high on our list of priorities, and for some people, power is actually undesirable.

Research shows that most individuals feel uncomfortable when placed in powerful positions. One study asked individuals, before they began work in a four-person team, to rank, from 1 [highest] to 4 [lowest] in terms of status and influence within the group, the ranking they'd like to achieve. Only 34% of participants chose the highest rank. Another study, investigating Amazon's Mechanical Turk online service, found that when employees were asked about their reasons for belonging to the three most important groups in their life (a workplace, a volunteer group, a congregation, and so on) the main reason they gave for wanting power is to earn respect. Most of them said they would prefer to achieve respect without gaining power. A third study found that individuals only wanted power when they had high ability—in other words, if their influence helped their groups.

This interesting research suggests that we often confuse the desire for power with other things—such as wanting to be respected and to help our groups and organisations succeed. In these cases, power is something most of us seek for more benevolent ends—and only in cases when we think the power does good.

Another study found that the majority of people want respect from their peers, not power. Cameron Anderson, the author of this research, sums it up nicely: 'You don't have to be rich to be happy, but instead be a valuable contributing member to your groups'. He comments, 'What makes a person high in status in a group is being engaged, generous with others, and making self-sacrifices for the greater good'.

Oh, and about Steve Cohen ... did you know that he pleaded guilty and paid a $1.2 billion fine for failing to prevent insider trading and then had to shut down SAC?

SOURCES: B. Burrough and B. McLean, 'The hunt for Steve Cohen', *Vanity Fair*, June 2013; C. Anderson, R. Willer, G. J. Kilduff and C. E. Brown, 'The origins of deference: when do people prefer lower status?', *Journal of Personality and Social Psychology* 102, 2012, pp. 1077–88; C. Anderson, M. W Kraus, A. D. Galinsky and D. Keltner, 'The local-ladder effect: social status and subjective well-being', *Psychological Science* 23, no. 7, 2012, pp. 764–71; and S. Kennelly, 'Happiness is about respect, not riches', *Greater Good*, 13 July 2012.

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Questions for review

1. How is leadership different from power?
2. What are the similarities and differences between the bases of power?
3. What is the role of dependence in power relationships?
4. What power or influence tactics and their contingencies are identified most often?
5. What are the causes and consequences of abuse of power?
6. How does politics work in organisations?
7. What are the main causes, consequences and ethics of political behaviour?

Application and employability

Power is an important part of organisational behaviour. Who has power (and who doesn't) shapes which employees make decisions and advance in their careers. There are many tactics that people can use to gain power and to influence those in power. Individuals can also influence others through political behaviours. In this chapter, you used many different skills that are important to your employability while learning about power and politics. You learned critical-thinking skills while reading about the debate over whether most people want power, studying research on keeping enemies closer and learning how to avoid politics. You also applied your knowledge to using IM techniques in job interviews. Next, you'll further apply your knowledge and critical-thinking skills in a group experiential exercise about how power relations influence how we allocate resources—in this case, money. The chapter then ends with one case study that explores the frustrations of office politics and another that considers the promotion of gender diversity on executive boards.

Experiential exercise

UNDERSTANDING POWER DYNAMICS

For this exercise, each student provides a dollar coin (or similar value of currency) to the instructor, and students then divide into three groups (based on criteria given by the instructor). The money is divided into thirds: two-thirds is given to the first group, one-third is given to the second group and none is given to the third group.

Each group is assigned a workplace and instructed to read the following rules and tasks. They have 30 minutes to complete their tasks.

Rules

Members of the first group are free to enter the space of either of the other groups and to communicate whatever they wish, whenever they wish. Members of the second group may enter the space of the lower group when they wish, but must request permission to enter the first group's space (which the first group can refuse). Members of the third group may not disturb the first group in any way unless specifically invited by it. The third group does have the right to knock on the door of the second group and request permission to communicate with them (which can also be refused).

The members of the first group have the authority to make any change in the rules that they wish, at any time, with or without notice.

Tasks

- *First group:* responsible for the overall effectiveness and learning from the exercise and decides how to use its money.
- *Second group:* assists the first group in providing for the overall welfare of the organisation and deciding how to use its money.
- *Third group:* identifies its resources and decides how best to provide for learning and the overall effectiveness of the organisation.

Debriefing

Each of the three groups chooses two representatives to go to the front of the class and discuss the following:

1. Summarise what occurred within and between the three groups.
2. What are some of the differences between being in the first group and being in the third group?
3. What can we learn about power from this experience?
4. How accurate do you think this exercise is in reflecting the reality of resource allocation decisions in large organisations?

SOURCE: Adapted from L. Bolman and T. E. Deal, Exchange 3, no. 4, 1979, pp. 38–42.

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Case study 1

BARRY'S PEER BECOMES HIS BOSS

As Barry looked out the window of his office in Hobart, the gloomy October skies obscured his usual view of Mt Wellington. 'That figures,' Barry thought to himself—his mood was just as gloomy.

Five months ago, last May, Barry's company, CTM, a relatively small but growing technology company, reorganised itself. Although such reorganisations often imperil careers, Barry felt the change only improved his position. His co-worker, Sol, was promoted to a different department, which made sense because Sol had been with the company for a few more years and had worked with the CEO on a successful project. Because Sol was promoted and their past work roles were so similar, Barry thought his own promotion was soon to come.

However, six weeks ago, Barry's boss left. Sol was transferred back to the same department and became Barry's boss. Although Barry felt a bit overlooked, he knew he was still relatively junior in the company and felt that his good past relationship with Sol would bode well for his future prospects.

The past six weeks, however, had brought nothing but disappointment. Although Sol often told Barry he was doing a great job, drawing from several observations, Barry felt that opinion wasn't being shared with his superiors. Worse, a couple of Barry's friends in the company showed Barry several emails where Sol had taken credit for Barry's work.

'Sol isn't the person I thought he was,' thought Barry.

What was his future in the company if no one saw the outcomes of his hard work? How would it affect his career to work for someone who apparently was willing to do anything to get ahead, even at others' expense? He thought about looking for a new job, but that prospect only darkened his mood further. He liked the company. He felt he did good work there.

As Barry looked again out his window, a light rain began to fall. Mt Wellington was no more visible than before. He just didn't know what to do.

Questions

1. Should Barry complain about his treatment? To whom? If he did complain, what power tactics should he use?
2. Studies have shown that those prone to complaining or 'whining' tend to have less power in an organisation. Do you think whining leads to diminished power and influence, or the other way around? How can Barry avoid appearing to be a whiner?
3. Do you think Barry should look for another job? Why or why not?

SOURCES: Based on M. G. McIntyre, 'Disgruntlement won't advance your career', *Pittsburgh Post-Gazette*, 23 September 2012; and S. Shellenbarger, 'What to do with a workplace whiner', *The Wall Street Journal*, 12 September 2012, pp. D1, D3.

Case study 2

SHOULD WOMEN HAVE MORE POWER?

We mentioned in this chapter that women tend to have less power in organisations than men; even former prime minister Julia Gillard felt that she was subject to sexist bullying. To demonstrate gender differences in power, just look at the gender composition of executive boards for top-performing companies.

There is some evidence that the number of women in senior management positions in Australian businesses has increased in recent years. For example, the number of women on ASX 200 company boards increased from 8.3% in 2009 to 29.7% in February 2019, although three boards still included no women at all[87] and only 11 of the ASX 200 companies had female CEOs. This disparity not only highlights the discrimination and the glass ceiling that many women face, it may also be bad for business.

In Chapter 8, we learned that diverse groups can be more creative and innovative, and decision making is more accurate when a group has a variety of perspectives. This principle appears to be true when it comes to diverse executive boards. A recent review of 140 publications found that having women on an executive board boosts returns, especially in countries with stronger shareholder protections. The same review found that having female board members helps companies' marketplace performance in countries with higher gender equality. In addition, boards with greater gender diversity are better at monitoring company performance and engage in more strategic involvement. Other research suggests that diverse executive boards are not always beneficial. In most circumstances, having women with greater power on a board encourages strategic change. However, this is only true when the company is not threatened by low performance. Countries can introduce quotas to promote more gender-diverse boards. Since 2008, Norway has required women to hold 36% of board seats. France also passed legislation in 2011 to promote gender-diverse boards. As a result of the law, 48% of new directorships were held by women in 2013.

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Questions

1. Why do you think having women with greater power on a board changes firm performance?
2. Do you think using a quota system to promote gender diversity is a good idea? Why or why not?
3. Why do you think some countries have more gender-diverse boards than others?

SOURCES: Based on M. Farber, 'Justin Trudeau perfectly sums up why we need more women in power', *Fortune*, 7 April 2017; S. H. Jeong and D. Harrison, 'Glass breaking, strategy making, and value creating: meta-analytic outcomes of females as CEOs and TMT members', *Academy of Management Journal* 60, No. 4, 31 May 2016; C. Post and C. J. Byron, 'Women on boards and firm financial performance: a meta-analysis', *Academy of Management Journal* 58, no. 5, 2015, pp. 1546–71; T. M. del Carmen, T. L. Miller and T. M. Trzebiatowski, 'The double-edged nature of board gender diversity: diversity, firm performance, and the power of women directors as predictors of strategic change', *Organization Science* 25, no. 2, 2014, pp. 609–32; and M. Liautaud, 'Breaking through: stories and best practices from companies that help women succeed', *Huffington Post*, 29 April 2016.

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CHAPTER

13 Conflict and negotiation

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

13.1 Analyse different types and loci of conflict.

13.2 Outline the conflict process.

13.3 Contrast distributive and integrative bargaining.

13.4 Apply the stages of the negotiation process.

13.5 Show how individual differences influence negotiations.

13.6 Assess the roles and functions of third-party negotiations.

Employability Skills Matrix

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking			✓	✓	✓	✓	✓
Communication	✓	✓			✓	✓	✓
Collaboration	✓	✓	✓		✓		
Knowledge application and analysis		✓	✓	✓	✓	✓	✓
Social responsibility			✓			✓	✓

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A change of tune



Daniel Ek, co-founder and CEO of the music streaming service Spotify
SOURCE: Taylor Hill/FilmMagic/Getty Images.

While most of us are accustomed to instant access to nearly any music we want over the Internet, digital music distribution is actually a relatively new and volatile market. As recently as 2005, almost all music sales came from physical media such as compact discs (CDs). By 2015, however, digital downloads had overtaken CDs in revenue, and legal streaming services comprised 38% of the overall music market by 2017. This rapid shift for the industry in a short period of time has led to new types of music production–delivery relationships that weren't possible before digitisation, such as the successful relationship between Spotify and Boef, a Dutch rap artist, leading to his music video 'Habiba' becoming the most viewed video of any Dutch artist (50 million views), showing that music streaming can integrate the local with the global music industry.

When Daniel Ek started Spotify in 2006, now one of the most successful streaming services, music producers feared that his service would lower their revenues. Ek claimed his intention wasn't to cheat the system, but to beat music pirates at their own game by offering a service that made legally listening to tracks easier and more pleasant than illegal downloads. Through many conflicts and negotiations, Ek maintained that Spotify offered greater profits for everyone in the music industry, and eventually the industry's players agreed.

The basic terms between record companies and Spotify are simple: Spotify acquires the right to distribute music to fans by paying royalties to the copyright holders. In turn, Spotify can make money from either running advertisements or charging users. To maintain legal access to the music, Ek must continually negotiate with all the recording companies that administer copyrights. Spotify is responsible for ensuring adherence to copyright laws. This seemingly straightforward negotiation process of exchanging rights for revenues is actually quite complex in practice. Spotify also needs to continually demonstrate to recording companies that cooperating with streaming services creates better, or at least as good, value for them as different music distribution methods, even as prices change. Ek's key argument here is still: 'when you have all the world's music in your pocket, you start listening to a lot more music than you ever did before' and 'when we've got competition, it actually grows the market'.

A number of factors have strengthened Spotify's bargaining position. For one, any record label that walks away from a deal with Spotify risks losing access to many listeners who rely solely on streaming services for their music. It's also better for record labels to make money through an agreement with Spotify than to make nothing from pirated copies of their music.

The possibilities for lucrative negotiations are high—but so are the possibilities for conflict. The major labels have their own bargaining resources. First and foremost, if media companies won't deal with Spotify, the service will quickly lose its appeal. Second and related to this, if Spotify can't obtain music rights for popular artists, disappointed listeners may easily turn to other services and threaten its existence.

The highest-profile defector from Spotify was probably Taylor Swift, who, in 2014, moved to another streaming service that offered a higher return on plays, arguing that 'music should not be free'. She did return to Spotify in 2017, although she continues, often successfully, to campaign for further concessions from the platform for herself and other artists. After her return, Ek gave an interview in which he discussed the Swift

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situation, explaining 'I should've done a much better job communicating this, so I take full ownership for that ... I spent more time explaining the model, why streaming mattered'.

Ek clearly feels strongly about the mutual benefits of the Spotify model and it's clear that the stakes of such negotiations are high. One thing is certain, in such a turbulent market, there will be a lot more time spent at the bargaining table in the years to come.

SOURCES: J. Seabrook, 'Revenue streams', *The New Yorker*, 24 November 2014; S. Dredge, 'Ministry of Sound boss attacks major labels for streaming "short termism"', *The Guardian*, 15 May 2015; 'Global Music Report 2018: Annual State of the Industry', International Federation of the Phonographic Industry (2018); and N. Prins, 'Spotify racks up a streaming milestone: artists settle in for the fight', *Forbes*, 14 May 2015; L. Britton, 'Spotify boss explains how he convinced Taylor Swift to return to the streaming service', *New Music Express,* 3 April 2018, <https://www.nme.com/news/music/spotify-boss-daniel-ek-talks-taylor-swift-streaming-return-2280169#A7HObQIYwcgbMCUX.99>; and CBS This Morning, 3 April 2018, <https://twitter.com/CBSThisMorning/status/981147434851201025>.

13.1 Analyse different types and loci of conflict.

Types and loci of conflict

Before discussing the various types and loci of conflict, let's define the term. There's been no shortage of definitions for the term 'conflict', but common to most is the idea that conflict is based on perception. If no one is aware of a conflict, it's generally agreed that no conflict exists. Also needed to begin the conflict process are opposition or incompatibility and some form of interaction.

conflict A process that begins when someone perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.

Conflict, then, is a process that begins when someone perceives another party has negatively affected, or is about to negatively affect, something the first party cares about.[1] This definition is intentionally broad. It describes the point in any ongoing activity when an interaction 'crosses over' to become inter-party discord. It encompasses a wide range of conflicts experienced in organisations: incompatibility of goals, differences over interpretations of facts, disagreements based on behavioural expectations and the like. Finally, our definition is flexible enough to cover all levels of conflict—from overt and violent acts to subtle forms of disagreement.

There's no consensus over the role of conflict in groups and organisations. In the past, researchers often argued about whether conflict was uniformly good or bad. Such simplistic views eventually gave way to a recognition that different types of conflict have different effects. This led to attempts to differentiate types of conflict. So, functional conflict is seen as a constructive form of conflict that supports the goals of the group and contributes to its performance.[2] For example, a debate among members of a work team about the most efficient way to improve production can be functional if unique points of view are discussed and compared openly. Conflict that hinders group performance is seen as destructive or dysfunctional conflict.[3] A highly personal struggle for control in a team that distracts from the task at hand is dysfunctional.

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

dysfunctional conflict Conflict that hinders group performance.

Exhibit 13.1 provides an overview of the effects of conflict types. There's a fine line between these two types of conflict, as shown by the conflict between Taylor Swift and Spotify; such disputes could *functionally* remind Spotify not to take all musicians for granted, although it would become *dysfunctional* if such conflicts intensify and damage both parties (perhaps leading to damaging publicity for both). So, it may not always be so straightforward to categorise functional or dysfunctional. Indeed, researchers have argued it is preferable to see some conflicts as *quasi-functional*, recognising that it's often difficult to define the line between the two types of conflict.[4] To understand different types of conflict, we need to look at the types of conflict and loci of conflict.

Types of conflict

One means of understanding conflict is to identify the type of disagreement, or what the conflict is about. Is it a disagreement about goals or about people who just rub one another the wrong way? Or is it about the best way to get things done? Although each conflict is unique, researchers have classified conflicts into three categories: task, relationship or process. Task conflict relates to the content and goals of the work. Relationship conflict focuses on interpersonal relationships. Process conflict is about how the work gets done.

task conflict Conflict over content and goals of the work.

relationship conflict Conflict based on interpersonal relationships.

process conflict Conflict over how work gets done.

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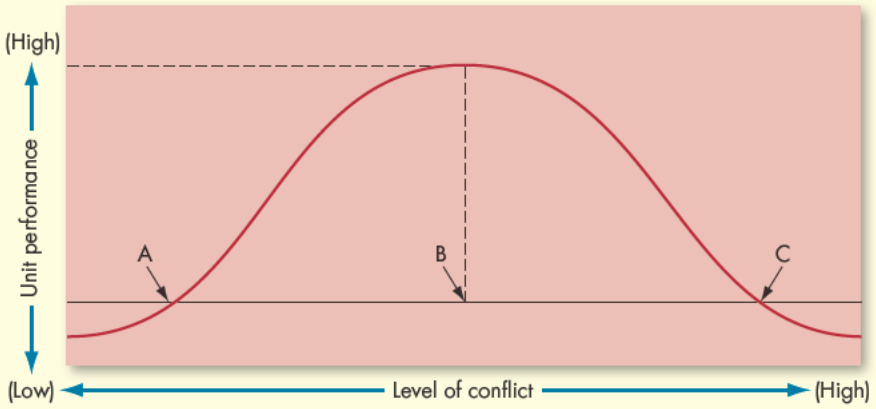
EXHIBIT 13.1 Conflict and unit performance



Situation	Level of conflict	Type of conflict	Unit's internal characteristics	Unit performance outcome
A	Low or none	Dysfunctional	Apathetic Stagnant Nonresponsive to change Lack of new ideas	Low
B	Optimal	Functional	Viable Self-critical Innovative	High
C	High	Dysfunctional	Disruptive Chaotic Uncooperative	Low

Studies demonstrate that relationship conflicts, at least in work settings, are almost always dysfunctional[5] because the friction and interpersonal hostilities inherent in relationship conflicts often increase personality clashes and decrease mutual understanding, hindering the completion of organisational tasks. Relationship conflicts also appear to be the most psychologically exhausting to individuals.[6] Because they revolve around personalities, relationship conflicts can be destructive—after all, we can't expect to change our co-workers' personalities and we more often take offence at criticisms about who we are than how we behave.

While relationship conflict seems primarily dysfunctional, there's considerably less agreement about task and process conflicts. Early research suggested that task conflict within groups was associated with higher group performance, but a recent review of 116 studies found that task conflict was essentially unrelated to group performance. However, there were factors that could create a relationship between conflict and performance.[7] One such factor related to the hierarchical level in the organisation where the conflict takes place. Task conflict among top management teams was positively associated with their performance, whereas conflict lower in the organisation was negatively associated with group performance. This review also found that it mattered whether other types of conflict occurred at the same time. If task and relationship conflict occurred together, task conflict was more likely negative, whereas if task conflict occurred alone, it was more likely positive. Finally, some scholars have argued that the strength of conflict is important—if task conflict is very low, people are less

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engaged with the important issues. However, high levels of task conflict encourage infighting that quickly degenerates into relationship conflict. So, moderate levels of task conflict are preferable. Supporting this argument, a study in China found that moderate levels of task conflict in the early development stage increased creativity in groups, but high levels decreased team performance.[8]

Individual personality also appears to matter. One study demonstrated that teams of individuals who are, on average, high in openness and emotional stability are more able to turn task conflict into increased group performance.[9] This could be because such team members can put task conflict in perspective and focus on how the variance in ideas can help solve the problem, rather than letting it degenerate into relationship conflicts.

Researchers have found that process conflicts revolve around delegation and roles. Conflicts over delegation often revolve around shirking and conflicts over roles can leave some group members feeling marginalised. Thus, process conflicts often become highly personalised and quickly degenerate into relationship conflicts. It's also true, of course, that arguing about how to do something takes time away from actually doing it. We've all been part of groups in which the arguments and debates about roles and responsibilities seem to go nowhere.

Loci of conflict

Another way to understand conflict is to consider its locus, or where the conflict occurs. Here, too, there are three basic types. Dyadic conflict is conflict between two people. Intragroup conflict occurs within a group or team. Intergroup conflict is conflict between groups or teams.

dyadic conflict Conflict that occurs between two people.

intragroup conflict Conflict that occurs within a group or team.

intergroup conflict Conflict between different groups or teams.

Nearly all the literature on task, relationship and process conflict considers intragroup conflict (within the group). That makes particular sense in teams that exist only for a particular purpose. However, it doesn't tell us about the other loci of conflict. For example, research shows that functional intragroup task conflict is more likely if teams have a supportive climate in which mistakes aren't penalised and every team member '[has] the other's back'.[10] Similarly, group members' personal needs also influence when task conflict has a positive impact on performance. In a study of Korean work groups, task conflict was more functional when members had high achievement needs.[11]

But is this concept useful for understanding the effects of intergroup conflict for the organisation? In AFL football, a certain amount of task conflict may help a team to adapt and improve, especially when the team members support one another. But would we care whether members from one team supported members from another team? Probably not. In fact, if only one team can 'win', inter-team conflict seems almost inevitable. When is that helpful, and when is it a concern?

It may surprise you that individuals become more important in intergroup conflicts. One study explored the interplay between an individual's position within a group and the way the individual managed conflict between groups. Group members who were relatively peripheral to their own groups were better at resolving conflicts between their group and another one. But this happened only when the peripheral members were still accountable to their group.[12] Thus, being at the core of your work group doesn't necessarily make you the best person to manage conflict with other groups.

Another intriguing question about loci is whether conflicts interact or buffer one another. For example, if Dana and Scott belong to the same team, what happens if they don't get along interpersonally (dyadic conflict) and their team has high personality conflict? What happens if two other team members, Sharon and Justin, do get along well? It's also possible to ask these questions at the intragroup and intergroup levels. Intense intergroup conflict can be stressful to group members and might affect the way they interact. For example, one study found that high levels of intergroup conflict helped increase individuals' compliance with team norms.[13]

Thus, understanding functional and dysfunctional conflict requires us to identify the type of conflict and establish where it occurs. It's possible that, while the concepts of task, relationship and process conflict help us understand intragroup or even dyadic conflict, they are less useful in identifying the effects of intergroup conflict. But how can we make conflict as functional as possible? A better understanding of the conflict process, discussed next, offers insight into potential controllable variables.

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The conflict process

13.2 Outline the conflict process.

The conflict process can be represented by different stages: (1) potential opposition or incompatibility, (2) cognition and personalisation, (3) intentions, (4) behaviour and (5) outcomes. The process is outlined in Exhibit 13.2.

conflict process A process incorporating different stages: (1) potential opposition or incompatibility, (2) cognition and personalisation, (3) intentions, (4) behaviour and (5) outcomes.

Stage I: potential opposition or incompatibility

The first step in the conflict process is the appearance of conditions that create opportunities for conflict to arise. They need not lead directly to conflict, but one of these conditions is necessary if conflict is to surface. For example, a recent survey found that most Australian family business owners don't have succession plans in place for their retirement,[14] highlighting a potential intragroup conflict within the firm and between family members when the leader retires and a new one must be found. For simplicity's sake, these conditions (which can be seen as causes or sources of conflict) have been condensed into three general categories: communication, structure and personal variables.

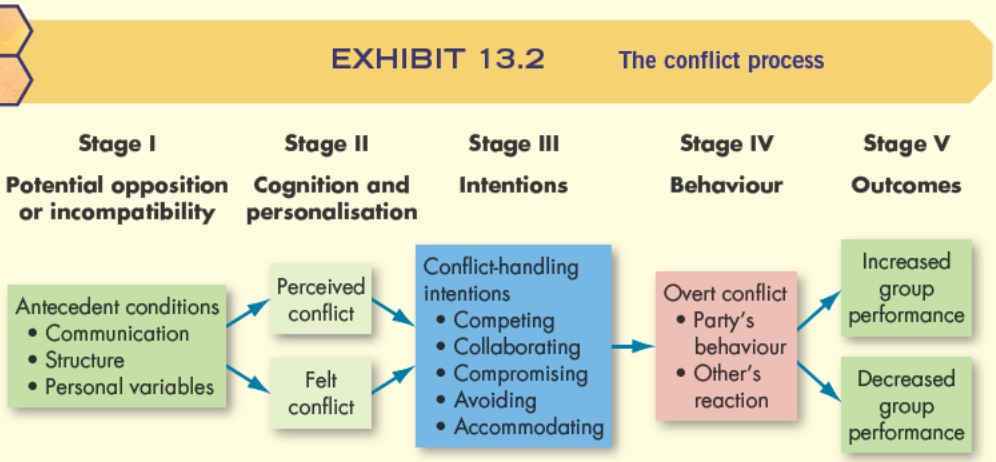
Communication

Susan had worked in supply-chain management at a pharmaceutical company for three years. She enjoyed her work—largely because her boss, Andrew, was a great guy to work for. Then, six months ago, Andrew was promoted and Ronan took his place. Susan says her job is much more frustrating now. 'Andrew and I were on the same wavelength. It's not that way with Ronan. He tells me something and I do it. Then he tells me I did it wrong. I think he means one thing but says something else. It's been like this since the day he arrived. I don't think a day goes by when he isn't yelling at me for something. You know, there are some people you just find it easy to communicate with. Well, Ronan isn't one of them!'

Susan's comments illustrate that communication can be a source of conflict.[15] They show the opposing forces that arise from semantic difficulties, misunderstandings and 'noise' in the communication channels. Much of the discussion here relates to the comments on communication in Chapter 10.

Research suggests that differing word connotations, jargon, insufficient exchange of information and noise in the communication channel are all barriers to communication and can contribute to conflict. In addition, too little communication is not the only problem. Although an increase in communication is functional up to a point, it's possible to over-communicate, with a resultant increase in the potential for conflict. So, perhaps we should be more concerned with the quality, rather than the amount, of communication.

EXHIBIT 13.2 The conflict process



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Structure

Rachael and Carly both work for a large discount furniture retailer. Rachael is a salesperson and Carly is the company credit manager. The two women have known each other for years and have much in common: they live within two blocks of each other and their oldest daughters attend the same school and are best friends. In reality, if Rachael and Carly had different jobs they might be best friends themselves, but these two women are constantly battling with each other. Rachael's task is to sell furniture, which she does very well. But most of her sales are made on credit. Because Carly's job is to ensure that the company minimises credit losses, she regularly refuses the credit applications from Rachael's customers. It's nothing personal between Rachael and Carly—the requirements of their jobs just bring them into conflict.

The conflict between Rachael and Carly is structural in nature. In this context, structure includes variables such as size, degree of specialisation in the tasks assigned to group members, jurisdictional clarity, member–goal compatibility, leadership styles, reward systems and the degree of dependence between groups. The larger the group and the more specialised its activities, the greater the likelihood of conflict. Tenure and conflict are inversely related, meaning that the longer a person stays with an organisation, the less likely conflict becomes. Therefore, the potential for conflict is greatest when group members are younger and when turnover is high.

Personal variables

We've all met people we immediately disliked. Perhaps we disagreed with their opinions. Even insignificant characteristics—the tone of their voice, a smirk when they smiled—annoyed us. When you work with such people, the potential for conflict is clear.

Personal variables include personality, emotions and values. Personality can play a role in the conflict process—some people just seem to foster conflict. In particular, people high in disagreeableness, neuroticism or self-monitoring are prone to tangle with other people more often and to react poorly when conflicts occur.[16] Emotions can also cause conflict. An employee who arrives at work irate after a hectic morning commute may carry that anger into their 9 am meeting, potentially annoying their colleagues and contributing to a tension-filled meeting.[17] Finally, conflict is likely to develop when people's values are opposed.

Stage II: cognition and personalisation

If the stage I conditions negatively affect something one party cares about, then the potential for opposition or incompatibility becomes actualised in stage II.

perceived conflict Awareness by one or more parties of the existence of conditions that can lead to conflict.

felt conflict Emotional involvement in a conflict that creates anxiety, tension, frustration or hostility.

As noted in our definition of conflict, one or more of the parties must be aware that antecedent conditions exist. However, a perceived conflict isn't necessarily personalised. In other words: '*A* may be aware that *B* and *A* are in serious disagreement ... but it may not make *A* tense or anxious, and it may have no effect whatsoever on *A*'s affection towards *B*'.[18] It's during the felt conflict level, when individuals become emotionally involved, that parties experience anxiety, tension, frustration and/or hostility.

Stage II is important because this is where parties identify the issues and establish the nature of the conflict.[19] Conflict definition is important as this helps identify possible settlements. Cooperative strategies are often appealing in interpersonal interactions unless there is a clear signal that you're faced with a competitive person. However, if we seek a salary increase in what we perceive to be a zero-sum situation, as explained in Chapter 12 (if I receive an increase in pay you believe there will be less in the salary pool for you), you'll be less likely to support my increase than if we perceive a potential win–win situation (the whole salary pool might be increased so both of us could receive the increase we want).

Stage III: intentions

intentions Decisions to act in a given way.

Intentions intervene between people's perceptions and emotions and their overt behaviour. They are decisions to act in a given way.[20]

Intentions represent a distinct stage because a person must infer the other's intent when responding to their behaviour. Conflicts can escalate simply because one party attributes inaccurate intentions to the other. There's often considerable slippage between intentions and behaviour, so behaviour may not fully reflect someone's intentions.

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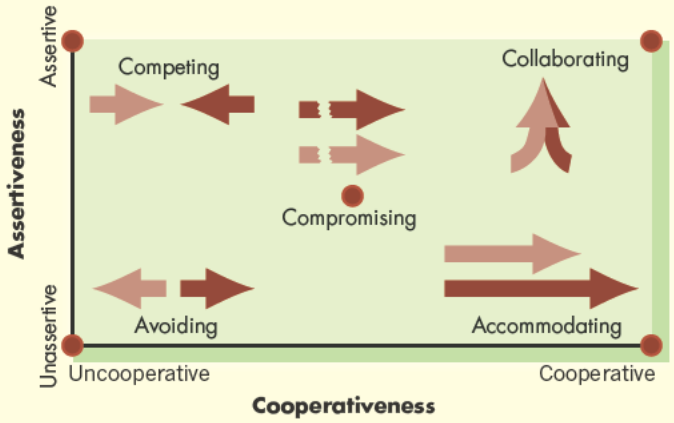
EXHIBIT 13.3 Dimensions of conflict-handling intentions



SOURCE: Figure from K. Thomas, 'Conflict and negotiation processes in organizations', in M. D. Dunnette and L. M. Hough (eds), *Handbook of Industrial and Organizational Psychology*, vol. 1 (2nd edn), CA: Consulting Psychologists Press, Palo Alto, 1992, p. 668.

Exhibit 13.3 identifies a model of the conflict-handling intentions. Based on two dimensions—cooperativeness (how far one party seeks to satisfy the other party's concerns) and assertiveness (how far one party seeks to satisfy its own concerns)—five such intentions can be identified: (1) competing (assertive and uncooperative), (2) collaborating (assertive and cooperative), (3) avoiding (unassertive and uncooperative), (4) accommodating (unassertive and cooperative) and (5) compromising (mid-range on both assertiveness and cooperativeness).[21]

Competing

When one person seeks to satisfy their own interests, regardless of the impact on the other parties to the conflict, that person is competing. You compete when you place a bet that only one person can win, for example.

competing Seeking to satisfy your own interests, regardless of the impact on the other parties to the conflict.

Collaborating

When conflicting parties want to satisfy the concerns of all parties, cooperation emerges with a search for a mutually beneficial outcome. Collaborating parties intend to solve a problem by clarifying differences rather than by accommodating different points of view. Collaborators search for win–win solutions that allow everyone's goals to be achieved.

collaborating When the parties to a conflict want to fully satisfy the concerns of all parties.

Avoiding

If someone recognises that a conflict exists, but wants to withdraw from or suppress it we call this avoiding. This includes trying to ignore the conflict and avoiding contact with others involved.

avoiding The desire to withdraw from or suppress a conflict.

Accommodating

An accommodating intention exists when someone is willing to place another party's interests above their own, perhaps to prioritise their relationship. An example of this is supporting someone else's opinion despite having reservations about it.

accommodating One party's willingness to put someone else's interests above their own in a conflict.

Compromising

When compromising, there's no clear winner or loser. Rather, there's a willingness to ration the object of the conflict and accept a solution that provides incomplete satisfaction of all parties' concerns. So, the distinguishing characteristic of compromise is that everyone gives up something.

compromising A situation in which each party to a conflict is willing to give up something.

Intentions aren't always fixed. During the course of a conflict, intentions might change if the parties can see each other's point of view or respond emotionally to each other's behaviour. However, research indicates that people do have their own preferred conflict-handling intentions

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and tend to be quite consistent in this.[22] Intentions can be predicted rather well from a combination of intellectual and personality characteristics.

Stage IV: behaviour

When most people think of conflict situations, they tend to focus on stage IV because this is where conflict becomes visible. The behaviour stage includes the statements, actions and reactions made by the conflicting parties, often as overt attempts to implement their own intentions. As a result of miscalculations or unskilled enactments, overt behaviours sometimes deviate from these original intentions.[23]

It helps to think of stage IV as a dynamic process of interaction. For example, you make a demand on me, I respond by arguing, you threaten me, I threaten you back and so on. Exhibit 13.4 helps to visualise conflict behaviour. All conflict exists somewhere along this continuum. The lower part characterises conflict by subtle, indirect and controlled forms of tension, such as a student questioning a point made by the instructor in class. The intensity escalates as we move upwards along the continuum until it becomes highly destructive. Strikes, riots and wars fall in this upper range. Unsurprisingly, conflict that reaches the upper range of the continuum is most often seen as dysfunctional.

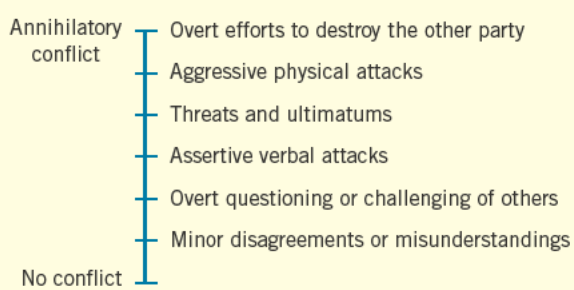
Conflict-oriented intentions do translate into behaviour. Competing can bring active contention between team members and more individualised effort that can damage team spirit. Collaborating encourages investigation of innovative solutions with others, trying to satisfy all parties as far as possible. Avoidance behaviours include refusals to discuss issues and reduced effort towards group goals. People who accommodate put their relationships before the issues behind the conflict, deferring to others' opinions, perhaps forming a subgroup with them. When compromising, people expect to (and do) sacrifice part of their interests, assuming, if everyone does the same, an agreement will emerge.

Unsurprisingly, openness and collaboration tend to be associated with superior group performance, whereas avoiding and competing strategies are more associated with lower group performance.[24] These effects are nearly as large as the effects of relationship conflict. Collaboration may be especially effective for tasks that require innovation, but it can encourage mistrust and conflict when groups are splintered into smaller groups of two or three based on task,[25] or if not all parties engage collaboratively. More powerful individuals can also experience difficulties with collaborative strategies.[26] This further demonstrates that it's not conflict itself, or even the type of conflict, that creates problems, so much as the ways people respond to and manage the process of conflict.

conflict management
The use of resolution and stimulation techniques to achieve the desired level of conflict.

If a conflict is dysfunctional, what can the parties do to de-escalate it? Or, conversely, what options exist if conflict is too low and needs to be increased? This brings us to conflict-management techniques. Exhibit 13.5 lists some resolution and stimulation techniques that

EXHIBIT 13.4 Conflict-intensity continuum



SOURCES: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach*, Upper Saddle River, NJ: Prentice Hall, 1974, pp. 93–7; and F. Glasi, 'The process of conflict escalation and the roles of third parties', in G. B. J. Bomers and R. Peterson (eds), *Conflict Management and Industrial Relations*, Boston, MA: Kluwer-Nijhoff, 1982, pp. 119–40.

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EXHIBIT 13.5 Conflict-management techniques

Conflict-resolution techniques	
Problem solving	Face-to-face meeting of the conflicting parties for the purpose of identifying the problem and resolving it through open discussion.
Superordinate goals	Creating a shared goal that can't be attained without the cooperation of each of the conflicting parties.
Expansion of resources	If conflict results from resource scarcity—money, office space, promotion opportunities—expanding the resource can create a win–win solution.
Avoidance	Withdrawal from or suppression of the conflict.
Smoothing	Playing down differences while emphasising common interests between the conflicting parties.
Compromise	Each party to the conflict gives up something of value.
Authoritative command	Management uses its formal authority to resolve the conflict and then communicates its desires to the parties involved.
Altering the human variable	Using behavioural change techniques, such as human relations training, to alter attitudes and behaviours that cause conflict.
Altering the structural variables	Changing organisation structures and the interaction patterns of conflicting parties—job redesign, transfers, creation of coordinating positions.
Conflict-stimulation techniques	
Communication	Using ambiguous or threatening messages to increase conflict levels.
Bringing in outsiders	Adding employees to a group whose backgrounds, values, attitudes or managerial styles differ from those of present members.
Restructuring the organisation	Realigning work groups, altering rules and regulations, increasing interdependence and making similar structural changes to disrupt the status quo.
Appointing a devil's advocate	Designating a critic to purposely argue against the majority positions held by the group.

SOURCE: Based on S. P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach*, Upper Saddle River, NJ: Prentice Hall, 1974, pp. 59–89.

can help managers control conflict levels. Some of these resemble conflict-handling intentions. This shouldn't be surprising. Under ideal conditions, a person's intentions would translate into comparable behaviours.

Stage V: outcomes

Action–reaction interplay between conflicting parties has consequences. Again, as Exhibit 13.2 demonstrates, these outcomes may be functional or dysfunctional.

Functional outcomes

How might conflict act as a force to increase group performance? There are few times when open or violent aggression is functional. But there are times when low or moderate levels of conflict can contribute to group effectiveness. Next we'll consider some examples of functional task and process conflicts rather than relationship conflicts.

Conflict is constructive when it improves the quality of decisions, stimulates creativity and innovation, encourages members' interest and curiosity, provides a medium for airing problems and releasing tensions, and fosters an environment of self-evaluation and change. Conflict is also an antidote to groupthink, preventing groups from passively rubber-stamping poor decisions based on weak assumptions, inadequate consideration of relevant alternatives or other debilities. Conflict challenges the status quo and therefore furthers the creation of new ideas, promotes reassessment of group goals and activities, and increases the probability that the group will respond to change. Conflict also may generate energising emotions so group members become more active, energised and engaged in their work.[27]

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Dysfunctional outcomes

A substantial body of literature documents how dysfunctional conflict can reduce group effectiveness.[28] Among the more undesirable consequences are hampered communication, reductions in group cohesiveness and subordination of group goals to the primacy of infighting among members. All forms of conflict—even the functional varieties—appear to reduce group member satisfaction and reduce trust.[29] When active discussion turns into open conflict between members, information sharing between members generally decreases significantly.[30] At the extreme, such conflict can bring group functioning to a halt and threaten the group's survival.

Managing conflict

If we recognise that, in some situations, conflict can be beneficial, what can we do to manage it effectively at work?[31] As well as recognising the principles of conflict already discussed, here are some practical guidelines.

One of the keys to minimising counterproductive conflict is asking if there really is a disagreement. Simply using different language to discuss the same general course of action can contribute to misunderstanding-based conflicts. So, someone in marketing might talk about 'distribution problems', while someone in operations refers to 'supply-chain management' to describe the same thing. Successful conflict management would acknowledge language differences and seek to enhance understanding by encouraging open, frank discussion.

Another approach is for opposing groups to clarify the factors that are most important to them and then focus on how they each can have their top needs satisfied. No side gets exactly what it wants, but all sides have their most important needs addressed.[32]

Third, groups that resolve conflict successfully discuss differences of opinion openly and are ready to manage conflict when it arises.[33] The most disruptive conflicts are those that are not addressed directly. Open discussion helps develop a shared understanding of all the problems; it also allows groups to work towards a mutually acceptable solution.

Fourth, it's important to emphasise shared interests in resolving conflicts, so those who disagree with one another don't entrench themselves in their own point of view and take the conflict personally. Groups with a cooperative approach who strongly identify with the group goals are more effective than more competitive groups.[34]

International differences in conflict-resolution strategies may be influenced by collectivistic tendencies and motives.[35] People from more collectivist cultures tend to see themselves as more deeply embedded in social situations than individualists. So, they're more likely to seek to preserve relationships and promote the good of the group as a whole. They will avoid direct expression of conflict, preferring indirect methods for resolving differences of opinion. Collectivists may also be more likely to demonstrate concern and work through third parties to resolve disputes, whereas individualists are likely to confront differences of opinion more directly and openly. So, compared to collectivistic Japanese negotiators, individualistic Australian negotiators are more likely to see their counterparts' offers as unfair and reject them.

Some research does support this argument. One study found US managers are comfortable with competing tactics to address conflict, while compromise and avoidance are preferred in China.[36] However, other research suggests that senior managers in Chinese high-technology organisations may prefer collaboration over these methods.[37]

Having considered conflict—its nature, causes and consequences—we now turn to negotiation, which often resolves conflict.

13.3 Contrast distributive and integrative bargaining.

Negotiation

Negotiation permeates the interactions of almost everyone in groups and organisations. Obvious examples include management bargaining with workers, sales staff negotiating with customers and purchasing agents negotiating with suppliers. More subtle negotiation can result in someone agreeing to cover for a colleague for a few minutes in exchange for some past or future benefit. In today's loosely structured organisations, with members working with colleagues over whom they have no direct authority and with whom they may not even share a common boss, negotiation skills become critical.

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Negotiation can be defined as a process that occurs when two or more parties decide how to allocate scarce resources.[38] Although we commonly think of the outcomes of negotiation in one-off economic terms such as negotiating over the price of a house or car, every negotiation in organisations affects the relationship between the negotiators and the way they feel about themselves.[39] Depending on how much the parties need to interact with one another, sometimes maintaining the social relationship will be just as important as the immediate outcome of each bargain. Note that the terms 'negotiating' and 'bargaining' are often used interchangeably.

negotiation A process involving two or more parties deciding how to allocate scarce resources.

Bargaining strategies

The two general approaches to negotiation are distributive bargaining and integrative bargaining.[40] These differ in goal, motivation, interests, focus, information sharing and relationship duration. Exhibit 13.6 defines both approaches and illustrates the differences.

Distributive bargaining

You see a used car advertised for sale online. It appears to be just what you've been looking for. You go and see the car. It's great and you want it. The owner tells you the asking price. You don't want to pay that much. You both negotiate over the price. The negotiating strategy you are engaging in is called distributive bargaining.

This operates under zero-sum conditions—any gain you make is at the seller's expense and vice versa. Every dollar you can get the seller to cut from the price is a dollar you save and every dollar more the seller can get from you comes at your expense. The essence of distributive bargaining is deciding who gets what share of a fixed pie. A fixed pie is a limited ('fixed') resource to share (distribute). So if the parties believe the pie is fixed, they tend to bargain distributively.

distributive bargaining Negotiation that divides a fixed set of resources; a win lose or even lose lose situation.

fixed pie The belief that there's only a limited resource to be shared between the parties.

A much-researched, if simplistically interpreted, example of distributive bargaining is wage negotiation between workers and management. Worker representatives' bargaining is commonly perceived as a determination to get as much money as possible from management, while every cent that they receive is simply seen as increasing costs. So, each party bargains aggressively, seeing the other as an opponent who must be defeated.

The essence of distributive bargaining is depicted in Exhibit 13.7. Parties *A* and *B* represent two negotiators. Each has a target point that defines what they would like to achieve. Each also has a resistance point, which marks the lowest outcome that's acceptable—that is, the point below which the party would break off negotiations rather than accept a less favourable settlement. The area between these two points makes up each party's aspiration range. As long as there's some overlap between *A*'s and *B*'s aspiration ranges, a settlement range exists in which each party's aspirations can be met.

EXHIBIT 13.6 Distributive versus integrative bargaining

Bargaining characteristic	Distributive bargaining	Integrative bargaining
Goal	Get as much of the pie as possible	Expand the pie so that both parties are satisfied
Motivation	Win–lose	Win–win
Focus	Positions ('I can't go beyond this point on this issue.')	Interests ('Please explain why this issue is so important to you.')
Interests	Opposed	Congruent
Information sharing	Low (this would only allow the other party to take advantage)	High (this helps to find ways to satisfy both parties' interests)
Duration of relationship	Short term	Long term

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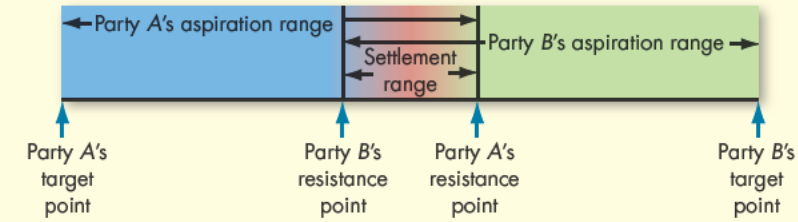
EXHIBIT 13.7 Staking out the bargaining zone



Powerful individuals engaging in distributive bargaining are more likely to make initial and aggressive offers, speak first at meetings and thereby gain an advantage. One reason for this is the anchoring bias (see Chapter 6). As people tend to fixate on initial information, it's difficult to adjust an anchoring point, no matter what subsequent information is provided. A savvy negotiator sets an anchor with their initial offer, and many negotiation studies show that this greatly favours the person who sets it.[41]

Imagine that you've been offered a job and your prospective employer asks you what starting salary you want. This may seem like a great gift—you have a chance to set an anchor and can ask for the best salary you think the employer could reasonably offer. Demanding a million dollars would only make most of us look ridiculous, which is why we suggest the need to be reasonable. However, people are often over-cautious, afraid of scaring off the employer and settling for too little. It is possible to scare off an employer and most employers don't like candidates to be too assertive in salary negotiations, but liking isn't the same as doing what it takes to hire or retain someone.[42] So, what often happens is that people ask for less than they could have received.

Another distributive bargaining tactic is setting a deadline. Erin is a human resources manager, negotiating salary with Ron, a highly sought-after new hire. Because Ron knows the company needs him, he asks for a high salary and many benefits. Erin tells Ron that the company can't meet his requirements. Ron responds that he will think things over. Worried that the company is going to lose Ron to a competitor, Erin introduces time pressure, explaining that, if they don't reach agreement, she'll have to offer the job to someone else. Such deadlines can hurry concessions from their negotiating counterparts, making them reconsider their position. And even though some negotiators don't think this tactic works, in reality negotiators who impose deadlines do better.[43]

Integrative bargaining

The second approach to negotiation extends beyond simply distributing resources. Earlier we suggested that most people perceive salary negotiations as wholly distributive. However, when such negotiations extend beyond dividing a fixed pie, perhaps including issues such as work practices and product improvements, a successful bargain might even increase the pie itself through productivity improvements, something much more difficult to achieve by aggressive, confrontational bargaining. We refer to this as integrative bargaining. In contrast to distributive bargaining, integrative bargainers assume that one or more settlements can create a win–win solution. Of course, both parties must fully engage for this to work—if either party doesn't acknowledge the potential benefits or distrusts the other, the bargaining would be unbalanced. Imagine how difficult it would be for an integrative negotiator to deal with someone who's not prepared to trust that you could be interested in their point of view.

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

Although it may be possible to integrate both bargaining strategies, focusing on expanding the pie first (integratively) and then deciding how to distribute the increased resource, this approach is potentially flawed. After all, the increased pie is likely to be at least partially contingent on collaborative effort. So, it's preferable to consider mutual benefits, from both

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parties' perspectives during, rather than after, the integrative bargaining. In our salary increase negotiations from earlier, both parties' outcomes are likely to be strengthened if increased pay is linked to improvements in work practices, rather than focusing on the practices and then turning attention to pay levels.

For intra-organisational negotiations, integrative bargaining is preferable to distributive bargaining because it helps build long-term relationships. It bonds negotiators and allows everyone to leave the bargaining table feeling they've achieved something. Distributive bargaining, however, leaves at least one party a loser and can build animosities and deepen divisions when people must work together afterwards.

Why, then, don't we see more integrative bargaining in organisations? The answer lies in the conditions necessary for the approach to succeed. These include parties who are all open with information and candid about their concerns, a sensitivity to each other's needs, trust and a willingness by both parties to maintain flexibility.[44] Because these conditions seldom exist in organisations, it's not surprising that negotiations often take on a win-at-any-cost dynamic. Personal characteristics and perceived accountability also play a role in whether negotiators adopt an integrative approach.

Although negotiators often compromise during negotiations, this may prevent a win–win agreement because compromising reduces the need to bargain integratively. After all, if one party caves in easily, everyone might end up settling for less than they could have obtained if they'd been forced to consider the other party's interests and to be a little more creative.[45] Consider two sisters arguing about an orange. Unknown to them, one sister wants to drink the juice and the other wants the peel to bake a cake. If one gives in and gives her sister the orange, or both agree to have half each, they won't explore why each needs the orange. So they'll never find the easy win–win solution—indeed the half-each solution would result in lose–lose, without realising that both could have everything they want.

Myth or science?



'Teams negotiate better than individuals in collectivistic cultures'

Although this statement may seem common sense, it's not quite so simple. In general, the literature suggests that teams negotiate more effectively than individuals alone. There's also some evidence that team negotiations create more ambitious goals and that team members communicate better with each other than individual negotiators. So surely this would be especially true in collectivistic cultures, where people give more attention to collective goals and are more comfortable working in teams.

A study of team negotiation in the United States and Taiwan, however, suggests that this is not always so. The researchers conducted two studies comparing two-person teams with individual negotiators. They defined negotiating effectiveness as the degree to which the negotiation produced an optimal outcome for both sides. In the US, teams did better than solo individuals in both studies. In Taiwan, solo individuals did better than teams.

The research found that in Taiwan norms respecting harmony already exist and negotiating in teams amplifies that tendency. This is problematic because when harmony is very high, teams often satisfice to avoid conflict. In contrast, in the more individualistic United States, solo teams may amplify their tendency to focus on self-interest, which makes reaching integrative solutions harder. So, these findings suggest that negotiating individually works better in collectivistic cultures, and negotiating in teams works better in individualistic cultures.

SOURCES: Based on M. J. Gelfand, J. Bret, B. C. Gunia, L. Imai, T. J. Huang and B. F. Hsu, 'Toward a culture-by-context perspective on negotiation: negotiating teams in the United States and Taiwan', *Journal of Applied Psychology* 98, 2013, pp. 504–13; and A. Graf, S. T. Koeszegi and E.-M. Pesendorfer, 'Electronic negotiations in intercultural interfirm relationships', *Journal of Managerial Psychology* 25, 2010, pp. 495–512.

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13.4 Apply the stages of the negotiation process.

The negotiation process

Exhibit 13.8 illustrates a simple model of the negotiation process. It defines five steps: (1) preparation and planning, (2) definition of ground rules, (3) clarification and justification, (4) bargaining and problem solving and (5) closure and implementation.[46]

Preparation and planning

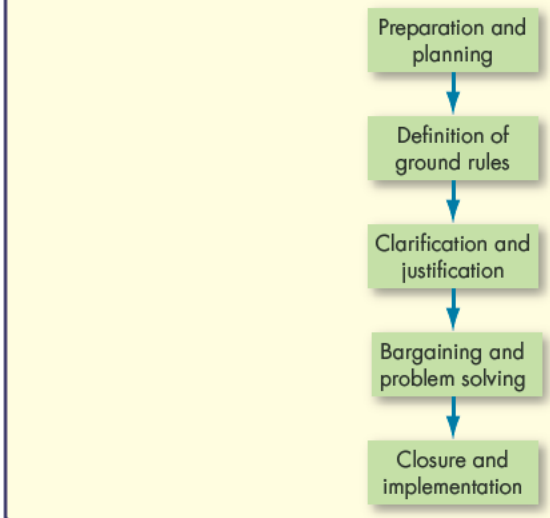
Before negotiating, always do your homework. What's the nature of the conflict? What's the history leading up to this negotiation? Who is involved and what are their perceptions of the conflict? What do you want from the negotiation? What are *your* goals? For example, if you're a supply manager at Dell and your goal is to coax a large cost reduction from your computer keyboard supplier, ensure this goal stays paramount in your discussions and isn't obscured by other concerns (but do try to be open to integrative factors—there's a thin line between positive focus and closed stubbornness). It often helps to put your goals in writing and develop a range of outcomes—from 'most hopeful' to 'minimally acceptable'—to keep your attention focused.

You also need to assess what you think are the other party's goals. What are they likely to ask for? How entrenched is their position likely to be? What intangible or hidden interests may be important to them? What might they be willing to settle on? When you can anticipate their position, you're better equipped to counter arguments with facts and figures that support your position.

Negotiations do change relationships, so take that into consideration. If you can only 'win' a negotiation by pushing the other party into resentment, it may be wiser to demand a little less. If preserving the relationship will make you seem weak and easily exploited, you may prefer a more aggressive style, although ethics also complicate such decisions. Returning to employment negotiations, people who feel good about the process of job offer negotiations are more likely to be satisfied in their job and less likely to leave early, regardless of the negotiation outcomes.[47] Employers who insist on terms of employment that satisfy them, but not the new hire, endanger the long-term employment relationship.

Once you've gathered your information, use it to develop a strategy. For example, expert chess players decide in advance how they will respond to many situations. To guide your strategy,

EXHIBIT 13.8 The negotiation process



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try to determine your and their Best Alternative To a Negotiated Agreement (BATNA).[48] Your BATNA determines the level at which you would 'walk away' from the negotiations. For example, if you're buying a house and your BATNA is $100 000, but this is too low for the vendor, your BATNA might be to remain in your current house or choose to rent a property. So, any offer you receive that is higher than your BATNA is better than an impasse. Conversely, don't expect success if your offer doesn't exceed the other party's BATNA. It's not easy to identify other people's BATNA and, although it's unlikely that you can change someone's BATNA during negotiations, you might over- or under-estimate it. People who under-estimate their opponent's willingness to give in on key issues before the negotiation even starts, end up with lower outcomes from a negotiation.[49]

BATNA The Best Alternative To a Negotiated Agreement, representing the point at which a party would seek an alternative solution.

Definition of ground rules

After your planning and strategy formulation, you're ready to begin defining the ground rules and procedures of the negotiation with the other party. Who will do the negotiating? Where will it take place? What time constraints, if any, will apply? What issues will be included? What procedures would be used if an impasse is reached? During this phase, the parties also exchange their initial proposals or demands.

Career OBjectives



How can I get a better job?

I feel like my career is at a standstill, and I want to talk to my boss about getting a more developmental assignment. How can I negotiate effectively for a better job position?

— Wei

Dear Wei,

Your priorities are certainly sensible. Many people see salary as their main concern and negotiate to maximise this. This strategy can appeal in the short-term, but sustained career growth has a better long-term payoff. Professional development will prepare you for many future salary increases. Developmental assignments will also give you a better position for future negotiations because you'll have more career options.

Long-term career negotiations based on developmental assignments can be easier to raise with your supervisor because salary negotiation is often seen as a zero-sum situation, while developmental negotiations offer positive outcomes to both sides. When negotiating for a developmental assignment, make sure you emphasise a few key points:

- *When it comes to salary negotiations, most people think either you get the money, or the company keeps the money.* Given that, your interests and the interests of your managers seem directly opposed. On the other hand, negotiating for developmental assignments usually means finding ways to improve your skills *and* your contribution to the company. You can, in complete honesty, frame your case around these mutual benefits.
- *Let your supervisor know that you are interested in getting better at your job and that you are motivated to improve through a developmental assignment.* Asking your supervisor for opportunities to grow is a clear sign that you're an employee worth investing in.
- *Be open to creative solutions.* There may be idiosyncratic solutions (also called I-deals) for enhancing both your interests and those of your supervisor. One of the best things about an integrative bargaining situation like this is that you and your negotiation partner can find novel solutions that neither would have imagined separately.

Think strategically about your career, and you're not just negotiating for a better pay cheque tomorrow, but for one that keeps increasing in the years to come.

SOURCES: Based on Y. Rofcanin, T. Kiefer and K. Strauss, 'How I-deals build resources to facilitate reciprocation: mediating role of positive affective states', *Academy of Management Proceedings*, August 2014; C. Liao, S. J. Wayne and D. M. Rousseau, 'Idiosyncratic deals in contemporary organizations: a qualitative and meta-analytical review', *Journal of Organizational Behavior*, 16 October 2014; and V. Brenninkmeijer and M. Hekkert-Koning, 'To craft or not to craft', *Career Development International* 20, 2015, pp. 147–62.

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Clarification and justification

After clarifying initial positions, both you and the other party can explain, amplify, clarify, bolster and justify your original demands. This needn't be confrontational. Rather, it's an opportunity for educating and informing each other on the issues, why these are important and how you arrived at your initial demands. You can also introduce any documentation that supports your position.

Bargaining and problem solving

The essence of the negotiation process is the actual give-and-take in trying to work out an agreement. This is where both parties normally make concessions.

Closure and implementation

The final step in the negotiation process is formalising the agreement and developing and supervising the procedures necessary for implementation and monitoring. For major negotiations—from worker-management negotiations to bargaining over lease terms, buying real estate or negotiating a job offer for a senior management position—this requires finalising the specifics contractually. In many cases, closure is simply marked by a handshake.

13.5 Show how individual differences influence negotiations.

Individual differences in negotiation effectiveness

What makes one person a better negotiator than another? The answer is more complex than you might think. Several factors can influence someone's negotiation effectiveness, such as personality, moods/emotions, culture and gender.

Personality traits in negotiation

Can we predict a negotiator's success based on their personality? The answer is, at best, 'sort of'. Much research has focused on the 'Big Five' trait of agreeableness, for obvious reasons—agreeable individuals are cooperative, compliant, kind and conflict-averse. We might think such characteristics make individuals easy prey in negotiations, especially distributive ones. The evidence suggests, however, that overall agreeableness is weakly related to negotiation outcomes.

It appears that the degree to which agreeableness, and personality more generally, affects negotiation outcomes depends on the situation. For example, the value of extraversion in negotiations very much depends on how the other party reacts to someone who is assertive and enthusiastic. A complicating factor for agreeableness is that it has two facets: the tendency to be cooperative and compliant is one, but so is warmth and empathy.[50] So, while the former may be a hindrance to negotiating favourable outcomes, the latter helps. After all, empathy is about taking another person's perspective to better understand them. We know that perspective-taking helps integrative negotiators, so maybe these two facets hamper any clear advantage. Perhaps the best negotiator is a competitive but empathetic one, and the worst is a gentle but empathetic one.

One study focused on personality and negotiation type. Here, agreeable individuals reacted more positively and experienced less stress in integrative negotiations than in distributive ones. Low levels of stress, in turn, made for more effective negotiation outcomes.[51] Similarly, in 'hard-edged' distributive negotiations, where giving away information is seen as disadvantageous, extraverted negotiators do less well because they tend to share more information than others.[52]

Research does suggest that intelligence predicts negotiation effectiveness, but, as with personality, the effects aren't very strong.[53] This suggests that you're not severely disadvantaged, even if you're an agreeable extravert with relatively low intelligence, when it's time to negotiate. A key message here is that we can all probably learn to be better negotiators, whatever our personality or intelligence.[54]

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Moods/emotions in negotiation

Moods and emotions can influence negotiations, but it depends on the emotion and the context. For example, a negotiator who shows anger can induce concessions, if the other negotiator believes concessions from the angry party are less likely. However, this outcome is influenced by power—angry negotiators require at least as much power as their counterpart for success. If they have less power, anger can provoke 'hardball' reactions from the other side.[55] Another factor is how genuine your anger seems—'fake' anger, displayed by surface acting (see Chapter 5), is less effective, if interpreted as such.[56] Having a history of expressing anger, rather than inspiring revenge, often induces more concessions because the negotiator is perceived as 'tough'.[57] Finally, culture seems to matter. For example, a study found that East-Asian participants showing anger received more concessions than angry negotiators from the United States or Europe,[58] perhaps due to the stereotype that East Asians rarely show anger, so when they do it seems particularly serious.

Another relevant emotion is disappointment. A negotiator who perceives disappointment from their counterpart may concede more if disappointment makes the other party feel guilty. In one study, Dutch students were given 100 chips to bargain over. Negotiators who expressed disappointment were offered 14 more chips than those who didn't. In a second study, showing disappointment yielded an average concession of 12 chips. Unlike anger, the relative power of disappointed negotiators made no difference.[59] Anxiety can also affect negotiation. One study found that individuals who experienced more anxiety about a negotiation were more likely to deceive others.[60] Another study found that anxious negotiators expect lower outcomes, respond to offers more quickly and exit the bargaining process more quickly, leading to poor outcomes.[61]

As you can see, emotions—especially negative ones—matter to negotiation. Even emotional unpredictability affects outcomes. Research suggests expressing positive and negative emotions in an unpredictable way extracts more concessions because the other party feels less in control.[62] As one negotiator put it, 'Out of the blue, you may have to react to something you've been working on in one way, and then something entirely new is introduced, and you have to veer off and refocus'.[63]

Ethical choice

Using empathy to negotiate more ethically



You may have noticed that much of our advice for effective negotiation depends on understanding the perspective and goals of the person you're negotiating with. Preparing checklists of this person's interests, likely tactics and BATNA, can all help improve the outcome. Studies suggest that these steps might also make you a more ethical negotiator.

Researchers asked respondents to indicate how much they think about other people's feelings and emotions and to describe the tactics they engaged in during a negotiation exercise. Empathetic individuals consistently showed fewer unethical behaviours, such as making false promises and manipulating information or emotions. In personality terms, individuals who are high in agreeableness seem to be more ethical negotiators.

When trying to become a more ethical negotiator, consider these guidelines:

1. Try to understand the other party's perspective, not just by finding what the other person wants, but by empathising with the emotional reaction they could have to the possible outcomes.
2. Be aware of your own emotions, because many moral reactions are fundamentally emotional. Behaving unethically during negotiations increases feelings of guilt, suggesting you're likely to regret your behaviour later.
3. Empathising too much could work against your own interests—just because you try to understand the motives and emotional reactions of the other side doesn't mean you should assume the other person is being honest and fair in return. So be on your guard.

SOURCES: Based on T. R. Cohen, 'Moral emotions and unethical bargaining: the differential effects of empathy and perspective taking in deterring deceitful negotiation', *Journal of Business Ethics* 94, no. 4, 2010, pp. 569–79; and R. Volkema, D. Fleck and A. Hofmeister, 'Predicting competitive-unethical negotiating behavior and its consequences', *Negotiation Journal* 26, no. 3, 2010, pp. 263–86.

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Culture in negotiations

Culture also influences how we negotiate. However, when considering success, it's not as simple as 'US negotiators are the best'. Once again, this depends on the context.

So, what can we say about culture and negotiation? First, people generally seem to negotiate more effectively within cultures than between them. So, a Colombian is apt to negotiate more successfully with another Colombian than with a Sri Lankan. Second, when negotiating cross-culturally, it's important for negotiators to be high in openness. This suggests it's a good strategy to choose cross-cultural negotiators who are high in openness to experience and to avoid factors such as time pressure that can inhibit learning about the other party.[64]

Finally, because emotions are culturally sensitive, negotiators need to be especially aware of emotional dynamics in cross-cultural negotiations. For example, one study compared how US and Chinese negotiators reacted to an angry counterpart. The Chinese negotiators increasingly applied distributive negotiating tactics when the other party expressed anger, while US negotiators decreased such tactics. So, Chinese negotiators responded to anger by driving a harder bargain and US negotiators capitulated somewhat. This could be because individuals from East-Asian cultures feel that anger isn't a legitimate negotiation tactic, so they refuse to cooperate with angry parties.[65]

Gender differences in negotiations

There are many areas of organisational behaviour in which men and women aren't that different. Negotiation isn't one of them. It now seems fairly clear that men and women negotiate differently and these differences affect outcomes.

A popular stereotype is that women are more cooperative and pleasant in negotiations than men. Although controversial, there's some merit to this assumption. Men tend to place more value on status, power and recognition, whereas women tend to value compassion and altruism more. Women also tend to value relationship outcomes more than men do, and men emphasise economic outcomes more than women do.[66]

Such differences affect both negotiation behaviour and outcomes. Compared to men, women tend to behave in a less assertive, less self-interested and more accommodating manner. Research suggests women 'are more reluctant to initiate negotiations, and when they do, they ask for less, are more willing to accept [the] offer, and make more generous offers to their negotiation partners than men do'.[67] A study of MBA students in the United States found that male participants made the first offer, when negotiating, 57% of the time, compared to 4% of female participants. The net result? A $4000 difference in starting salaries.[68] However, the disparity goes even further. Because of the way women approach negotiation, parties often exploit female negotiators by, for example, making lower salary offers.[69]

Research is less clear as to whether women can improve their outcomes by exploiting gender stereotypes. One study found that female negotiators who were instructed to behave with 'feminine charm' (be animated in body movements, make frequent eye contact, smile, laugh, be playful and frequently compliment the other party) did better in negotiations than women not so instructed. These behaviours didn't work for men regardless of the gender of their negotiating partner.[70] Other research questions gender stereotypes, suggesting that the tendency for men to receive better negotiation outcomes doesn't relate to all situations.[71] Indeed, evidence suggests women and men perform more equally in some situations, women outperform men in others, and they obtain nearly equal outcomes when negotiating on behalf of someone else. In other words, everyone was better at advocating for others than they were at advocating for themselves. Gender differences are also smaller between more experienced negotiators.

Research also suggests that women's own attitudes and behaviours can hurt them in negotiations. Managerial women demonstrate less confidence than do men when anticipating negotiations and are less satisfied with their performance afterwards, even when their outcomes are similar to those of men.[72] Women are also less likely than men to see an ambiguity as an opportunity for negotiation and they often disadvantage themselves by failing to engage in negotiations that would be to their advantage. Some research suggests that women are less aggressive in negotiations because they're worried about possible backlash from others, although they're likely to negotiate more assertively when bargaining on behalf of someone else.[73]

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Negotiating in a social context

13.6 Assess the roles and functions of third-party negotiations.

So far we've mostly focused on negotiations between parties who meet only once and in isolation from other individuals. In organisations, however, many negotiations are open-ended and public. When you try to figure out who in a work group should do a tedious task, negotiate with your boss about an international assignment or request additional project funds, there's a social component to the negotiation. You often negotiate with someone you already know and will work with again, so the negotiation and its outcome are likely to be discussed by other people. To understand negotiations in practice, then, we must consider the social factors of reputation and relationships.

Reputation

Your reputation is the way other people think and talk about you. When it comes to negotiation, having a reputation for being trustworthy matters. Trust opens the door to many forms of integrative negotiation strategies that benefit both parties.[74] One way to build trust is to behave honestly across repeated interactions as others will then feel more comfortable making more open-ended offers. This helps achieve win–win outcomes, as both parties can work to achieve their own ends, while still benefitting the other party.

Sometimes our level of trust is based on word-of-mouth about a person's characteristics. Which characteristics help a person develop a trustworthy reputation? Competence and integrity certainly help.[75] In addition, negotiators higher in self-confidence and cognitive ability are seen as more competent[76] and are more credible when they suggest solutions to impasses. Individuals who have a reputation for integrity can also be effective negotiators.[77] They're seen as more likely to keep their promises and present information accurately, so others are more willing to accept their promises. This opens more options for the negotiator than for someone seen as untrustworthy. Finally, individuals with solid reputations are better liked and have more friends and allies, and such social resources may give them more implicit power in negotiations.

Relationships

There's more to repeated negotiations than just reputation. The social component of relationships with repeated negotiations encourages individuals to not only value what's good for themselves, but to consider what's best for the other party and the relationship as a whole.[78] Repeated negotiations built on a foundation of trust also broaden the range of options because a favour or concession today can be reciprocated further down the road. Repeated negotiations also facilitate integrative problem solving, partly because people begin to see their negotiation partners more personally over time and come to share emotional bonds.[79]

In summary, it's clear that effective negotiators need to think beyond the outcome of a single interaction. Negotiators who consistently act in a way that demonstrates competence, honesty and integrity usually have better long-term outcomes.

Third-party negotiations

To date, we've discussed bargaining in terms of direct negotiations. Occasionally, however, negotiators reach a stalemate and are unable to resolve their differences through direct negotiations. In such cases, they may turn to a third party to help find a solution. There are three basic third-party roles: mediator, arbitrator and conciliator.

A mediator is a trusted third party who facilitates a negotiated solution by opening communication channels, helping the parties to understand each other and find possible solutions. Mediators are often used in worker-management negotiations and they can be impressively effective in terms of settlement rates and negotiator satisfaction. Once again situational variables are key to whether or not mediation will succeed. The conflicting parties must be motivated to bargain and resolve their conflict and mediation is most effective under moderate levels of conflict intensity. Finally, perceptions of the mediator are important: to be effective, the mediator must be perceived as trustworthy, neutral and non-coercive.

mediator A trusted third party who facilitates a negotiated solution by maintaining communication between conflicting parties.

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arbitrator A third party to a negotiation who has the authority to dictate a settlement.

An **arbitrator** is a third party with the authority to dictate a settlement. Arbitration can be voluntary (requested by the parties) or compulsory (required by law or contract). The big plus of arbitration over mediation is that it always results in a settlement. Whether or not there's a negative side depends on how heavy-handed the arbitrator appears. If one party is left feeling overwhelmingly defeated, that party will be dissatisfied and unlikely to graciously accept the arbitrator's decision. Therefore, the conflict may resurface at a later time.

conciliator A neutral third party who provides a communication link between conflicting parties.

Conciliation is similar to mediation, but there's a difference. While mediators seek to focus on a specific dispute, helping the parties to reach a mutually acceptable settlement, a **conciliator** has a broader purpose. Although they work with parties to a specific conflict, they often seek to uncover a violated right and are more likely to suggest solutions than mediators. They also engage in fact-finding, interpret messages and persuade disputants to develop agreements. We can see this as a little less formal than arbitration, but more formal than mediation. The Australian Human Rights Commission uses conciliation, rather than courts, to address complaints. So, conciliation is organised officially (by the commission), but does not guarantee a solution (unresolved cases may progress to the courts).

Summary

While many people assume that conflict lowers group and organisational performance, this assumption can be incorrect. Conflict can be either constructive or destructive to the functioning of a group or unit. Levels of conflict can be either too high or too low to be constructive. Either extreme hinders performance. An optimal level is one that prevents stagnation, stimulates creativity, allows tensions to be released and initiates the seeds of change, without being disruptive or preventing coordination of activities.

Implications for managers

- Authoritarian management styles may suffice in emergencies, when unpopular actions are called for (such as implementing change, or enforcement of unpopular rules) and when the organisation's welfare is at stake. Be certain to communicate your logic, when possible, to ensure employees remain engaged and productive.
- Seek integrative solutions whenever possible, to merge insights from people with different perspectives, to gain commitment by incorporating concerns into a consensus and to work through feelings that have interfered with a relationship.
- Take care with issues that seem trivial or symptomatic of other challenges, when more important issues are pressing, when you perceive no chance of satisfying everyone's concerns, when people need to cool down and regain perspective, when gathering information and when others can resolve the conflict more effectively.
- You can build trust by accommodating others if you find you're wrong, if you need to demonstrate reasonableness, if other positions need to be heard, if issues are more important to others than to yourself, if you want to satisfy others and maintain cooperation, if you can build social credits for later issues, to minimise loss if you are outmatched and losing and to help employees learn from their own mistakes.
- Avoid intransigence if your goals are important but not worth potential disruption, if opponents with equal power are committed to mutually exclusive goals and if you need temporary settlements to complex issues.
- Distributive bargaining can resolve disputes, but often reduces the satisfaction of one or more parties because it's confrontational and short-term. Integrative bargaining, in contrast, helps find outcomes that satisfy all parties and build lasting relationships.

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NON-UNION POSITIONS AND THE GIG ECONOMY ARE BAD FOR WORKERS

POINT

What do Uber, Etsy and Amazon Turk all have in common? All of these platforms require short-term freelance work and reflect what economists have dubbed the gig economy. In the past, employers expected workers to stay with a company for 30 years. In exchange for loyalty, employees had security and a pension. Unlike today's employers, companies promoted from within. Employers now hire workers for ever shorter periods. Many new jobs are neither long-term nor short-term positions: they are gigs. People increasingly work as independent contractors, using third-party platforms to connect to clients. Because they don't have employment contracts, they have greater flexibility: they can work as much or as little as they want.

Unfortunately, many of these platforms have a dirty secret. Unlike regular employees, people who are employed primarily through gigs don't have the benefits of a traditional job. Because they're self-employed, they don't get paid for overtime, sick pay, holidays or workers compensation and have no collective bargaining power. There's also evidence that they're replacing more stable employment opportunities. In late 2018 Australian licensed taxi drivers started legal action against Uber for loss of driver income and taxi licence devaluation resulting from competition with the platform.

Without the ability to collectively bargain, the labour market is akin to the Wild West. There have been numerous examples of legal action being taken in the field, not least is the challenging issue of defining the nature of gig work—is a 'freelance' delivery driver really an employee or not? Increasingly the answer to this is being seen as 'yes' by trade unions, political parties, courts and other people. In 2018 the New South Wales Labor Party pointed out the need to revisit legislation to protect online platform workers.

Yes, it's great for employers to sell younger generations on the flexibility of these positions. But in exchange for flexibility, they're also losing the power to negotiate for fair working conditions. Let's stop pretending that freelance work platforms such as Uber are good for the economy, and leave the gig economy trend at the curb.

COUNTERPOINT

While the gig economy has its drawbacks, these platforms exist for a reason. Employers and employees alike are fed up with traditional employment. Yes, some people working through freelance apps use it as a primary source of income. But there are just as many who simply want a flexible second job to get a little extra cash. If these positions were like the services they're replacing (such as cab companies), then gig employees would have to agree to specific policies regarding sick days and work a set schedule.

I'm also sceptical of the idea that freelancers are replacing traditional employment. Yes, some city-level data shows that gig-based jobs increased while payroll jobs decreased. But there are also more data from 2010 to 2014 that suggest the contractor and payroll jobs have increased in most sectors that support freelance platforms. For example, while use of freelance platforms such as Airbnb increased over four years, payroll jobs in hospitality also increased. The same is true for the transportation industry over the same time period. If anything, the reason these freelance platforms have been so successful is because these industries are growing. It's not that they're replacing traditional services—they're meeting the demand that traditional services can't fulfil.

The benefits of collective bargaining may also be exaggerated. Collective bargaining actually causes conflict. A 2016 poll indicates that most employees (80%) believe leaders won't protect the interests of the group as a whole. Instead, leaders usually use their power in numbers to protect their own self-interests in negotiations.

Collective bargaining doesn't just hurt businesses—it also hurts the public. For example, the International Civil Aviation Organization wants cameras in commercial airline cockpits to allow authorities and employers to monitor pilots on the job. These videos can help piece together why plane crashes occur. Yet pilots have been using collective bargaining techniques to fight the initiative on the grounds that it violates airline pilots' privacy. They also insist that it could be used to 'lead investigators away from accurate conclusions' regarding employees' performance.

Yes, traditional employment allows employees to bargain for rights as a group. But this also leads to concessions and conflict that don't benefit employees or their employers.

SOURCES: Based on T. Jacks, 'Lawyers say Uber class action may see it pay "hundreds of millions"', *The Age*, 19 October 2018, <https://www.theage.com.au/national/victoria/lawyers-say-uber-class-action-may-see-it-pay-hundreds-of-millions-20181018-p50agz.html>; A. Nunes, 'Unions are hurting public safety', *Forbes*, 10 April 2017; M. Murro, 'The gig economy: complement or cannibal?' *Brookings*, 17 November 2016; and A. Patty, 'New laws needed for "exploited gig economy workers"', *Sydney Morning Herald*, 22 July 2018.

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Questions for review

1. What are the different types of conflict and their loci?
2. What are the steps in the conflict process?
3. What are the differences between distributive and integrative bargaining?
4. What are the main steps in the negotiation process?
5. How do individual differences influence negotiations?
6. What are the roles and functions of third-party negotiations?

Application and employability

Conflict is an inevitable part of every workplace and it is also beneficial in certain contexts. In this chapter, you learned about negotiation and how and when certain negotiation and conflict-resolution strategies may be used. While exploring these topics, you used many skills that can help you be more employable. You learned collaboration while exploring why collectivist teams are not better negotiators, learned how to use concepts from the chapter to move forward in your career and assessed how to be a more empathetic negotiator. You also applied your knowledge of bargaining to the growing gig economy. Next, you'll develop these skills further while also using your critical-thinking skills to take part in a negotiation role-play, resolving a conflict between co-workers and considering the challenges of large-scale negotiations.

Experiential exercise

A NEGOTIATION ROLE-PLAY

This role-play helps you develop your negotiating skills. Working in pairs, one person plays the role of Alex, the department supervisor. The other person plays C.J., Alex's boss. Both participants should read 'The situation', 'The negotiation' and then *their role only*.

The situation

Alex and C.J. work for Nike, the shoe manufacturer. Alex supervises a research laboratory. C.J. is the manager of research and development. Alex and C.J. are former marathon runners who have worked for Nike for more than six years. C.J. has been Alex's boss for two years. One of Alex's employees, Lisa, has greatly impressed Alex. Lisa was hired 11 months ago. She is 24 years old and has a master's degree in mechanical engineering. Her entry-level salary was $47 500 per year. Alex told Lisa that, according to company policy, she would receive her first performance evaluation at six months and a comprehensive review after one year. Based on her performance record, Lisa was told she could expect a salary adjustment at the time of the one-year evaluation.

Alex's evaluation of Lisa after six months was very positive, based on the long hours Lisa was putting in, her cooperative spirit, the fact that others in the lab enjoyed working with her and that she was making a positive impact on her current project. As her first anniversary approaches, Alex has again reviewed Lisa's performance. He thinks that Lisa may be the best new person the R&D group has ever hired. After only a year, Alex has ranked Lisa as the number-three performer in a department of 11.

Salaries in the department vary greatly. Alex, for instance, has a base salary of $76 000, plus eligibility for a bonus that might add another $7000 to $12 000 a year. The salary range of the 11 department members is $38 400 to $66 350. The person with the lowest salary is a recent hire with a bachelor's degree in physics. The two people whom Alex has rated above Lisa earn base salaries of $59 200 and $66 350. They are both 27 years old and have been at Nike for three and four years respectively. The median salary in Alex's department is $54 960.

Alex's role

You want to give Lisa a big pay rise. Although she is young, she has proven to be an excellent addition to the department. You don't want to lose her. More importantly, Lisa knows in general what other people in the department are earning and she thinks she's underpaid. The company typically gives one-year pay rises of 5%, although 10% is not unusual, and 20–30% increases have been approved on occasion. You'd like to get Lisa as large an increase as C.J. will approve.

C.J.'s role

All your supervisors typically try to squeeze you for as much money as they can for their employees. You understand this because you did the same thing when you were a supervisor, but your boss wants to keep a lid on costs. He wants you to keep pay rises for recent hires generally in the 5–8% range. In fact, he has sent a memo to all managers and supervisors saying this. He also said that managers will be evaluated on their ability to maintain budgetary control. However, your boss is also concerned with equity and paying people what they're worth. You feel assured that he will support any salary recommendation you make, as long as it's justified. Your goal, consistent with cost reduction, is to keep salary increases as low as possible.

The negotiation

Alex has a meeting scheduled with C.J. to discuss Lisa's performance review and salary adjustment. Take a little time to think through the facts and to prepare a strategy. Then you have up to 15 minutes to conduct your negotiation. When your negotiation is complete, the class should compare the various strategies used, and pair outcomes.

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Case study 1

DISORDERLY CONDUCT

The sound of Matt and Peter's arguing is familiar to everyone in the office by now.

In an effort to make the best use of space and ensure a free flow of discussion and ideas, the founder of the design studio had converted the company's one-floor office to an open plan with no walls between workers. The goal of this layout was to eliminate boundaries and enhance creativity. But for Matt and Peter, the new arrangement created a growing tension.

The argument boils down to the question of workspace order and organisation. Peter prefers to keep his desk completely clean and clear, and he keeps a stack of cleaning wipes in a drawer to eliminate any dust or dirt. Matt, on the other hand, likes to keep all his work visible on his desk so sketches, plans, magazines or photos are scattered everywhere alongside boxes of crackers and coffee cups. Peter finds it hard to concentrate when he sees Matt's piles of materials everywhere, while Matt feels he can be more creative and free flowing when he's not forced to clean and organise constantly. Many of Matt and Peter's co-workers wish they'd just let the issue drop. The men enjoyed a good working relationship in the past, with Peter's attention to detail and thorough planning serving to rein in some of Matt's wild inspirations, but lately the tension has derailed this collaboration.

Everyone knows it's not productive to engage in conflicts over every small irritant in the workplace. However, completely avoiding conflict can be equally negative. An emerging body of research examines so-called conflict cultures in organisations. The findings suggests that cultures that actively avoid and suppress conflicts can encourage lower levels of creativity. Cultures that push conflict underground but don't succeed in reducing the underlying tensions can become passive-aggressive, marked by underhand behaviour against other co-workers.

Finding a way through the clutter dispute is likely to be an ongoing process to find a balance between perspectives. Both Matt and Peter worry that if they can't find a solution, their usually positive work relationship will be too contentious to bear. And that would be a real mess.

Questions

1. Describe some of the factors that led this situation to become an open conflict.
2. If you were one of Matt and Peter's co-workers, how could you help them address this situation?
3. How can Matt and Peter develop an active problem-solving discussion to resolve this conflict? What could effectively be changed, and what is probably going to remain a problem?

SOURCES: Based on S. Shellenbarger, 'Clashing over office clutter', *Wall Street Journal*, 19 March 2014; S. Shellenbarger, 'To fight or not to fight? When to pick workplace battles', *Wall Street Journal*, 17 December 2014; and M. J. Gelfand, J. R. Harrington and L. M. Leslie, 'Conflict cultures: a new frontier for conflict management research and practice', in N. M. Ashkanasy, O. B. Ayoko and K. A. Jehn (eds), *Handbook of Conflict Management Research*, Northampton, MA: Edward Elgar, 2014, pp. 109–35.

Case study 2

TREATY OR CONSULTATION AS CONFLICT RESOLUTION

Not all negotiations result in a clear outcome—indeed one party can often unilaterally call a halt, as happened in South Australia in mid 2018.

Australia has long experienced strained relations and conflicts between different levels of government and the Indigenous Aboriginal population. Other 'Anglo' countries in the Commonwealth have agreed treaties between Indigenous and migrant majority populations. So, New Zealand's Treaty of Waitangi, signed in 1840 is seen as its founding document, rather than a constitution. Also, since 1701 British and Canadian governments have negotiated many treaties with Canada's Aboriginal people, dealing with issues such as maintaining the peace, land and resource rights, trade and self-government.

In December 2016, the South Australian Government announced they were entering negotiations with Aboriginal Nations, working towards a formal treaty in order 'to help address past injustices'. They were not the first to do so (Victoria and Northern Territory governments preceded them), but the South Australian example did demonstrate some of the challenges of this sort of negotiation.

The aim and approach of these negotiations has been open-ended. It's not about addressing a single, easy-to-define conflict. Rather, both sides wanted to address a background of complex conflicts. Broadly speaking, the possible outcomes included practical (enabling reconciliation and greater autonomy for the Indigenous population) and restitutional (recognising past injustices and framing apologies for these) consequences.

Key individuals argued that talks should be open and constructive, to share ideas and information. Tauto Sansbury, an Aboriginal Elder, explained that the eventual treaty 'shouldn't be about winning or who's going to lose or who's going to miss out'. He argued that this was essential if the treaty was to 'make Australia more inclusive, both for Aboriginal and non-Aboriginal people'.

In April 2018, almost two years into the process, the South Australian government placed a hold on the negotiations to review progress. This was followed in June 2018 by an

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announcement that they would be cancelled. The new state premier, Steven Marshall—elected a few months earlier—explained that his government preferred a more consultative approach to its Aboriginal affairs policy, being 'committed to continuing our discussions with Aboriginal communities'.

So, we could interpret this as a failure of negotiation, because one party withdrew. Alternatively, we might see this as a different type of strategy (consultation) replacing negotiation. Whatever is the case, this shows the difficulty of longer term negotiations when, as in a democracy, key parties can periodically be replaced with very different ones—what one government thought appropriate another disagreed with.

Questions

1. How far do you think a written treaty can 'solve' conflicts between different groups in human society?
2. The original South Australian treaty negotiations clearly sought to engage in integrative bargaining, but without a clear schedule. How far do you think introducing time constraints would have helped or hindered this sort of negotiation?
3. What do you think are the relative strengths and weaknesses of long-term negotiations and consultative process in addressing conflicts?

SOURCES: ABC News, 'Treaty: South Australian Government enters historic discussions with Aboriginal nations', 14 December 2016; U. Patel, 'Indigenous treaty: What impact would a legally binding agreement have?' ABC News, 8 September 2016; ABC News, 'SA Government decides not to go ahead with Aboriginal treaties', 8 June 2018; Victoria Government, Aboriginal Victoria Treaty, n.d., <https://www.vic.gov.au/aboriginalvictoria/treaty/what-is-a-treaty.html>; and C. Wahlquist, 'Victoria passes historic law to create Indigenous treaty framework', *The Guardian*, 21 June 2018.

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PART 4

The organisation system

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CHAPTER

14 Foundations of organisational structure

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

14.1 Identify different elements of an organisation's structure.

14.2 Identify the characteristics of the simple structure, the bureaucracy and the matrix structure.

14.3 Identify the characteristics of the virtual structure, the team structure and the circular structure.

14.4 Analyse the effects of downsizing on organisational structures and employees.

14.5 Contrast the reasons that organisational structures differ.

14.6 Analyse the behavioural implications of different organisational designs.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓	✓	✓	✓	✓	✓	✓
Communication					✓		✓
Collaboration	✓		✓	✓	✓	✓	
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility			✓			✓	

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Heard but not seen—the evolving virtual assistant



SOURCE: Gifford Sun/Hill Street Studios/Blend Images/Corbis.

If you want an example of how rapid developments in Information and Communication Technology (ITC) have influenced our organisational lives, you don't have to look much further than the idea of the role of the virtual assistant in organisational structures. We tend to define them as individuals who offer employers a flexible option, carrying out the role of office assistant remotely (in other words, not physically present in the workplace). Indeed, connected by ITC to their office, such virtual assistants may never meet their managers or colleagues face to face.

This offers employers various advantages, including cost savings (virtual assistants don't need office space) and flexibility, allowing organisations to recruit from otherwise less accessible labour markets, such as individuals who live in remote areas, or even internationally, or have family commitments. This sort of work also appeals to many workers. For example, Ingrid is a virtual executive assistant who can work from home for multiple clients. Her relationship with her clients is 'linear and collaborative, unlike the top down hierarchy of the traditional office'. This strategy seems to work well for individuals like Ingrid who can work flexibly and for multiple clients, while those clients themselves can benefit from highly skilled and flexible workers with few of the costs associated with employing permanent, on-site employees. It's not surprising that Australia, a large country with a relatively small population took to virtual workers; by 2014 it was estimated that Australia led the world in online freelance workers.

However, virtual assistants do need careful managing. Like all workers, they need feedback, acknowledgement, recognition and extrinsic rewards. Like any employee, virtual assistants need to be engaged, to have challenging assignments and to be treated with respect. There's also a danger that virtual assistants may become socially isolated, working away from other colleagues. This is something that the Australian Virtual Assistants Association has sought to address with online support and an annual conference for such workers, offering the opportunity to meet and share experiences with similar workers across the country.

More recently, the term 'virtual assistant' has taken on an additional meaning with significance far beyond the office. Rather than simply suggesting that your next co-worker could be a virtual assistant working in India, the Philippines, China, Poland, Singapore, Manila or even in your own suburb, we might now wonder whether our next colleague will be human at all. Most of us are already familiar with Alexa, Siri, Bixby, Cortana and other virtual personalities who 'help' us in our everyday lives. It is a sign of the speed of technological change that a casual online search of the term 'virtual assistant' will now return as many examples of Artificial Intelligence (AI)-based virtual assistants as human ones. AI has not yet fully replaced human beings in such roles, but it has clearly had an impact on various fields already, some of which we are becoming familiar and comfortable with, such as automated telephone systems or providing the main customer and/or employee interface with all manner of digital services.

A recent article pointed out that AI virtual assistants are becoming much more adept at communicating with people, helping with mundane tasks in retail and managing sensitive

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financial and medical records. The article's authors recognise that there are various challenges to developing AI that can fulfil the same tasks as human virtual assistants, not least of which is the need to maintain user privacy. However, they show how these are being addressed and are confident that we will see major growth in the coming years. It will certainly be interesting to see how our view of virtual assistants develops in the near future.

SOURCES: L. Moore, 'No place like home for happy admin workers', *The Age*, 7 July 2016; Australian Virtual Assistants Association, <https://avaa.asn.au/>; G. Campagna, R. Ramesh, S. Xu, M. Fisher and M. S. Lam, 'Almond: The Architecture of an Open, Crowdsourced, Privacy-Preserving, Programmable Virtual Assistant', presented at the International World Wide Web Conference, 3–7 April 2017, Perth, Australia.

STRUCTURAL DECISIONS ARE ARGUABLY the most fundamental ones that a leader must make towards sustaining organisational growth.[1] The organisation's structure influences what relationships form, the formality of those relationships and many work outcomes. The structure may also change as organisations grow and shrink, as management trends dictate and as research uncovers alternative ways of maximising productivity. Even for a start-up with only a few employees, choosing an organisational structure requires far more than simply deciding who's the boss and how many employees are needed. In this chapter, we'll explore how structure affects employee behaviour and the organisation as a whole.

14.1 Identify different elements of an organisation's structure.

What is organisational structure?

An organisational structure defines how job tasks are formally divided, grouped and coordinated.[2] Managers need to address various key elements when they design their organisation's formal structure: work specialisation, departmentalisation, chain of command, span of control, centralisation and decentralisation, formalisation and boundary spanning.[3] Exhibit 14.1 presents each of these elements as answers to an important structural question, and the following sections describe them.

organisational structure The way in which job tasks are divided, grouped and coordinated.

chain of command The unbroken line of authority that extends from the top of the organisation to the lowest echelon and that clarifies who reports to whom.

EXHIBIT 14.1 Key design questions and answers for designing the proper organisational structure

The key question	The answer is provided by
1. How will activities be subdivided into separate jobs?	Work specialisation
2. On what basis will jobs be grouped together?	Departmentalisation
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where will decision-making authority lie?	Centralisation and decentralisation
6. How far will formal rules direct employees and managers?	Formalisation
7. How much will individuals from different areas need to interact?	Boundary spanning

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Work specialisation

Early in the 20th century, Henry Ford became rich by building cars on an assembly line. Every Ford worker was assigned a specific, repetitive task, such as putting on the right front wheel or installing the right front door. By breaking jobs into small, standardised tasks that could be performed over and over, Ford was able to produce a car in two-and-a-half hours, using employees who had relatively limited skills, but were able to specialise. Ford demonstrated that work can be performed more efficiently if it is specialised and the practice still has applications in many industries. For example, could you build a car by yourself? Not many of us could. Equally important, it's often easier and less costly to find and train workers to do simple tasks.

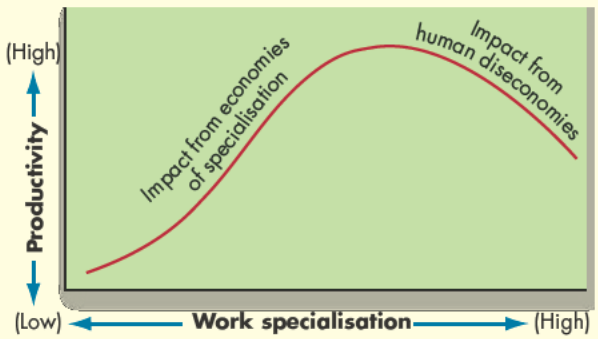
The idea of work specialisation, or division of labour, is not new, dating back more than 200 years to Adam Smith's influential work.[4] Work specialisation requires a task to be broken down to a number of steps, each completed by one individual. In essence, everyone specialises in one part of a task, rather than the whole. It seeks to efficiently use employee skills and improve those skills through repetition. Less time is spent putting away tools and equipment from one step and getting ready for another.

work specialisation The degree to which tasks in an organisation are subdivided into separate jobs.

For the first half of the 20th century, managers viewed work specialisation as a 'sure thing' for improving productivity. So, by the late 1940s most manufacturing jobs in industrialised countries featured work specialisation. However, by the 1960s people started to question whether specialisation is always a good thing. Human diseconomies began to emerge as boredom, fatigue, stress, low productivity, poor quality, increased absenteeism and high turnover, which often offset its economic advantages (see Exhibit 14.2).[5] Increasingly, productivity gains were driven by enlarging, rather than narrowing, the scope of job activities. Giving employees a variety of activities, allowing them to do a whole and complete job and putting them into interdependent teams (see Chapter 9) often achieves significantly higher output, with increased employee satisfaction.[6]

Most managers today recognise the value of some specialisation and the problems when it is carried too far. Specialisation enables McDonald's to make and sell hamburgers and chips efficiently and hospitals to provide effective healthcare. Wherever job roles can be divided into specific tasks or projects, specialisation is possible. So, it still offers advantages outside manufacturing, particularly where job sharing and part-time work are prevalent.[7] Amazon's Mechanical Turk program, Topcoder and others like them introduced a new trend in micro-specialisation, in which extremely small pieces of programming, data processing or evaluation tasks are delegated to a global network of individuals by program managers who then assemble the results.[8] This opens the way for employers to use online platforms to assign multiple workers to tasks in broader functional roles such as marketing and accounting. Automation and the use

EXHIBIT 14.2 Economies and diseconomies of work specialisation



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of computers and information systems within organisations are creating a new form of work specialisation in which computers take on specialised work.[9]

So, whereas specialisation previously focused on dividing manufacturing tasks into specific duties within one workplace, now specialisation breaks complex tasks into specific elements by technology, expertise and region. The core principle, however, is the same.

Departmentalisation

Once you have divided jobs through work specialisation, you need to group them so that common tasks can be coordinated. The basis by which jobs are grouped is called departmentalisation.[10]

departmentalisation The basis by which jobs in an organisation are grouped together.

One of the most popular ways to group activities is by function performed. A manufacturing manager might organise a plant by separating engineering, accounting, manufacturing, human resources and supply specialists into departments. A hospital might have departments for research, patient care, accounting and so on. The Australian cricket team might have departments for specific activities such as staffing (including players), coaching, ticket sales, marketing and travel. The main advantage of this approach is the efficiencies obtained from putting similar specialists together.

Tasks can also be departmentalised by the type of product or service the organisation produces. For example, large accounting firms' departments often focus on their main product/service areas (such as taxation, auditing and consulting services) and each department can then be headed by a partner who specialises in that particular product/service line. You may think of Woolworths as one of Australia's biggest grocery chains. But Woolworths is also a significant player in the liquor industry. Woolworths' organisational structure offers liquor sales through four separate brands: Woolworths Liquor and Safeway Liquor are departments within Woolworths supermarkets, while BWS and Dan Murphy's are free-standing stores. In relation to the total diverse Woolworths operation, these departments and stores represent substructures based on product differentiation.

When a firm is departmentalised geographically, or by territory, each function (e.g. sales) may have state regions (e.g. Victoria or Queensland), national ones or even supranational ones (e.g. South East Asia or Western Europe). This form is valuable when an organisation's customers are spread over a large area and have similar needs within each location. Toyota moved towards geographic structure 'so that they may develop and deliver ever better products,' said CEO Akio Toyoda.[11]

Process departmentalisation is about 'processing' customers as well as products. In the past, when you went to a state motor transport office to get a driver's licence, you would have passed through several departments before receiving your licence. Applicants went through three steps, each handled by a separate department: validation by the motor vehicles division, processing by the licensing department and payment collection by the finance department. Today, ITC allows applicants to experience a one-stop-shop—a service counter where all these processes take place. In addition, healthcare still uses process departmentalisation, although we often think of this as wholly functional. Hospital patients are effectively processed though different services, in different places, provided by different individuals there (e.g. experiencing admission and payment at reception, accommodation in wards, operations in surgery, followed by close monitoring in a recovery room).

Clearly, organisations can rethink their approach to departmentalisation. For example, Microsoft used customer departmentalisation for years, organising around its customer bases—consumers, large corporations, software developers and small businesses—before restructuring to functional departmentalisation to further encourage innovation. The new departments grouped jobs by traditional functions, including engineering, marketing, business development, strategy and research, finance, HR and legal.[12]

Chain of command

chain of command The unbroken line of authority that extends from the top of the organisation to the lowest echelon, clarifying who reports to whom.

While the chain of command was once a basic cornerstone of organisational structure, it often has less emphasis today. But contemporary managers should still consider its implications, particularly in industries that deal with potential life-or-death situations calling for quick and difficult decisions. The chain of command is an unbroken line of authority that extends from

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the top of the organisation to the lowest echelon, clarifying who reports to whom. It answers questions such as: 'To whom do I go if I have a problem?' and 'To whom am I responsible?'

The chain of command can't be discussed without also discussing authority and unity of command. Authority refers to the perceived right to give orders and expect them to be obeyed, often associated with a managerial position—a type of legitimate power (see Chapter 12). To facilitate coordination, line managers occupy a position in the chain of command, and each position provides its incumbent with a degree of authority. The unity-of-command principle reinforces the need for an unbroken line of authority, arguing that each employee should report to, and be responsible to, only one boss. Without this unity of command, employees might face conflicting demands or priorities from several superiors.

authority The perceived right to give orders and expect them to be obeyed, often associated with a managerial position.

unity of command The idea that subordinates should have only one superior to whom they are directly responsible.

Times change and so do theories of organisational design. A low-level employee today can access information in seconds that was available only to top managers a generation ago. Employees are empowered to make decisions previously reserved for management. Add the popularity of self-managed and cross-functional teams and the creation of new structures that include multiple bosses and you can see why authority and unity of command seem less relevant. Many organisations still find the chain of command to be a valuable principle, but this is less common today. One survey of more than 1000 managers found that 59% agreed that 'There is an imaginary line in my company's organisational chart. Strategy is created by people above this line, while strategy is executed by people below the line'.[13] However, the same survey also found that buy-in to the organisation's strategy by lower-level employees was inhibited by too much reliance on hierarchy for decision making. It's worth bearing in mind that managerial authority has rarely been absolute—organisational conflicts and industrial disputes represent challenges to the legitimacy of managerial authority.

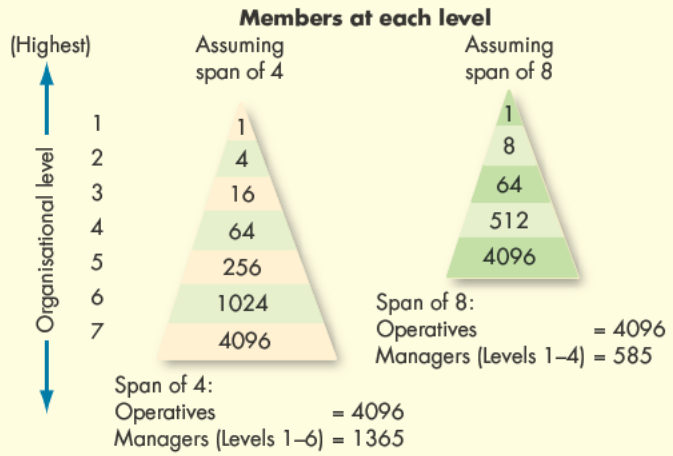
Span of control

How many employees can a manager efficiently and effectively direct? This question of span of control is important because it largely determines the number of levels and managers an organisation has. All things being equal, which they rarely are, the wider or larger the span, the more efficient the organisation.

span of control The number of subordinates a manager can efficiently and effectively direct.

Assume that two organisations each have about 4100 operative-level employees. One has a uniform span of four and the other a span of eight. As Exhibit 14.3 illustrates, the wider span will have two fewer levels and approximately 800 fewer managers. If the average manager makes $100 000 a year, the wider span will save $80 million per year in management salaries.

EXHIBIT 14.3 Contrasting spans of control



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So, wider spans seem more efficient in terms of cost. However, if this results in supervisors having insufficient time to provide the necessary leadership and support, it reduces effectiveness and employee performance suffers.[14]

Narrow spans do have their advocates. By keeping the span of control to five or six employees, a manager can maintain close control.[15] But narrow spans have three major drawbacks.[16] First, they are expensive because they add levels of management. Second, they make vertical communication in the organisation more complex. The added levels of hierarchy slow down decision making and tend to isolate upper management. Third, narrow spans encourage overly tight supervision and discourage employee autonomy.

The trend in recent years has been towards wider spans of control.[17] They're consistent with organisations' efforts to reduce costs, cut overheads, speed decision making, increase flexibility, get closer to customers and empower employees. However, to ensure that performance doesn't suffer because of these wider spans, organisations need to invest heavily in employee training. Managers recognise that they can handle a wider span when employees know their jobs inside out or can turn to colleagues when they have questions.

Centralisation and decentralisation

centralisation The degree to which decision making is concentrated at a single point in the organisation.

Centralisation refers to the degree to which decision making is concentrated at a single point in the organisation. In centralised organisations, top managers make all the decisions and lower-level managers merely carry out their directives. In organisations at the other extreme, decentralised decision making is pushed down to the managers closest to the action or even to work groups.

Centralised organisations rely on the authority associated with position in the hierarchy. Decentralised organisations can act more quickly to solve problems; more people provide input into decisions; and employees are less likely to feel alienated from those who make decisions that affect their work lives. The effects of centralisation and decentralisation can be predicted to some extent; centralised organisations may be better at avoiding commission errors (bad choices), while decentralised organisations are better for avoiding omission errors (lost opportunities).[18]

Management efforts to make organisations more flexible and responsive have produced a trend towards decentralised decision making by lower level managers, who are closer to the action and typically have more detailed knowledge about problems than do top managers. Myer, the large Australian department store chain, has given its store managers some discretion in choosing what merchandise to stock. This helps stores to compete with local merchants and respond to regional consumer demands. Research investigating Finnish organisations demonstrates that companies with decentralised research and development offices in multiple locations were more innovative than those that centralised research and development into a single office.[19] However, decentralisation is not universally successful: one study of nearly 3000 US Air Force officers suggested that decentralisation in organisations with multi-team systems can have problems such as excessive risk seeking and coordination failures.[20]

Decentralisation is often necessary for companies with offshore sites because localised decision making is needed to respond to regional opportunities, client base and regulation, while some centralised oversight is needed to hold regional managers accountable. Failure to balance these priorities can harm not only the company, but also its relationships with foreign governments, such as in the ground-breaking 2013 case brought by Argentina's government against Britain's Hong Kong and Shanghai Banking Corporation (HSBC) for wrongdoing, notably tax evasion, at its Argentina subsidiary. This case led to other cases in different countries, potentially costing HSBC more than US$1.5 billion.[21] Perhaps this is a situation that tighter corporate oversight might have made less likely.

Formalisation

formalisation The degree to which jobs within an organisation are standardised.

Formalisation refers to the degree to which jobs within the organisation are standardised. The more a job is formalised, the less discretion an employee has over what to do and how to do it. Employees are expected to handle formalised jobs in the same way at all times, resulting in consistent and uniform outputs. This requires explicit job descriptions, explicit organisational rules and clearly defined procedures and processes. Formalisation discourages employees from considering and engaging in alternative behaviours. Conversely, where formalisation is low, employees' job behaviours are less rigidly directed by management.

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The degree of formalisation varies widely between and within organisations. Research in high-technology Chinese firms shows that formalisation reduces team flexibility in decentralised organisation structures, suggesting that formalisation doesn't work as well where duties are inherently interactive or if there is a need for flexibility and innovation.[22] Publishing representatives who call on university lecturers to inform them of their company's new publications have a great deal of freedom in their jobs. They have a general sales pitch, which they tailor as needed, and rules and procedures governing their behaviour may be limited to a requirement to submit weekly sales reports and suggestions on what to emphasise in forthcoming titles. At the other extreme, administrative and editorial employees in the same publishing houses may need to be at their desks by 8 am and follow a set of precise procedures dictated by management.

Boundary spanning

We've described how organisations create well-defined task structures and chains of authority. These systems facilitate control and coordination for specific tasks, but if there's too much division within an organisation, attempts to coordinate across groups can be disastrous. One way to overcome this sense of compartmentalisation and retain the benefits of structure is to encourage or create boundary spanning roles. Boundary spanning occurs when individuals form relationships with people outside their formally assigned groups.[23] An HR executive who frequently engages with the IT group is engaged in boundary spanning, as is a member of an R&D team who implements ideas from a production team. These activities help prevent formal structures from becoming too rigid and, not surprisingly, enhance organisation and team creativity, decision making, knowledge sharing and performance.[24]

boundary spanning
Individuals forming relationships outside their formally assigned groups.

Boundary-spanning activities occur not only within but also between organisations. Positive results are especially strong in organisations that encourage extensive internal communication; in other words, external boundary spanning is most effective when it is followed up with internal boundary spanning.[25] Similarly, research on 225 manufacturer–distributor dyads in China suggests that ties between salespersons and buyers across organisations often develop better working relationships than those between inter-organisational executives.[26]

Organisations can use formal mechanisms to facilitate boundary-spanning activities. One method is to assign formal liaison roles or develop committees of individuals from different areas of the organisation.[27] Employees with experience in multiple functions, such as accounting and marketing, are also more likely to engage in boundary spanning.[28] Many organisations try to set the stage for these sorts of positive relationships by creating job rotation programs so new hires get a better sense of different areas of the organisation. Another way to encourage boundary spanning is to draw attention to overall organisational goals, such as efficiency and innovation, and shared identity concepts.[29]

So far in this chapter we've considered various aspects of organisational structure. You probably have personal experience of at least some of the methods that leaders have used in your school or workplace to modify elements of such structures. The organisational framework, which is often depicted by drawing an organisational chart, can help you clarify these leaders' decisions. We'll discuss these next.



BMW encourages all employees, including this production worker at its plant in Jakarta, Indonesia, to build relationships throughout the global company. Boundary spanning at BMW links R&D, design, production and marketing individuals to speed problem solving and innovation and to adapt to market fluctuations.
SOURCE: Dadang Tri/Bloomberg/Getty Images.

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14.2 Identify the characteristics of the simple structure, the bureaucracy and the matrix structure.

Common organisational designs

We now turn to three of the more common organisational designs: the simple structure, the bureaucracy and the matrix structure.

Simple structure

simple structure A structure characterised by a low degree of departmentalisation, wide spans of control, authority centralised in a single person or group, and little formalisation.

What do a small retail store, an electronics company run by a hard-driving entrepreneur and an airline's 'war room' in the midst of a pilots' strike have in common? They probably all use the simple structure. We can think of the simple structure in terms of what it is *not* rather than what it is. The simple structure is not elaborate.[30] It has a low degree of departmentalisation; wide spans of control, authority and decision making are centralised in a single person or small group; and little formalisation. It's a 'flat' organisation, usually with only two or three vertical levels and a loose body of employees.

Most companies start as a simple structure and many innovative technology-based firms with short expected lifespans, such as mobile phone app development firms, remain compact by design.[31] Exhibit 14.4 is an organisation chart for a retail men's store owned and managed by Jack. Jack employs five full-time salespeople, a cashier and extra personnel for weekends and holidays, but he runs the show. Although this type of organisation is typical for small businesses, in times of crisis, larger companies often simplify their structures (although not to this degree) as a means of focusing their resources.

The strength of the simple structure lies in its simplicity. It's fast, flexible, inexpensive to operate and accountability is clear. However, simple structures are often limited by size, becoming increasingly inadequate as an organisation grows. The low formalisation and high centralisation of simple structures tend to create information overload at the top. Decision making typically becomes slower as one person continues doing it all. This proves the undoing of many small businesses. If the structure isn't developed to address this, the organisation can lose momentum and eventually fail.[32] Depending on one person is also rather risky—one illness can literally destroy the organisation's information and decision-making centre.

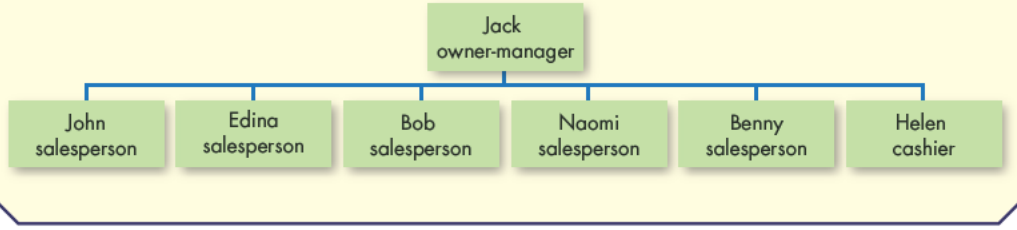
Bureaucracy

bureaucracy A structure applying routine operating tasks achieved through specialisation, formalised rules and regulations, tasks grouped into functional departments, centralised authority, narrow spans of control and decision making that follows a chain of command.

Standardisation! That's the key concept that underlies all bureaucracies. Consider the bank where you have an account, the department store where you buy clothes or the government offices that collect your taxes, enforce health regulations or provide local fire protection. They all rely on standardised work processes for coordination and control. The bureaucracy is characterised by routine operating tasks achieved through specialisation, formalised rules and regulations, tasks grouped into functional departments, centralised authority, narrow spans of control and decision making that follows along a chain of command.[33]

Bureaucracy is a dirty word in many people's minds. However, it does have advantages. Its primary strength is an ability to perform standardised activities efficiently. Grouping similar

EXHIBIT 14.4 A simple structure



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Ethical choice



Ethical concerns of deskless workplaces

In the past, fresh business school graduates couldn't wait for their first cubicle to call home, mid-level managers aspired to their own office and executives coveted the corner office on the top floor. These days, the walls are coming down. At online retailer Zappos, not even the CEO wants an office, and all 1300 employees mingle in large open spaces. Other firms, such as Google, have followed the trend, giving rise to new workplace designs with public rooms with lounge areas and large, multi-person tables.

According to Edward Danyo, manager of workplace strategy at pharmaceuticals firm GlaxoSmithKline, shared environments create great work gains, including what he estimates is a 45% increase in the speed of decision making. But there are ethical concerns for the dismantling of the physical and mental organisational structure:

- *Where will confidential discussions take place?* In some contemporary workplace designs, ad hoc conference rooms address the need for separate gatherings. This may not be optimal if the walls are made of glass, if employees will feel stigmatised when called into a meeting room, or if they become reluctant to approach human resources staff with issues because of privacy concerns.
- *How can differences in personality traits be overcome?* Employees high in extraversion will be more comfortable building collaborative relationships without assigned workspaces, while introverted individuals may be uncomfortable without an established office structure where they can get to know others over time.
- *How can personal privacy be maintained?* Zappos gives employees personal lockers, asks employees to angle laptop screens away from neighbours and tries to make open spaces more private by encouraging ear buds to create a sound barrier between working employees.
- *How can you assure your clients about confidentiality?* Even walled, soundproof rooms for virtual or live meetings may not provide the desired level of security for clients who need to know their business will stay on a need-to-know basis.
- *How will expectations and accountabilities be enforced?* In an environment without offices and sometimes without job titles, there's an even greater need for clearly assigned goals, roles and expectations. Otherwise, open collaborative structures may foster diffusion of responsibility and confusion.

SOURCES: S. Henn, '"Serendipitous interaction" key to tech firms' workplace design', *NPR*, 13 March 2013; H. El Nasser, 'What office? Laptops are workspace', *USA Today*, 6 June 2012, pp. 1B–2B; R. W. Huppke, 'Thinking outside the cubicle', *Chicago Tribune*, 29 October 2012, pp. 2–1, 2–3; 'Inside the new deskless office', *Forbes*, 16 July 2012, p. 34; and E. Maltby, 'My space is our space', *The Wall Street Journal*, 21 May 2012, p. R9.

specialties in functional departments contributes to economies of scale, minimum duplication of personnel and equipment, and a language all employees share. Bureaucracies can get by with less talented—and, hence, less costly—middle- and lower-level managers because rules and regulations substitute for managerial discretion. Standardised and formalised operations allow for centralised decision making, requiring fewer innovative and experienced decision makers below the level of senior executives.

Here's a conversation between four executives in one company: 'You know, nothing happens in this place until we *produce* something,' said the production executive. 'Wrong,' commented the research and development manager. 'Nothing happens until we *design* something!' 'What are you talking about?' asked the marketing executive. 'Nothing happens here until we *sell* something!' The exasperated accounting manager responded, 'It doesn't matter what you produce, design or sell. No one knows what happens until we *tally up the results*.' This shows how specialisation can feed subunit conflicts if functional-unit goals obscure the overall goals of the organisation.

Another major weakness of a bureaucracy is something we've all witnessed: obsessive concern with following the rules. When cases don't precisely fit the rules, there's little room for modification. The bureaucracy is efficient only as long as employees confront familiar problems with programmed decision rules.

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Functional structure

functional structure An organisational structure that groups employees by their similar specialties, roles or tasks.

A functional structure groups employees by their similar specialties, roles or tasks.[34] An organisation arranged into production, marketing, HR and accounting departments is an example. Many large organisations apply this structure, although this is evolving to allow for quick changes in response to business opportunities. One advantage of the functional structure is that specialists may be able to become experts more easily than if they worked in diversified units. Employees can also be motivated by a clear career path to the top of the organisation chart specific to their specialties.

The functional structure works well if the organisation is focused on one product or service. Unfortunately, it encourages rigid and formal communications because hierarchy dictates communication protocols. Coordination among many units is problematic and conflict in and between units can adversely affect motivation.

Divisional structure

divisional structure An organisational structure that groups employees into units by product, service, customer or geographical market area.

A divisional structure groups employees into units by product, service, customer or geographical market area.[35] It is highly departmentalised. Sometimes this structure is known by the type of division structure it uses: product/service organisational structure (e.g. cat food, dog food and bird food divisions within an animal food producer), customer organisational structure (e.g. outpatient care, inpatient care and pharmacy divisions within a hospital) or geographic organisational structure (e.g. Europe, Asia and Africa divisions reporting to corporate headquarters).

Divisional structures have the opposite benefits and disadvantages of functional structures. They facilitate coordination in units to achieve their goals while addressing the specific concerns of each unit and providing clear responsibility for all activities related to a product. There is some function and cost duplication. Sometimes this is helpful. If a company has divisions in very different markets, such as Spain and China, and a new product is introduced, marketing staff in both places can allow for cultural variations and devise regional marketing campaigns. However, employing marketing employees in two places will represent an increased cost because they are doing the same task in two different countries. Organisations can shift from a divisional to a functional structure, and vice versa. However, those who shift from functional to divisional structures tend to perform the best.[36]

Matrix structure

matrix structure A structure based on dual lines of authority, combining functional and product departmentalisation.

The matrix structure combines functional and product elements in a grid-like structure where employees report to function and product managers. We could find it in advertising agencies, aerospace firms, research and development laboratories, construction companies, hospitals, government agencies, universities, management consulting companies and entertainment companies.[37]

The most obvious characteristic of matrix structures is that they break the unity-of-command concept. Employees in the matrix have two bosses: functional and product managers. Exhibit 14.5 shows the matrix form in a business school. The academic departments, such as accounting, management and marketing are functionally oriented. These are overlaid with specific programs (which are a little like products). So, a professor of accounting teaching an undergraduate course may report to both the director of undergraduate programs and the head of the accounting department. This can be further complicated if the professor also contributes to a major research project that is led by another, more senior, colleague—giving our professor of accounting a third boss to report to. However, universities, like other organisations, often recognise the challenges of operating within dual lines of authority and they're likely to still specify a single line manager for each employee to report to, at least officially. So, although dual, or even more, lines of authority will exist, there's still some unity of reporting, helping to moderate possible conflicting demands of different bosses.

The strength of a matrix is its ability to facilitate coordination when an organisation has a number of complex and interdependent activities. Direct and frequent contacts between different specialties in the matrix can let information permeate the organisation, quickly reaching those who need it. Dual lines of authority reduce 'bureaupathologies', reducing people's tendency to

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EXHIBIT 14.5 Matrix structure for a business school

Programs / Academic departments	Undergraduate	Masters	Ph.D.	Research	Executive development	Community service
Accounting						
Finance						
Human resources management						
Management						
Marketing						

protect their own little worlds at the expense of organisational goals.[38] A matrix also achieves economics of scale and facilitates the allocation of specialists by providing the best resources and ensuring they're used efficiently.

The major disadvantages of the matrix lie in the confusion it can create, its propensity to foster power struggles and the stress it places on individuals.[39] Individuals who desire security and absence from ambiguity find this work climate stressful. Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity. Without unity of command, ambiguity about who reports to whom is increased, often leading to conflict and power struggles between functional and product managers.

Alternate design options

14.3 Identify the characteristics of the virtual structure, the team structure and the circular structure.

In the trend towards flatter structures, many organisations have developed new options with fewer layers of hierarchy and more emphasis on opening the boundaries of the organisation.[40] In this section, we describe three such designs: virtual structure, team structure and circular structure.

Virtual structure

Why own when you can rent? That question captures the essence of the virtual organisation (also sometimes called the network, or modular, organisation), typically a small, core organisation that outsources major business functions.[41] Virtual organisations tend to be highly centralised, with little or no departmentalisation.

virtual organisation A small, core organisation that outsources major business functions.

The prototype of the virtual structure is today's movie-making organisation. In Hollywood's golden era, movies were made by huge, vertically integrated corporations. Studios such as MGM, Warner Brothers and 20th Century Fox owned large movie lots and employed thousands of full-time specialists: set designers, camera people, film editors, directors and actors. Today, most movies are made by individuals and small companies who come together and make films project by project.[42] This structural form allows each project to be staffed with the talent best suited to its demands, rather than just by people employed by a studio. It minimises bureaucratic overheads because there's no lasting organisation to maintain and it reduces long-term risks and costs because there's no long term; a team is assembled for a limited period and then disbanded.

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Another example is Philip Rosedale's virtual company, LoveMachine, which lets employees send brief electronic messages to one another to acknowledge a job well done and can then be used to facilitate company bonuses. The company has no full-time software development staff—instead, LoveMachine outsources assignments to freelancers who submit bids for projects such as debugging software or designing new features. Programmers come from around the world, including Russia, India, Australia and the United States.[43]

Exhibit 14.6 shows a virtual organisation that outsources all its primary business functions. The organisation's core is a small group of executives who directly oversee any activities done in-house and coordinate relationships with the other organisations that perform the manufacturing, distribution and other crucial functions for the virtual organisation. The dotted lines represent the relationships typically maintained under contracts. Managers in virtual structures spend most of their time coordinating and controlling external relations, typically by way of computer-network links.

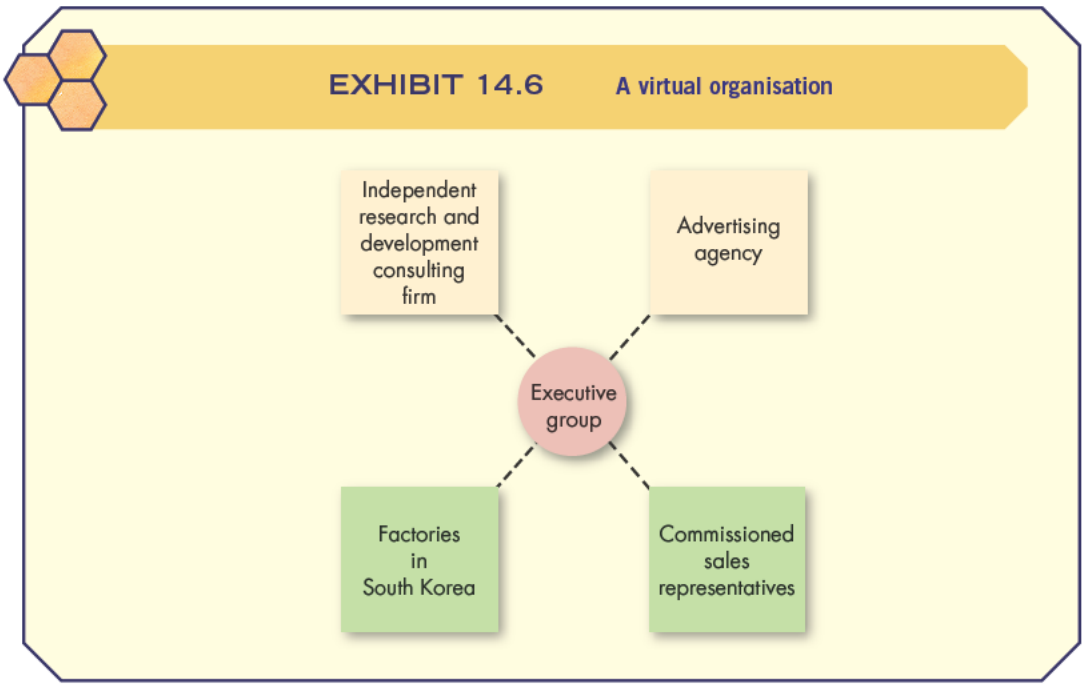
The major advantage of the virtual organisation is its flexibility, allowing individuals with an innovative idea and little money to compete against more established organisations. Virtual organisations also save money by eliminating permanent offices and hierarchical roles.[44] Their drawbacks, however, have become increasingly clear as their popularity has grown.[45] They're in a state of perpetual flux and reorganisation, so roles, goals and responsibilities can be unclear. This sets the stage for political behaviour. Those who work frequently with virtual organisations often note that cultural alignment and shared goals can be lost because of the low degree of interaction among members.

Team structure

team structure An organisational structure that replaces departments with empowered teams, and that eliminates horizontal boundaries and external barriers between customers and suppliers.

A team structure seeks to eliminate the chain of command and replace departments with empowered teams.[46] This structure removes vertical and horizontal boundaries in addition to breaking down external barriers between the company, its customers and suppliers.

By removing vertical boundaries, management flattens the hierarchy and minimises status and rank. Cross-hierarchical teams (which include executives, middle managers, supervisors and operative employees), participative decision-making practices and 360-degree performance appraisals (in which peers and others evaluate performance) can be used. For example, the Danish firm Oticon, the world's largest hearing aid manufacturer, has removed all traces of hierarchy.[47] Everyone works at uniform mobile workstations, and project teams—not functions or departments—coordinate work.



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Career OBjectives



What structure should I choose?

I'm running a small but growing business and need help figuring out how to keep positions flexible as we expand. What advice can you give me about designing job structures that will help combine my success today with growth for tomorrow?

—Anna

Dear Anna,

A surprising number of small businesses fail just when they begin to grow—and for many reasons, including financing deficits and competitors that copy their clever ideas. However, a frequent problem is that the structure that the company began with is simply not right for a larger firm.

There are ways to meet this challenge. Start by looking at individual jobs and their responsibilities. Make a list for each job. When job roles and responsibilities aren't defined, you can pick up a great deal of flexibility, assigning employees to tasks when needed. Unfortunately, this flexibility also means it's hard to determine which skills are available or to identify gaps between planned strategy and available human resources.

Second, you may want to define roles based on broad sets of competencies that span multiple levels of organisational functioning. In this strategic competency model, job roles and incentives are defined based on a clear structure. Here are the steps:

- Look at the top level and think about the future. In the competency model, you should use the mission statement and overall organisational strategies to evaluate your organisation's future needs.
- Once you've identified the organisation's future needs, figure out how to assign responsibilities to individuals. You'll need some specialisation, but also think about the general skills needed for growth and long-term sustainability.
- As the business grows, identify applicants with the potential to meet future needs and develop employee incentives that encourage broad skills profiles. Plan to help employees increase in competency as they move up the organisation chart.

The most important thing to remember is that you aren't creating a job structure just for today—make sure it's ready to grow and change with your business.

Grow well!

SOURCES: Based on G. W. Stevens, 'A critical review of the science and practice of competency modeling', *Human Resource Development Review*, 12 March 2013, pp. 86–107; P. Capelli and J. R. Keller, 'Talent management: conceptual approaches and practical challenges', *Annual Review of Organizational Psychology and Organizational Behavior* 1, March 2014, pp. 305–31; and C. Fernández-Aráoz, '21st century talent spotting', *Harvard Business Review*, June 2014.

As previously discussed, functional departments create horizontal boundaries between functions, product lines and units. One way to reduce them is to replace functional departments with cross-functional teams and organise activities around processes. Xerox, for instance, develops new products through multidisciplinary teams that work on a single process instead of on narrow functional tasks.[48]

When fully operational, the team structure may reduce geographic barriers. Today, many large companies see themselves as team-oriented global corporations; many, such as Coca-Cola and McDonald's, do more business overseas than in their home country and some struggle to incorporate geographic regions into their structure. The team approach is needs based. For example, Chinese companies made 93 acquisitions in the oil and gas industry in five years—incorporating each acquisition as a new team unit—to meet forecasted demand that their resources in China could not meet.[49] The team structure provided a solution here because it considers geography as a tactical and logistical issue, rather than a structural one. In short, the goal may well be to break down cultural barriers and open opportunities.

Circular structure

Picture the concentric rings of an archery target. In the centre are the executives and radiating outwards in rings grouped by function are the managers, then the specialists, then the

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circular structure An organisational structure in which executives are at the centre, spreading their vision outwards in rings grouped by function (managers, then specialists, then workers).

workers. This is a circular structure.[50] Does it seem like organisational anarchy? There's still a hierarchy, but top management is at the very heart of the organisation, with its vision spreading outwards.

The circular structure appeals to creative entrepreneurs, and some small, innovative firms have adopted it. As in many hybrid approaches, however, employees can be uncertain about who they report to and who's running the show. The concept may also have an intuitive appeal for spreading a vision of corporate social responsibility (CSR), so we may see more organisations drawn to this structure in the future.

14.4 Analyse the effects of downsizing on organisational structures and employees.

The leaner organisation: downsizing

The goal of the new organisational forms described above is largely to improve agility by creating a lean, focused and flexible organisation. Downsizing is a systematic effort to make an organisation leaner by selling off business units that don't add value, closing locations or reducing staff.[51] The approach is highly contentious because of its potential negative impacts on employees and because its short-term focus can often be reactive rather than proactive.

The radical shrinking of Motorola Mobility in 2012 and 2013 is a case of downsizing to survive after its 2011 $12.5 billion acquisition by Google. In response to declining demand for its smartphones, Motorola cut its workforce by 20% in August 2012. When the company posted a $350 million fourth quarter loss in 2012, with a 40% revenue decline, it cut the workforce again, by 10%. Google called this rightsizing.[52] Motorola Mobility was then sold to China's Lenovo in 2014 for $2.91 billion.

Downsizing also often comes as a reaction to the changing policies of governments or broader challenges of globalisation. For example, in recent years three of the most familiar names in motor vehicle manufacturing—Ford, Toyota and Holden (General Motors)—closed down their car assembly plants in Australia and it has been suggested that the communities that had provided their workforces are 'likely to bear witness to long-term worklessness for decades to come'.[53] These companies probably needed to downsize just to survive in the face of global changes in the industry, high production costs and gradual withdrawal of government support. A number of the major Australian banks have been downsizing in response to shareholder pressure to maintain strong dividend returns. For example, in 2017 the National Australia Bank (NAB) announced that 6000 jobs would be lost due to developments in technology and growth of digital transactions. NAB sees this as seeking to 'reshape its workforce', expecting to generate about 2000 new jobs that are more focused on digital banking.[54]

Despite the advantages of being a lean organisation, the impact of downsizing on organisational performance has been very controversial.[55] Reducing the size of the workforce has an immediate positive outcome by reducing wage costs. Companies downsizing to improve strategic focus often see positive effects on share prices after an announcement. For example, Russia's Gorky Automobile Factory (GAZ) realised a profit for the first time in many years after then President Bo Andersson fired 50 000 workers, half the workforce.[56] On the other hand, companies that cut employees without restructuring usually experience declining profit and share prices. One problem is the effect of downsizing on employee attitudes. 'Survivors' often feel worried about future lay-offs, may be less committed to the organisation and may experience more stress.[57] In companies that don't invest much in their employees, downsizing can also lead to more voluntary turnover, so vital human capital is lost. The result is a company that's more anaemic than lean. Paradoxically, some research suggests that the victims may actually fare better than the survivors, experiencing higher control perceptions and less stress.[58]

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Companies can reduce negative impacts by preparing for the post-downsizing environment in advance, which alleviates some employee stress and strengthens support for the new strategic direction. Here are some effective strategies for downsizing, and suggestions for implementing them. Most are closely linked to the principles of organisational justice discussed in Chapter 7.

- *Investment*. Companies that downsize to focus on core competencies are more effective when they invest in high-involvement work practices afterwards.
- *Communication*. When employers make efforts to discuss downsizing with employees early on in the process, employees are less worried about the outcomes and feel that the company is taking their perspective into account.
- *Participation*. Employees worry less if they can participate in the process in some way. In some companies, voluntary early retirement programs or severance packages can help achieve leanness without lay-offs.
- *Assistance*. Providing severance, extended healthcare benefits and job search assistance demonstrates that a company does care about its employees and honours their contribution.

Companies that make themselves lean can be more agile, efficient and productive, but only if they make cuts carefully and help employees through the process.

Why do structures differ?

14.5 Contrast the reasons that organisational structures differ.

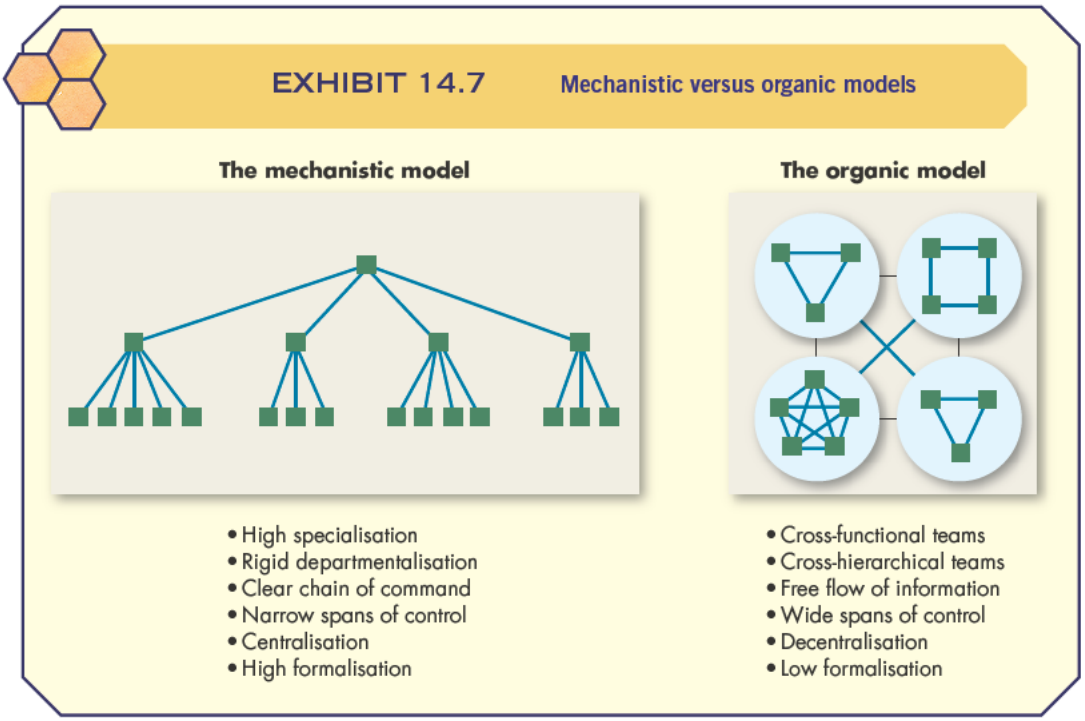
So far, we've described various organisational designs. Exhibit 14.7 recaps the discussions by presenting two extreme models of organisational design. One, the mechanistic model is primarily bureaucratic in that it has standardised work processes, high formalisation and more managerial hierarchy. The other, the organic model, is flatter, has fewer formal procedures for making decisions, has multiple decision makers and favours flexible practices.[59]

With these two models in mind, let's ask a few questions: Why are some organisations structured along more mechanistic lines whereas others follow organic characteristics? What forces influence the choice of design? Below, we discuss the major causes or determinants of an organisation's structure.

mechanistic model A structure characterised by extensive departmentalisation, high formalisation, a limited information network and centralisation.

organic model A structure that is flat, uses cross hierarchical and cross functional teams, has low formalisation, possesses a comprehensive information network and relies on participative decision making.

EXHIBIT 14.7 Mechanistic versus organic models



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Organisational strategies

Structure is a means of achieving objectives, and objectives are associated with the organisation's overall strategy, so it's only logical that strategy and structure should be closely linked. Indeed, if management significantly changes the organisation's strategy, the structure normally changes to accommodate it.[60] Most current strategy frameworks focus on three strategy dimensions—innovation, cost-minimisation and imitation—and the structural design that works best with each.[61]

innovation strategy A strategy that emphasises the introduction of major new products, services and organisational processes.

To what degree does an organisation introduce major new products, services or organisational processes? An innovation strategy strives to achieve meaningful and unique innovations. However, not all organisations pursue innovation as enthusiastically as some. For example, the conservative retailer Myer demonstrates little inclination to innovate while other retailers, such as UK-based Marks and Spencer, have innovatively embraced online retail opportunities successfully in places such as Australia, New Zealand and China,[62] after many years struggling with bricks-and-mortar retail globally. Innovative companies often use competitive pay and benefits to attract top candidates and to motivate employees to take risks. Some degree of mechanistic structure can actually benefit innovation. Well-developed communication channels, policies for enhancing long-term commitment and clear channels of authority all may make it easier to make rapid changes smoothly.

cost-minimisation strategy A strategy that emphasises tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

An organisation pursuing a cost-minimisation strategy tightly controls costs, refrains from incurring unnecessary expenses and cuts prices in selling a basic product. This describes the strategy pursued by Aldi and the makers of generic or store-label grocery products. Cost-minimising organisations pursue fewer policies meant to develop commitment among their workforce.

imitation strategy A strategy that seeks to move into new products or new markets only after their viability has already been proven.

Organisations following an imitation strategy try to both minimise risk and maximise the opportunity for profit, moving into new products or new markets only after innovators have proven their viability. Mass-market fashion manufacturers that copy designer styles follow this strategy, as do companies—such as computer giant HP and machinery manufacturer Caterpillar—that follow smaller and more innovative competitors with superior products, but only after competitors have demonstrated that the market is there. Italy's Moleskine SpA, a small maker of fashionable notebooks, is another example of imitation strategy, but in the reverse; looking to open more retail shops around the world, it's employing the expansion strategies of larger, successful fashion companies, Salvatore Ferragamo SpA and Brunello Cucinelli.[63]

Exhibit 14.8 describes the structural option that best matches each strategy. Innovators need the flexibility of the organic structure, whereas cost-minimisers seek the efficiency and stability of the mechanistic structure. Imitators combine the two structures. They use a mechanistic structure to maintain tight controls and low costs in their current activities but create organic subunits in which to pursue new undertakings.

Organisation size

An organisation's size significantly affects its structure.[64] Organisations that employ 2000 or more people tend to have more specialisation, more departmentalisation, more vertical

EXHIBIT 14.8 The strategy–structure relationship

Strategy	Structural option
Innovation	*Organic*: A loose structure; low specialisation, low formalisation, decentralised
Cost-minimisation	*Mechanistic*: Tight control; extensive work specialisation, high formalisation, high centralisation
Imitation	*Mechanistic and organic*: Mix of loose and tight properties; tight controls over current activities and looser controls for new undertakings

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levels and more rules and regulations than do small organisations. However, size becomes less important as an organisation expands because at around 2000 employees an organisation is already fairly mechanistic; 500 more employees won't have much impact. But adding 500 employees to an organisation of only 300 is likely to significantly shift it towards a more mechanistic structure.

Technology

Technology describes the way in which an organisation transforms inputs into outputs. Every organisation has at least one technology for converting financial, human and physical resources into products or services. For example, Mack Trucks uses an assembly-line process in its Queensland production facility. Universities may use a number of instruction technologies, such as traditional lectures, the case-analysis method, experiential exercises, programmed learning and even reading textbooks. Regardless, organisational structures adapt to the technology they adopt. Numerous studies have examined the technology–structure relationship.[65] A common theme that differentiates technologies is their degree of routineness. Routine activities are characterised by automated and standardised operations, while non-routine activities are more customised. Organisations that engage in non-routine activities tend to prefer organic structures, while those performing routine activities prefer mechanistic structures.

technology The way in which an organisation transfers its inputs into outputs.

Myth or science?



'Employees can work just as well from home'

This statement may be true, but not unequivocally. Employees who work from home even part of the time report they're happier, and happier employees are likely to be more productive than unhappy ones. From an organisation's perspective, companies are realising gains of five to seven extra work hours a week for each employee working from home. There are also cost savings, from reduced overheads for office space and utilities to elimination of unproductive social time. Employers of a home-based workforce can establish work teams and organisational reporting relationships with little attention to office politics, opening the potential to more objectively assign roles and responsibilities. These may be some of the reasons organisations have increasingly endorsed the concept of telecommuting, where company employees work from home.

Although we can all think of jobs that may never be conducive to working from home (such as many in the service industry), not all positions that could be based from home should be. Research indicates the success of a work-from-home position depends on the job's structure even more than on its tasks. The amount of interdependence needed between employees within a team or in a reporting relationship sometimes requires epistemic interdependence, which is each employee's ability to predict what other employees will do. Organisation consultants pay attention to how employee roles relate in the architecture of the organisation chart, realising that intentional relationship building is key. So, while an employee may complete the tasks of a job well by working alone from home, the benefits of teamwork can be lost. We don't yet fully understand the impact of working at a physical distance without sharing time or space with others, but it's perhaps the reason that Yahoo!, Best Buy and other corporations have brought their employees back into the office.

The success of a work-from-home program depends on the individual, the job and the culture of the organisation. Work from home can be satisfying for employees and efficient for organisations, but we're learning that there are limits.

SOURCES: M. Mercer, 'Shirk work? Working at home can mean longer hours', <www.marshamercer.com/2013/02/>, 28 February 2013; P. Puranam, M. Raveendran and T. Knudsen, 'Organization design: the epistemic interdependence perspective', *Academy of Management Review* 37, no. 3, 2012, pp. 419–40; N. Shah, 'More Americans working remotely', *The Wall Street Journal*, 6 March 2013, p. A3; and R. E. Silverman and Q. Fottrell, 'The home office in the spotlight', *The Wall Street Journal*, 27 February 2013, p. B6.

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Environment

environment Institutions or forces outside an organisation that potentially affect the organisation's performance.

An organisation's environment includes outside institutions or forces that can affect its performance, such as suppliers, customers, competitors, government regulatory agencies and public pressure groups. Dynamic environments create significantly more uncertainty for managers than do static ones. To minimise uncertainty, managers may broaden their structure to sense and respond to threats.[66] Many companies have added social media departments to their structure to respond to negative information posted on blogs. Companies may also form strategic alliances—perhaps the most visible examples being in the travel industry where airlines often seek synergy in some routes by sharing 'codes'. So if you fly with Qantas from Chicago to Australia, you might find yourself seated on an American Airlines jet, despite having a Qantas code (beginning with QF or QFA) on your ticket.

All organisations have three environmental dimensions: capacity, volatility and complexity.[67] 'Capacity' refers to the degree to which the environment can support growth. Rich and growing environments generate excess resources, which can buffer the organisation in times of relative scarcity. 'Volatility' describes the degree of instability in the environment. A dynamic environment with a high degree of unpredictable change makes it difficult for management to make accurate predictions. So, because information technology changes so rapidly, more organisations' environments are becoming volatile. Finally, 'complexity' is the degree of heterogeneity and intricacy among environmental elements. Simple environments—such as in the tobacco industry—are homogeneous and concentrated. Environments characterised by heterogeneity and dispersion—such as the broadband industry—are complex and diverse, with numerous competitors.

Exhibit 14.9 summarises the definition of the environment along its three dimensions. The arrows indicate movement towards higher uncertainty. So, organisations that operate in environments characterised as scarce, dynamic and complex face the greatest degree of uncertainty. This is because they have little room for error, high unpredictability and a diverse set of elements in the environment to monitor constantly.

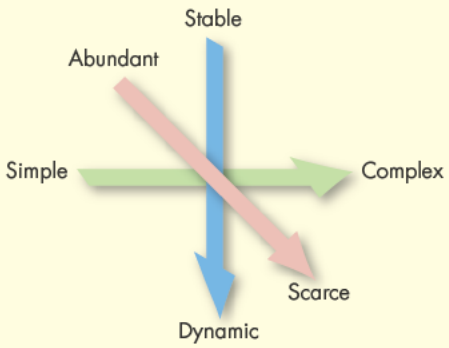
Given this three-dimensional definition of environment, we can offer some general conclusions about environmental uncertainty and structural arrangements. The more scarce, dynamic and complex the environment, the more organic a structure should be. The more abundant, stable and simple the environment, the more the mechanistic structure will be preferred.

Institutions

institutions Cultural factors especially those factors that might not lead to adaptive consequences that lead many organisations to have similar structures.

Organisational structure is also influenced by environmental institutions. These are socio-cultural factors that act as guidelines for appropriate behaviour.[68] Institutional theory describes some of the forces that lead many organisations to have similar structures and, unlike the theories we've described so far, focuses on pressures that aren't necessarily adaptive. In fact,

EXHIBIT 14.9 Three-dimensional model of the environment



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many institutional theorists try to highlight the ways in which corporate behaviours sometimes seem to be performance oriented but are guided by unquestioned social norms and conformity.

The most obvious institutional factors come from regulatory pressures. For example, organisations servicing public-sector contracts must satisfy government requirements. Sometimes simple inertia determines an organisational form—companies can be structured in a particular way just because that's how things have always been done. Organisations in countries with high power distance might have a structural form with strict authority relationships because it's expected in that culture. Organisations may also be influenced by structural fads or trends. Managers may try to copy other successful companies just to look good to investors and not because they need that structure to perform better. Many companies have recently tried to copy the organic form of a company such as Google only to find that such structures are a very poor fit with their operating environment. Institutional pressures are often difficult to see specifically because we take them for granted, but that doesn't mean they aren't powerful.

Organisational designs and employee behaviour

14.6 Analyse the behavioural implications of different organisational designs.

This chapter began by suggesting that an organisation's structure can have a significant effect on its members. What might these effects be?

Reviewing the evidence leads to a clear conclusion: it's not a good idea to generalise! Not everyone prefers the freedom and flexibility of organic structures. Several factors stand out in different structures as well. In highly formalised, heavily structured mechanistic organisations, the level of fairness in formal policies and procedures is an important predictor of satisfaction. In more personal, individually adaptive organic organisations, employees value interpersonal justice more.[69] Some people are most productive and satisfied when work tasks are standardised and ambiguity is minimised—that is, in mechanistic structures. This means that the effect of organisational design on employees is subject to individual differences. So, let's consider employee preferences for specialisation, span of control and centralisation.

We've already seen that the evidence generally indicates that work specialisation contributes to higher employee productivity, but at the price of reduced job satisfaction and potential human diseconomies. Some of the workforce may still prefer the routineness of highly specialised jobs, desiring work that makes minimal intellectual demands and provides the security of routine. For them, specialisation is a source of job satisfaction. The question, of course, is whether they represent 2% of the workforce or 52%. Given that some self-selection operates in career choice, we might conclude that negative behavioural outcomes from high specialisation are most likely to surface in professional jobs occupied by individuals with high growth needs and diversity.

There is little evidence of a relationship between span of control and employee performance. Although it's intuitively attractive to argue that large spans might lead to higher performance because they provide more distant supervision and more opportunity for personal initiative, research fails to support this notion. Some people like to be left alone, while others prefer the security of a boss who is always available. Consistent with several of the contingency theories of leadership discussed in Chapter 11, we would expect factors such as employees' experience and ability and the degree of structure in their tasks to explain when wide or narrow spans of control are likely to contribute to their performance and job satisfaction. However, some evidence indicates that large spans of control are related to more unsafe behaviours and accidents in the workplace.[70] We also find evidence linking centralisation and job satisfaction.[71] In general, less centralised organisations offer greater autonomy and autonomy can contribute to job satisfaction. But, again, individual differences surface. While one employee may value freedom, another may find autonomous environments frustratingly ambiguous.

Although the research is limited, it does suggest that national culture influences structural preferences.[72] Organisations operating in high power-distance cultures, such as Greece, France and most of Latin America, often find their employees are much happier in mechanistic structures than employees from low power-distance countries. So, consider cultural differences along with individual differences when predicting how structure will affect employee performance and satisfaction.

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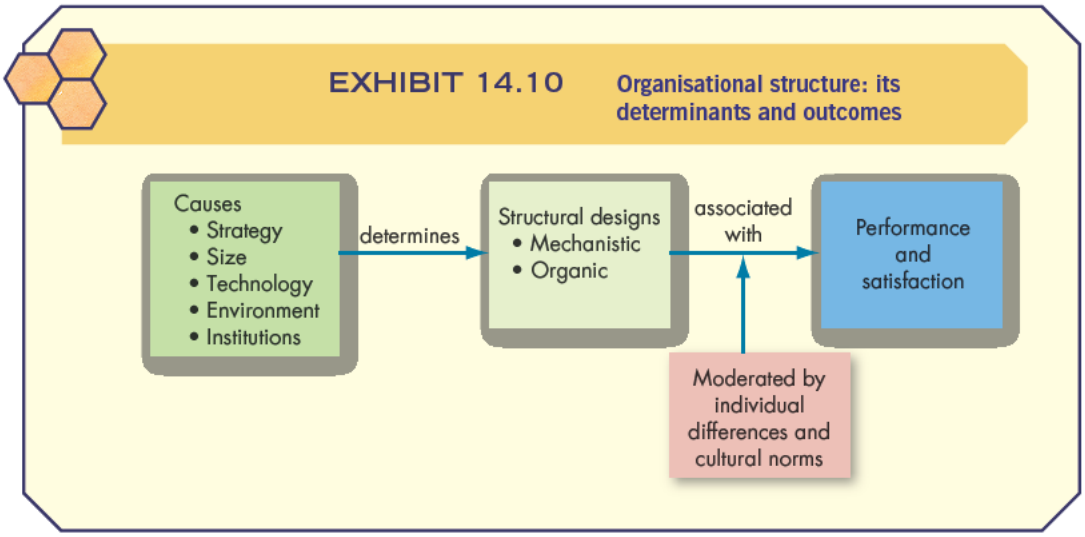
Finally, the changing landscape of organisational structure designs has implications for the individual progressing on a career path. Research on managers in Japan, the United Kingdom and the United States indicates that employees who have weathered downsizing and resulting hybrid organisational structures consider their future career prospects diminished. While this may or may not be true, it shows that organisational structure does affect the employee and must be designed carefully.[73] It's important to recognise people don't select employers randomly. They are attracted to, are selected by and stay with organisations that suit their personal characteristics.[74] Job candidates who prefer predictability are likely to seek out employment in mechanistic structures and those who want autonomy are more likely to end up in an organic structure. So, the effect of structure on employee behaviour is undoubtedly reduced when selection processes match individual characteristics with organisational characteristics.

We can conclude that, to maximise employee performance and satisfaction, managers must take individual differences, such as experience, personality, culture and the work task, into account.

Summary

The theme of this chapter is that an organisation's internal structure contributes to employee behaviour. That is, in addition to individual and group factors, the structural relationships in which people work have a bearing on employee attitudes and behaviour. What is the basis for this argument? To the degree that an organisation's structure reduces ambiguity for employees and clarifies concerns such as, 'What am I supposed to do?', 'How am I supposed to do it?', 'To whom do I report?' and 'To whom do I go if I have a problem?', it shapes their attitudes and facilitates and motivates them to higher levels of performance. Exhibit 14.10 summarises what we've discussed in this chapter.

EXHIBIT 14.10 Organisational structure: its determinants and outcomes



Implications for managers

- Specialisation can make operations more efficient, but remember that excessive specialisation can create dissatisfaction and reduced motivation.
- Avoid designing rigid hierarchies that overly limit employees' empowerment and autonomy.

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- Balance the advantages of virtual and boundaryless organisations against the potential pitfalls before adding flexible workplace options.
- Downsizing your organisation can realise major cost savings and focus the company around core competencies—but take care because downsizing can have a significant negative impact on employees, too.
- Consider the scarcity, dynamism and complexity of the environment, and balance the organic and mechanistic elements when designing an organisational structure.

OPEN-AIR OFFICES INSPIRE CREATIVITY AND ENHANCE PRODUCTIVITY

POINT

Eric Prum, co-founder of W&P Design in Brooklyn, New York, and his 12 co-workers, share one room on the fourth floor of an open-plan converted warehouse. Although it can be noisy, the layout has led to some great brainstorming sessions. In fact, their latest project, ¡Buenos Nachos!, was a direct result of this design. The co-founders were discussing an idea for a hipster nacho cookbook while co-workers eavesdropped. A spontaneous idea quickly became a productive brainstorming session. From this open-air plan emerged a cookbook with over 75 recipes from famous chefs and celebrities, including Bill Hader, Andrew Zimmern and Rachael Ray.

Aside from cost minimisation, open-plan offices are intended to remove the physical barriers between colleagues. Functional communication between employees is maximised when these barriers are removed. An open-plan workplace can be tailored to contribute to functional goals by setting aside certain areas or spaces so that they're well suited to accomplish specific functions (a meeting area, a reading area, and so on). For example, the New York branding firm Collins altered aspects of the environment to work around any limitations of an open-plan office, including arranging the tables so that no person faces another employee. Overall, Collins found, in their own internal research, that the open-plan office improves a sense of shared vision and mission, community and creativity perceptions. Additional research also suggests that these open-plan designs can reduce the amount of time spent in meetings.

COUNTERPOINT

'Our new, modern Tribeca office was beautifully airy, and yet remarkably oppressive. Nothing was private. On the first day, I took my seat at the table assigned to our creative department next to a nice woman who I suspect was an air horn in a former life. All day, there was constant shuffling, yelling and laughing, along with loud music piped through a PA system.' The picture Lindsey Kaufman, a Brooklyn advertising professional, described highlights the strain and dissatisfaction employees in open-plan office environments can experience, even when there are cubicles granting at least some privacy. The creator of the cubicle, Robert Probst, envisioned something very different in 1964: a free-space where employees could customise their workplace to accommodate their level of privacy, space needs and flexibility, and to give them a sense of autonomy in an open office. This 'action office' became mass-produced and limited in size, quality and customisability, leading to what we now call the modern-day cubicle.

Studies on the open-plan office and the confined cubicles of modern offices paint a dismal picture of their effectiveness. One study reviewing hundreds of office environments found that, despite their benefits, open-air offices reduce workers' attention spans, productivity, creative thinking and satisfaction. One of the biggest factors is the level of noise, which contributes to decreased motivation and potential posture issues. The satisfaction levels related to noise, sound privacy and ease of interaction (among others) across 42 764 observations from over 300 office buildings were analysed by researchers using the Post-Occupancy Evaluation (POE) database from the University of California at Berkeley. They found considerably more satisfaction with private offices than with open-plan environments. They also found that ease of interaction (a goal of open-plan offices) was no greater in open-plan offices than in private offices.

SOURCES: Based on D. Burkus, 'Why your open office workspace doesn't work', *Forbes*, 21 June 2016; G. W. Evans and D. Johnson, 'Stress and open-office noise', *Journal of Applied Psychology* 85, no. 5, 2000, pp. 779–83; L. Kaufman, 'Google got it wrong. The open-office trend is destroying the workplace', *The Washington Post*, 30 December 2014; S. Khetarpal, 'The popular "open office" design has many disadvantages, but some employers are going beyond it to create an empowering environment at the workplace', *Business Today*, 12 March 2017, pp. 100–6; M. Konnikova, 'The open-office trap', *The New Yorker*, 7 January 2014; P. Rosenberg and K. Campbell, 'An open office experiment that actually worked', *Harvard Business Review*, 3 October 2014; R. Saunderson, 'Learning in an open office environment', *Training*, 1 January 2016, pp. 134–5; D. Ward, 'Beyond the open office', *HR* magazine, 1 April 2015, pp. 30–5; and M. D. Zalesny and R. V. Farace, 'Traditional versus open offices: a comparison of sociotechnical, social relations, and symbolic meaning perspectives', *Academy of Management Journal* 30, no. 2, 1987, pp. 240–59.

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Questions for review

1. What are the key elements of an organisation's structure?
2. What are the characteristics of the simple, bureaucratic and matrix structures?
3. What are the characteristics of the virtual, team and circular structures?
4. How might downsizing affect organisational structures and employees?
5. How are mechanistic and organic structural models similar and different?
6. What are the behavioural implications of different organisational designs?

Application and employability

Knowing the ins and outs of the structure of your organisation can help you develop your future employability by improving how you make strategic and ethical decisions and how you collaborate and communicate with others in the workplace. Different forms of organisational structure have different consequences for employee, manager and customer behaviours. Understanding these effects can help you behave more adaptively. Perhaps someday you'll start your own business, or you may collaborate in restricting your employer's organisation. Understanding these different forms of structure will help you improve your skills for use in those situations. In this chapter, you improved your critical-thinking as well as your knowledge-application and analysis skills by determining whether employees can work just as well from home, considering what type of structure to choose for a small and growing business, considering the ethics of flexibility and structural changes in the workplace, and debating the effectiveness of open-air offices.

Next, you'll develop these skills, along with your social-responsibility knowledge, by participating in the experiential exercise, 'The sandwich shop'; considering creative deviance and its anti-hierarchical benefits to organisations; and exploring organisational complexity within the Australian Defence Force.

Experiential exercise

THE SANDWICH SHOP

Form groups of at least four people and use the following information to carry out this exercise.

The managers of a new chain of sandwich shops need to identify what types of sandwiches consumers want and to find recipes and ingredients. Ingredient sources, prices and other logistical requirements (such as refrigeration) need to be determined, purchasing decisions are ongoing and supplier relationships need to be managed. Financing must also be arranged at this early phase. With this groundwork, the company will move to the next stage of marketing, including pricing and the development of advertising materials. Finally, workers will need recruiting and training.

As a group, take the following steps.

A simple structure

Determine what a simple structure would look like for this organisation. Remember, a simple structure has little hierarchy, wide spans of control and centralised decision making. Who would you assign the various tasks described above to? What sort of delegation might take place? Who would coordinate the multiple operations? About how many people would be acting in an administrative role, and what sort of spans of control would they have? What challenges will the organisation face as it grows?

A bureaucracy

Determine what a bureaucratic structure would look like for this organisation. Bureaucracies have more hierarchy, small spans of control and specialised decision making. Establish task assignments, delegation, coordination and the number of individuals required. Also consider possibilities for future growth with this structure.

A virtual structure

Determine what a virtual structure would look like for this organisation if many of the aspects of the business are outsourced. Consider which tasks can be performed adequately by individuals who don't work within the restaurant chain and which tasks should be kept in-house.

Debriefing

After all groups have developed different structural options, convene for a class discussion to describe how each group created responsibilities for different individuals. Then discuss which structure seems most beneficial for this business.

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Case study 1

CREATIVE DEVIANCE: BUCKING THE HIERARCHY?

One of the major functions of an organisational hierarchy is to increase standardisation and control for top managers. Using the chain of command, managers can direct the activities of subordinates towards a common purpose. If the right person with a creative vision oversees a hierarchy, the results can be phenomenal. For example, until Steve Jobs's passing in October 2011, Apple had used a strong top-down creative process in which most major decisions and innovations flowed directly through Jobs and were subsequently delegated to teams as specific assignments to complete.

Then there is creative deviance, in which individuals create extremely successful products despite being told by senior management to stop working on them. The electrostatic displays used in more than half of Hewlett-Packard's instruments, the tape slitter that was one of the most important process innovations in 3M's history and Nichia's development of multibillion-dollar LED bright lighting technology were all officially rejected by the management hierarchy. In these cases, an approach like Apple's would have shut down some of the most successful products the companies ever produced. Doing business as usual can become such an imperative in a hierarchical organisation that novel ideas are seen as threats rather than opportunities for development.

It's not immediately apparent why top-down decision making works so well for one highly creative company such as Apple, while hierarchy nearly ruined innovations at several other organisations. It may be that Apple's structure is quite simple, with relatively few layers and a great deal of responsibility placed on everyone for their own outcomes. Or it may be that Apple simply had a unique leader who was able to rise above the conventional strictures of a CEO to create a culture of constant innovation.

Questions

1. Do you think it's possible for an organisation to create an anti-hierarchy to encourage employees to engage in more acts of creative deviance? What steps might a company take to encourage creative deviance?
2. Why do you think a company such as Apple is able to be creative with a strong hierarchical structure, whereas other companies find hierarchy limiting?
3. Do you think Apple's success was entirely dependent on Steve Jobs's role as head of the hierarchy? What are the potential liabilities of a company being so strongly connected to the decision making of a single individual?

SOURCES: Based on C. Mainemelis, 'Stealing fire: creative deviance in the evolution of new ideas', *Academy of Management Review* 35, no. 4, 2010, pp. 558–78; and A. Lashinsky, 'Inside Apple', *Fortune*, 23 May 2011, pp. 125–34.

Case study 2

COMPLEX HIERARCHY IN ACTION IN THE AUSTRALIAN ARMY

For organisations facing stressful and dangerous situations, the chain of command is particularly significant. For example, the military utilises formalised organisational structures that seem rigid to outsiders, yet much of the training of soldiers, sailors and aircrew focuses on the need for flexibility and initiative in the confusing and unpredictable fog of war. This is achieved by everyone knowing their position in the chain and acting accordingly. For example, Robert Graves, a captain in the British army during World War I, told how Francis Orme, a second lieutenant, joined his battalion during a battle. Finding himself the only remaining officer, he took command of the whole battalion, normally the responsibility of a Lieutenant Colonel, five levels above his own rank. Imagine starting work for the Commonwealth Bank or Telstra as a fresh graduate, and finding yourself in charge of the State office on your first day, unable to contact head office! So, although military roles are clearly defined, everyone knows that this can change in an instant, whether as a result of casualties or isolation from headquarters.

The Australian army is structured similarly to the British army, based around a regimental system, where everyone 'belongs' to a particular unit administratively and motivationally—belongingness is encouraged throughout the whole army. Regiments or battalions tend to be the key units today, with smaller groupings seen as subunits and larger ones as formations, as shown on the following page. The number of levels may seem strange today, with flatter organisations often favoured in civilian organisations. One way of explaining this is increasing professionalism: highly trained soldiers are acutely aware of their hierarchical position; there's a saying: 'If two privates are alone on a hill, one is in charge'. In other words, even the smallest grouping can act independently (professionally) if needed.

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A simplified overview of military structure

Unit	Size (approximately)	Typical commander (dependent on type of unit)
Fire team	4 (two buddy teams)	Lance Corporal
Section	8 (two fire teams)	Corporal
Platoon	30	Lieutenant
Company	120	Major
Battalion	650	Lieutenant Colonel
Regiment	Multiple battalions	Dependent on size (Colonel–Major General)
Brigade	Multiple battalions	Brigadier
Division	Multiple brigades	Major General
Corps	Several divisions	Lieutenant General
Army	Several corps	General

A modern army needs a complex structure to address the challenging nature of defence activities and all parts of this chapter help us analyse an army's structure. Regiments are often functionally based—the Royal Australian Regiment includes seven infantry battalions (mechanised, motorised and/or amphibious). However, a brigade is more likely to include a mix of different types of battalions, and a single infantry regiment can be split among different brigades (yes, it gets complicated). So a brigade could include armoured, infantry, engineer, artillery, signal and support battalions and subunits. There is an added variable with the State infantry regiments, which, as the name suggests, take a geographical focus.

The span of control of individual officers has also reduced considerably over time. During the Napoleonic wars of the early 19th century, the company was the smallest official subunit in the British army, normally commanded by a junior officer, with non-commissioned officers in support roles. Smaller fire-parties, sections and platoons are relatively recent innovations (the Section was used in 1917 in the Australian army), suggesting growing military professionalism, as smaller subunits can be empowered to operate more autonomously.

Questions

1. What do you think are the main challenges when planning the structure of a military organisation?
2. What would the implications be of creating a flatter organisational structure for the Australian army?
3. Why do you think the span of control has narrowed so much in the modern army?

SOURCES: The Australian Army Homepage, <www.army.gov.au>; The Australian War Memorial, The Australian Army Structure, <www.awm.gov.au/learn/understanding-military-structure/army/structure>; R. Graves, *Goodbye to All That*, Harmondsworth, UK: Penguin, 1960; C. Bown, 'A primer on the Australian Defence Force', 2006, <http://www.ipas.com.au>.

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CHAPTER

15 Organisational culture

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

15.1 Describe the common characteristics of organisational culture.

15.2 Compare the functional and dysfunctional effects of organisational culture on people and the organisation.

15.3 Identify the factors that create and sustain an organisation's culture.

15.4 Show how culture is transmitted to employees.

15.5 Describe the similarities and differences of creating an ethical culture and a positive culture.

15.6 Show how national culture may affect the way organisational culture is transported to another country.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking	✓		✓	✓	✓	✓	✓
Communication	✓	✓	✓		✓	✓	✓
Collaboration	✓	✓			✓	✓	
Knowledge application and analysis	✓		✓	✓	✓	✓	✓
Social responsibility			✓				✓

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‘Culture eats strategy for breakfast’

This oft-cited phrase, attributed to management thinker and author Peter Drucker, refers to the relative importance of organisational culture when compared to traditional areas of management focus such as strategy and finance.

In the experience of Yellow Edge (YE) Performance Architects, one of Australia’s enduring providers of executive coaching and leadership development to the public sector, as well as to the private and not-for-profit sectors, Drucker was spot on. But rather than see culture as separate from strategy and other organisational areas of focus, Yellow Edge has always seen culture as being a core part of its business strategy.

Yellow Edge was formed in 2002 in Canberra with a set of core values that the founders held dear. Andrew Simon, CEO and co-founder, sets out these values as ‘thinking differently, courageous authenticity, nurturing growth, supportive trust, zest for life and respect always’. For him and his co-founders, these were the building blocks for a kind of culture that they wanted to cultivate and be a part of and which would also guide the kind of work that the company would seek to be involved in and the clients that it would seek to work with.



Andrew Simon
SOURCE: Martin Fitzgerald

For Yellow Edge, Andrew says:

> ... our shared values underpinned our culture and our culture in turn shaped our strategy and the kinds of work that we pursued and got involved in. This may seem to have been the back-to-front way of doing things, but it’s what we found ourselves doing and we have had a successful business for over 16 years.

However, for Andrew, culture is rarely a ‘set and forget’ thing. For him, culture can be thought of as a living and open complex system. He saw his employees, clients, suppliers and delivery partners all had an impact on the organisation’s culture through the various interactions, behaviours, conversations, relationships and attitudes they displayed. A positive culture, for him, requires continual tending to if the attributes, behaviours and values espoused are actually demonstrated and lived. The founders may have established it, but it needs to be sustained by everyone.

As Andrew put it:

> ... in our experience while culture may start from the top, everyone has a responsibility to contribute positively to an organisation’s desired culture.

He sees that this responsibility must be actively exercised, for culture is always being shaped by the day-to-day actions of all manner of people and if an organisation’s members don’t exercise their responsibility in contributing to a positive desired culture, positive culture will wane or be subsumed by other, less-desirable cultural norms.

Difficulties can arise when the desired norms of behaviour are broken and not addressed through having those tough conversations that people are often reluctant to have. Indeed, Yellow Edge had its own challenges in this regard. When it witnessed deviant norms being exercised, delays in challenging and correcting them allowed Yellow Edge’s espoused culture to be temporarily weakened and other less desirable cultural norms to be given space to emerge in the organisation. This was something that Yellow Edge experienced and learned from while maturing as an organisation and as it became subject to increasing commercial and performance pressures.

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Yet, for Yellow Edge, the true test of a positive and constructive organisational culture is its contribution to effective strategy and performance; its ability to endure; and its ability to attract clients, employees and delivery partners who share its underpinning values.

While Yellow Edge's rate of growth has moved with the vagaries of volatile markets and as people and leaders have come and gone, the one thing that has endured is its values-based culture. It now has a different way of capturing and expressing its original set of values, but its belief in human potential is what keeps it focused on the kind of work that it does and the level of commitment that it brings to its clients, employees and delivery partners.

For Yellow Edge, then, its culture, embodied in the way it leads and behaves, has been the substance that has shaped its strategy and relative longevity.

SOURCES: Interview with, and personally authored reflections of, Andrew Simon, CEO and co-founder of Yellow Edge; and <www.yellowedge.com.au/ye/about/>.

AS CAN BE SEEN in the Yellow Edge vignette, developing and sustaining a positive organisational culture is an ongoing challenge for all leaders who are in a position to influence an organisation if they espouse and live the values that reflect the identity of the organisation. This chapter shows that every organisation has a culture that, depending on its strength, can have a significant influence on the attitudes and behaviours of organisation members.

15.1 Describe the common characteristics of organisational culture.

What is organisational culture?

An executive was asked what he thought *organisational culture* meant. He gave essentially the same answer that Justice Potter Stewart, US Supreme Court judge, gave in 1964, when seeking to determine whether a film amounted to 'hard-core pornography': 'I can't define it, but I know it when I see it'. In this section, we propose one definition and review several related ideas.

Defining organisational culture

Over time, there have been many attempts at defining organisational culture and every manager has their own view of what it is and how valuable its role might be in a modern organisation. Exhibit 15.1 provides three of the most well known of these definitions.

organisational culture A system of shared meaning held by members that distinguishes an organisation from other organisations.

We will draw on what's common to these definitions and base our own definition on the shared beliefs, values and assumptions that separate one organisation from another. Organisational culture refers to a system of shared meaning held by members that distinguishes an organisation from other organisations.[1]

EXHIBIT 15.1 Definitions of organisational culture

THE way we do things around here.	T. E. Deal and A. A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life*, Reading, MA: Addison Wesley, 1982, p. 2.
THE pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration.	E. H. Schein, 'The role of the founder in creating organisational culture', *Organizational Dynamics*, Summer, 1985, p. 14.
A dominant and coherent set of shared values conveyed by such symbolic means as stories, myths, legends, slogans, anecdotes and fairy tales.	T. J. Peters and R. H. Waterman, *In Search of Excellence: Lessons from America's Best Run Companies*, New York: Harper & Row, 1982, p. 103.

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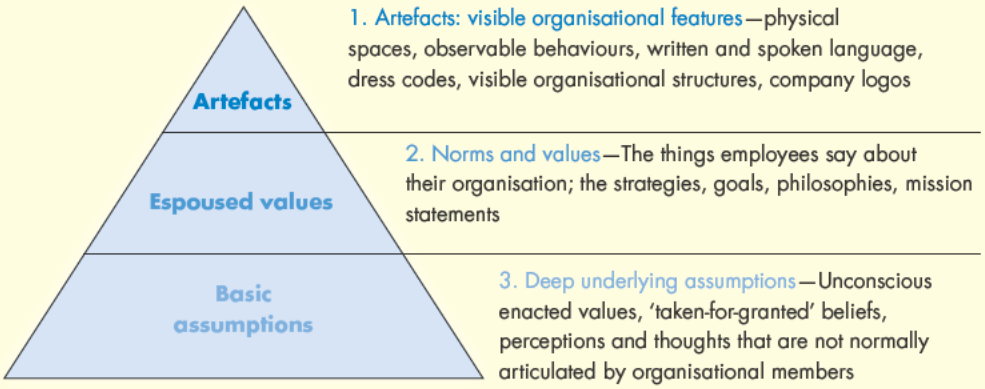
EXHIBIT 15.2 Schein's pyramid—three levels of organisational culture



SOURCE: Based on E. H. Schein, *Organizational Culture and Leadership* (3rd edn), San Francisco, CA: Jossey-Bass, 2004, p. 42.

Most research has agreed that there are levels to an organisational culture, with some levels deeper than others. Edgar Schein,[2] one of the foremost researchers and academics in the field of organisational behaviour, identified three levels: artefacts, espoused values and basic assumptions. Exhibit 15.2 illustrates this.

On the top are the artefacts of the organisation—what is observable, such as the unique ceremonies, rites and rituals, stories, symbols, language and behaviours in the organisation. We'll return to some of these later in the chapter. The middle layer represents the desired shared values in the organisation, showing what 'ought to be': an organisation that values innovation, aspires to total quality, believes in sustainable practice, champions gender equality, and so on. This layer identifies the espoused values of the organisation but they may not necessarily represent the enacted values of the organisation. The lowest level represents the basic assumptions of the organisation, the deeply held beliefs or 'taken-for-granted truths' that guide thinking and behaviour of its members and which are the result of the shared experience of organisational members. We'll see later that when trying to change a culture, while it may be relatively easy to change its *artefacts*, changing these basic assumptions is considerably harder.

Types of organisational culture

Organisational culture as a focus of inquiry blossomed in the 1980s when there was research into what made organisations successful or not. Some of this research went further in seeking to categorise different kinds of organisational cultures and their effect on the organisation. One of the most noted categorisations is the organisational typology proposed by celebrated management scholar Charles Handy, illustrated in Exhibit 15.3.

Handy's model identified two longstanding organisational cultural types. The first was the power culture, which is typified by a paternalistic approach (e.g. Rupert Murdoch's approach to running NewsCorp). The second was the role culture typically encountered in public sector entities embracing bureaucratic work methods. Handy's model further identified two more contemporary organisational cultures: the task (or achievement) culture present in dynamic, modern firms such as McKinsey & Co. and Macquarie Bank, and the support culture prevalent in human-centred organisations such as The Virgin Group and RedBalloon.

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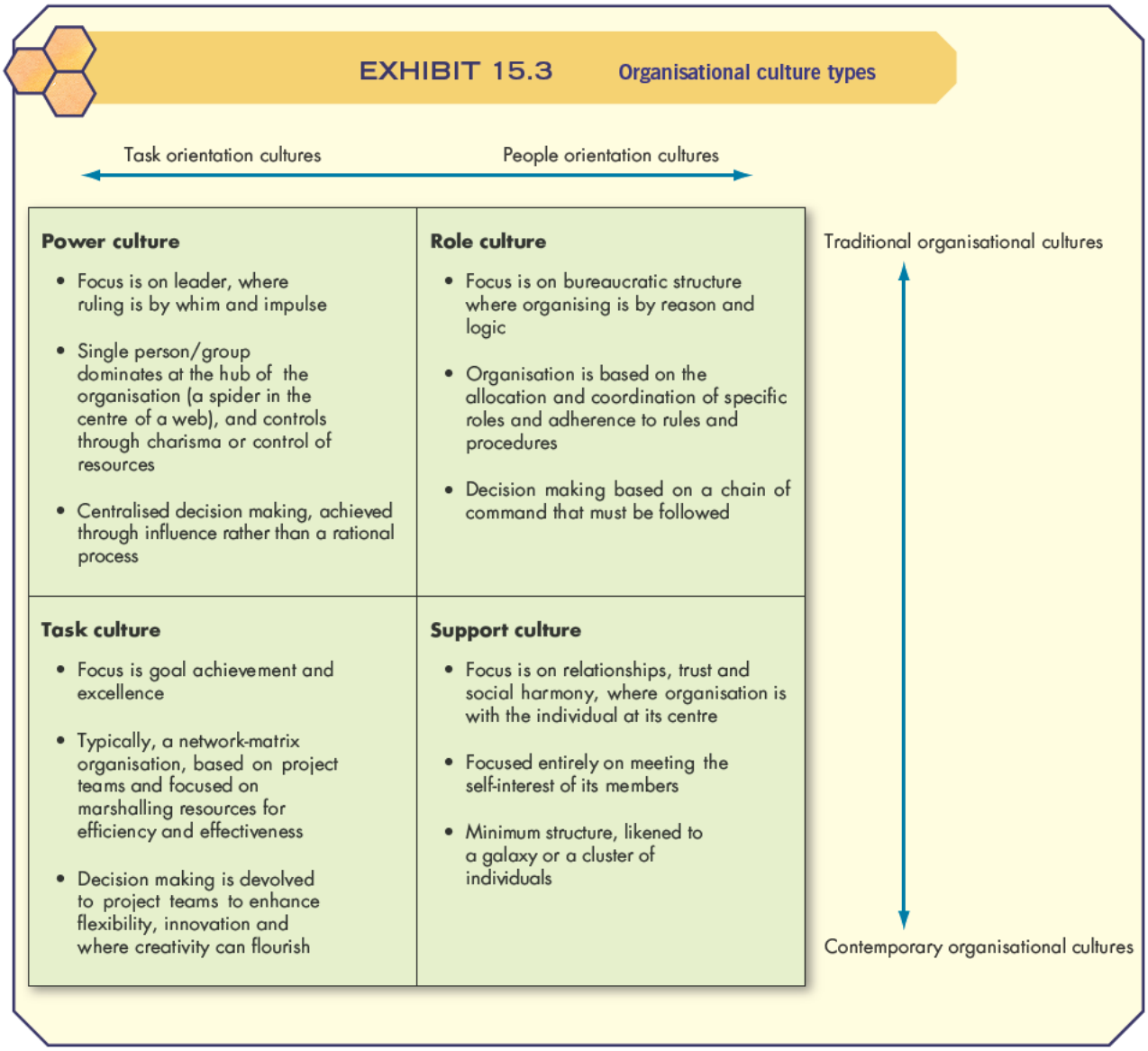
EXHIBIT 15.3 Organisational culture types



SOURCE: Adapted from C. Handy, *Understanding Organizations* (4th edn), London–UK: Penguin Books Ltd, 1993.

In contrast, Quinn and Cameron categorised organisational cultures by the degree of flexibility the organisation showed and whether their organisational focus was internal or external to the organisation.[3] They created four different types of culture, as illustrated in Exhibit 15.4: the collaborative and cohesive clan; the innovative and adaptable adhocracy; the controlled and consistent hierarchy; and the competitive and customer-focused market.

A review of 94 studies found that job attitudes were especially positive in clan-based cultures and that both innovation and financial performance were very strong in market cultures.[4] Although the competing values framework received some support in this review, the authors noted that further theoretical work is needed to ensure it's consistent with the actual cultural values found in organisations.

Each of these approaches has involved the researchers first trying to identify what were the cultural elements, dimensions or characteristics that made an organisational culture and then developing their typology from these. For example, Schein, in his work, focused on an organisation's underpinning philosophy, its *raison d'être* (purpose or reason for being), its core values, its behavioural norms, its rules and its climate.

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EXHIBIT 15.4 Quinn & Cameron's Competing Values Framework



SOURCE: Adapted from K. S. Cameron and R. E. Quinn, *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework* (2nd edn), John Wiley & Sons, 2005.

We will focus on what we have identified as seven primary differentiating characteristics that we see as capturing the essence of any organisation's culture.[5] You will observe they incorporate many of the elements and dimensions discussed earlier:

1. *Innovation and risk-taking*—the degree to which employees are encouraged to be innovative and take risks
2. *Attention to detail*—the degree to which employees are expected to exhibit precision, analysis and attention to detail
3. *Outcome orientation*—the degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve them
4. *People orientation*—the degree to which management decisions take into consideration the effect of outcomes on people within the organisation
5. *Team orientation*—the degree to which work activities are organised around teams rather than individuals
6. *Aggressiveness*—the degree to which people are aggressive and competitive rather than easy-going
7. *Stability*—the degree to which organisational activities emphasise maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. Appraising the organisation on these seven characteristics, then, gives a composite picture of the organisation's culture. This picture becomes the basis for feelings of shared understanding that members have about the organisation, how things are done in it and the way members are supposed to behave. Exhibit 15.5 demonstrates how these characteristics can be mixed to create highly diverse organisations.

Culture is a descriptive term

Organisational culture is concerned with how employees perceive the characteristics of an organisation's culture, not with whether they like them. That is, it's a descriptive term. Research on organisational culture has sought to measure how employees see their organisation. Does it encourage teamwork? Does it reward innovation? Does it stifle initiative? It is different from research into job satisfaction, for example, which seeks to measure how employees feel about the organisation's expectations, reward practices and the like. Although the two terms undoubtedly have overlapping characteristics, keep in mind that organisational culture is descriptive, whereas job satisfaction is evaluative.

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EXHIBIT 15.5 Contrasting organisational cultures

Organisation A

This organisation is a manufacturing firm. Managers are expected to fully document all decisions, and 'good managers' are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticised and penalised, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often-used phrase in the company: 'If it ain't broke, don't fix it'.

There are extensive rules and regulations in this firm that employees are required to follow. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimise formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasise individual effort, although seniority tends to be the primary factor in the determination of pay increases and promotions.

Organisation B

This organisation is also a manufacturing firm. Here, however, management encourages and rewards risk-taking and change. Decisions based on intuition are valued as much as those that are well rationalised. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to 'run with it'. And failures are treated as 'learning experiences'. The company prides itself on being market-driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes that its employees are hardworking and trustworthy. Management is concerned with high productivity, but believes that this comes through treating its people well. The company is proud of its reputation as being a good place to work.

Job activities are designed around work teams, and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on the achievement of these outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

Do organisations have uniform cultures?

Organisational culture represents a common perception that the organisation's members hold. We should expect, therefore, that individuals with different backgrounds or at different levels in the organisation will tend to describe its culture in similar terms.[6]

That doesn't mean, however, that there are no subcultures within any given culture. Most large organisations have a dominant culture and numerous subcultures.[7] A dominant culture expresses the core values shared by a majority of the organisation's members. When we talk about an organisation's culture, we are referring to its dominant culture, which gives an organisation its distinct personality.[8] Subcultures tend to develop in large organisations to reflect common problems, situations or experiences that groups of members in the same department or location face. The purchasing department can have a subculture that includes the core values of the dominant culture plus additional values unique to members of that department.

If organisations were comprised only of numerous subcultures, organisational culture would be significantly less powerful. It is the 'shared meaning' aspect of culture that makes it such a potent device for guiding and shaping behaviour. That's what allows us to say, for example, that Microsoft's culture values aggressiveness and risk-taking[9] and to use that information to better understand the behaviour of Microsoft executives and employees. But many organisations also have subcultures that can influence members' behaviour.

dominant culture A culture that expresses the core values that are shared by a majority of the organisation's members.

subcultures Minicultures within an organisation, typically defined by departmental designations and geographical separation.

core values The primary or dominant values that are accepted throughout the organisation.

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Myth or science?



'An organisation's culture is forever'

This is actually not true. Take banks, for example. Traditionally, banks have been regarded as having a 'process' corporate culture. That is, they are organisations that are known for engaging mainly in low-risk activities and for not having the ability to learn quickly whether their actions and strategies are successful. In Handy's terminology, they're seen as a 'role culture', very traditional in nature, organised as a bureaucratic structure and centred on bureaucratic work methods, strict adherence to rules and where decision making is based on a clear chain of command. Could they possibly be dynamic, people-centred, and organisation-centred on employee empowerment and collaborative support?

Although research indicates organisational culture is difficult to change and that change can take a long time, it can be done. Sometimes it's essential to survival and sometimes it's the vision of a new CEO. Such a vision was evident in the case of Gail Kelly who, in 2008, became the first female CEO to head one of Australia's big four banking entities.

Kelly fast built a reputation as a big-picture strategist and a team player, introducing ambitious goals such as committing to having women in 40% of senior management roles, a goal that she very nearly achieved early in 2012.

She is well known for her overarching generosity of spirit, which stems from her strong belief in the power of people to take responsibility and to seize the initiative when the opportunity presents itself. In her words:

> *I choose to assume that you (my colleague) want the best for me personally and for others. I am generous in my assumption of your underlying motivations and your intent towards me. Hard as it may be at times, I will assume good intent.*

This philosophy and her hyper-energetic, results-orientated and engaging leadership style enabled her to successfully develop a healthy and highly productive workplace culture at Westpac and to attract and empower committed people.

By 2014, she was listed in *Forbes* magazine as the eighth most influential woman in the world and the most powerful business woman in the Asia Pacific, in the same year that Westpac collected the 'most suitable company' award at the annual World Economic Forum in Davos.

Kelly's Westpac transformation illustrates the significant effect positive organisational culture change can achieve.

She left Westpac in 2015 and has since become widely known as the 'culture-builder', an acknowledgement of the sweeping changes she introduced at Westpac. It was the service-oriented culture that she built at Westpac that many have linked to the company's ensuing rise in fortunes.

SOURCES: A. Davidson, *100 CEOs: Proven Strategies for Success from the World's Smartest Executives*, London: Dorling-Kindersley Ltd., 2009; T. E. Deal and A. A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life*, Reading, MA: Addison Wesley, 1982; T. E. Deal and A. A. Kennedy, *The New Corporate Cultures: Revitalizing the Workplace after Downsizing, Mergers and Reengineering*, London-UK: TEXERE Publishing Limited, 2000; C. Handy, *Understanding Organizations* (4th edn), London-UK: Penguin Books Ltd., 1993; G. Korporaal and E. Hannan, 'Cut penalty rates to get with the times, says Westpac's Gail Kelly', *The Australian*, 17 February 2012; and R. Newton 'What kind of leader do you want to be?' *Harvard Business Review*, 26 January 2015.

Strong versus weak cultures

It is possible to differentiate between strong and weak cultures.[10] If most employees have the same opinions about the organisation's mission and values, the culture is strong; if opinions vary widely, the culture is weak.

In a strong culture, the organisation's core values are both intensely held and widely shared.[11] The more members who accept the core values and the greater their commitment, the stronger the culture and the greater its influence on member behaviour because the high degree of sharedness and intensity creates an internal climate of high behavioural control.

strong culture A culture in which the core values are intensely held and widely shared.

A strong culture should reduce employee turnover because it demonstrates high agreement about what the organisation stands for. Such unanimity of purpose builds cohesiveness, loyalty and organisational commitment. These qualities, in turn, lessen employees' propensity to leave.[12] One study found that the more employees agreed on customer orientation in a service organisation, the higher the profitability of the business unit.[13] Another study found that when

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team managers and team members disagreed about perceptions of organisational support, there were more negative moods among team members and the performance of teams was lower.[14] These negative effects are especially strong when managers believe the organisation provides more support than employees think it does.

15.2 Compare the functional and dysfunctional effects of organisational culture on people and the organisation.

What do cultures do?

Let's review the role that culture performs and whether it can ever be a liability for an organisation.

Culture's functions

First, culture has a boundary-defining role: it creates distinctions between one organisation and others. Second, it conveys a sense of identity for organisation members. Third, it facilitates the generation of commitment to something larger than individual self-interest. Fourth, it enhances the stability of the social system. Culture is the social glue that helps hold the organisation together by providing appropriate standards for what employees should say and do. Finally, it is a sense-making and control mechanism that guides and shapes employees' attitudes and behaviour. This last function is of particular interest to us.[15] Culture defines the rules of the game:

> Culture by definition is elusive, intangible, implicit, and taken for granted. But every organisation develops a core set of assumptions, understandings, and implicit rules that govern day-to-day behaviour in the workplace ... Until newcomers learn the rules, they are not accepted as full-fledged members of the organisation. Transgressions of the rules on the part of high-level executives or front-line employees result in universal disapproval and powerful penalties. Conformity to the rules becomes the primary basis for reward and upward mobility.[16]

Today's trend towards decentralised organisations makes culture more important than ever, but, ironically, it also makes establishing a strong culture more difficult. When formal authority and control systems are reduced, culture's *shared meaning* points everyone in the same direction. However, employees organised in teams may show greater allegiance to their team and its values than to the values of the organisation as a whole. In virtual organisations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult. Strong leadership that communicates frequently about common goals and priorities is especially important in innovative organisations.[17]

Individual–organisation 'fit'—that is, whether the applicant's or employee's attitudes and behaviour are compatible with the culture—strongly influences who gets a job offer, a favourable performance review or a promotion. It's no coincidence that Disney theme-park employees appear almost universally attractive, clean and wholesome-looking with bright smiles. The company selects employees who will maintain that image. On the job, a strong culture, supported by formal rules and regulations, ensures employees will act in a relatively uniform and predictable way.

Culture and climate

organisational climate The current shared perceptions of the behaviours, attitudes and feelings that make up organisational life.

If you've worked with someone whose positive attitude inspired you to do your best, or with a lacklustre team that drained your motivation, you've experienced the effects of climate. Organisational climate refers to the current shared perceptions of the behaviours, attitudes and feelings that make up organisational life.[18] It's more easily manipulated than organisational culture and is important to understand given its effect on productivity, motivation and employee behaviour

This is like 'team spirit' at the organisational level. When everyone has the same general feelings about what's important or how well things are working, the effect of these attitudes will be more than the sum of the individual parts. One meta-analysis found that, across dozens of different samples, psychological climate was strongly related to individual-level job satisfaction, involvement, commitment and motivation.[19] A positive overall workplace climate has been linked to higher customer satisfaction and financial performance as well.[20]

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Dozens of dimensions of climate have been studied, including safety, justice, diversity and customer service, to name a few.[21] A person who encounters a positive climate for performance will think about doing a good job more often and will believe that others support their success. Someone who encounters a positive climate for diversity will feel more comfortable collaborating with colleagues regardless of their demographic background. Climates can interact with one another to produce behaviour. For example, a positive climate for worker empowerment can lead to higher levels of performance in organisations that also have a climate for personal accountability.[22] Climate also influences the habits that people adopt. If there's a positive climate for safety, everyone wears safety gear and follows safety procedures even if individually they wouldn't normally think about being safe very often. Many studies have shown that a positive safety climate decreases the number of documented injuries on the job.[23]

The ethical dimension of culture

Over time, in an organisation, the ethical work climate (EWC), or the shared concept of right and wrong behaviour in that workplace, develops as part of the organisational climate. The ethical climate reflects the enacted values of the organisation and shapes the ethical decision making of its members.

ethical work climate (EWC) The shared concept of right and wrong behaviour in the workplace that reflects the enacted values of the organisation and shapes the ethical decision making of its members.

Researchers have developed ethical climate theory (ECT) and the ethical climate index (ECI) to categorise and measure the ethical dimensions of organisational cultures.[24] Of the nine identified climate categories, five are found to be most prevalent in organisations: instrumental, caring, independence, law and code, and rules. Each explains the general mindset, expectations and values of the managers and employees in relationship to their organisation. For instance, in an instrumental ethical climate, managers may frame their decision making around the assumption that employees (and companies) are motivated by self-interest (egoistic). In a caring climate, conversely, managers may operate under the expectation that their decisions will positively affect the greatest number of stakeholders (employees, customers, suppliers) possible.

Ethical climates of independence rely on each individual's personal moral ideas to dictate their workplace behaviour. Law and code climates require managers and employees to use an external standardised moral compass, such as a professional code of conduct, for norms, while rules climates tend to operate by internal standardised expectations from, perhaps, an organisational policy manual. Organisations often progress through different categories as they move through their business life cycle.

An organisation's ethical climate powerfully influences the way its individual members feel they should behave, so much so that researchers have been able to predict organisational outcomes from the climate categories.[25] Instrumental climates are negatively associated with employee job satisfaction and organisational commitment, even though those climates appeal to self-interest (of the employee and the company). They are positively associated with employee turnover intentions, workplace bullying and deviant behaviour. Caring and rules climates have a positive association with job satisfaction. Caring, independence, rules, and law and code climates also reduce turnover intentions, workplace bullying and dysfunctional behaviour.

Studies of ethical climates and workplace outcomes suggest that some climate categories are likely to be found in certain organisations. Industries with exacting standards, such as engineering, accounting and law, tend to have a rules, or a law and code, climate. Industries that thrive on competitiveness, such as financial trading, often have an instrumental ethical climate. Industries with missions of benevolence are likely to have a caring climate, even if they are for-profit, such as in an environmental protection firm.

Research is exploring why organisations tend to fall into certain climate categories by industry, especially successful organisations. We can't conclude that instrumental climates are always bad or that caring climates are always good. Instrumental cultures may foster the individual success their companies need to thrive, for example, and they may help underperformers to recognise that their self-interest is better served elsewhere. Managers in caring cultures may be thwarted from making the best decisions when only those choices that serve the greatest number of employees are acceptable.[26] The ECI is one new way researchers are seeking to understand the context of ethical drivers in organisations.

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By measuring the collective levels of moral sensitivity, judgement, motivation and character of our organisations, we may be able to judge the strength of the influence our ethical climates have on us.[27]

Although ECT was first introduced more than 25 years ago, researchers have recently been studying ethics in organisations more closely to determine not only how ethical climates behave (through ECI, for instance, which was introduced in 2010) but also how they might be fostered, even changed.[28] Eventually, we will be able to provide leaders with better strategies for designing and implementing effective ethical climates to improve an organisation's success and the lives of its members.

Culture and organisational performance

A strong culture should nurture a common understanding of performance goals and shared cultural values should increase employee motivation to reach and surpass those goals. And yet, strong cultures don't always facilitate performance. Enron's 'winner-takes-all' culture led to ethically compromised and criminal acts. It is the case, though, that there are many stories of how culture can significantly contribute to an organisation's bottom line.

When David Thodey was appointed to the position of CEO at Telstra, he soon noticed a company that had become very set in its ways, steeped in bureaucracy and heavily reliant on its longstanding virtual monopolistic position.

The company had long viewed itself as a product-centric engineering organisation. Its culture was typified by a strong technical focus and it lacked the customer-oriented responsiveness that had developed in other companies. Customer complaints were at an all-time high, and rival phone providers were cutting into Telstra's market share. Consumer loyalty was evaporating fast. Telstra held a large corporate-and-government customer base and had developed a culture of complacency towards household consumers.

Thodey aimed to turn all this around by reinvigorating the culture at Telstra. First he introduced annual cultural audits to map the values within the organisation. He also spent many hours personally taking phone calls from dissatisfied customers. He listened carefully to their complaints, and built a deep understanding of consumer sentiment.

He also listened to his employees. He found that excessive formalisation had given rise to a low-trust culture at Telstra. Complex reporting systems had stifled innovation, impeding initiative and preventing effective customer responsiveness.

Thodey responded by stripping away the bureaucracy, dismantling unnecessary rules and streamlining procedures. Reward systems were overhauled and customer-centric behaviours were reinforced. What emerged was a culture based on professionalism and trust—and one where the customer was placed at the centre of everyone's initiatives.

Over a five-year period, Telstra had moved from being a technically oriented engineering company with poor morale and high employee turnover, to a customer-oriented service provider with improved employee engagement and higher staff satisfaction levels. Internal cultural surveys showed that over this time, employee morale had improved considerably and staff turnover had diminished. Company records show that customer complaints fell dramatically over the same period.[29]

Paradoxically, having a bad culture doesn't necessarily mean poor performance. By every measure, Dish Network is a business success story—it's the fourth-largest US satellite television provider, and it has made founder Charlie Ergen one of the richest men in the world.[30] Yet Dish frequently ranks as one of the worst US companies to work for; and employees say the fault is the micromanaging culture Ergen created and enforces. Employees describe arduous mandatory overtime, fingerprint scanners to record work hours to the minute, public berating (most notably from Ergen), management condescension and distrust, quarterly 'bloodbath' layoffs and no working from home. One employee advised another, 'You're part of a poisonous environment ... Go find a job where you can use your talents for good rather than evil'.

At Telstra, positive changes to the organisation's performance have been clearly attributed to the transformation of its organisational culture. Dish, on the other hand, may have succeeded *despite* its culture. We can only wonder how much more successful Dish could be if it reformed

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its toxic culture. There are many more cases of business success stories due to excellent organisational cultures than there are of success stories despite bad cultures, and almost no success stories *because* of bad ones.

Culture as an organisational challenge

Culture enhances organisational commitment and increases the consistency of employee behaviour. These are clearly benefits to an organisation. From an employee's standpoint, culture is valuable because it spells out how things are done and what's important. But we shouldn't ignore the potentially challenging aspects of culture, especially a strong one, on an organisation's effectiveness. Hewlett-Packard, once known as a premier computer manufacturer, rapidly lost market share and profits as the dysfunction of its top management team trickled down, leaving employees disengaged, uncreative, unappreciated and polarised.[31]

Institutionalisation

When an organisation undergoes institutionalisation and becomes institutionalised—that is, valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.[32] It doesn't go out of business even if its original goals are no longer relevant. Acceptable modes of behaviour become largely self-evident to members, and although this isn't entirely negative, it does mean behaviours and habits that should be questioned and analysed become taken for granted, which can stifle innovation and make maintaining the organisation's culture an end in itself.

institutionalisation A condition that occurs when an organisation takes on a life of its own, apart from any of its members, and acquires immortality.

Change management

Culture is a challenge when the shared values are not in agreement with those that further the organisation's effectiveness. This situation is most likely to occur when an organisation's environment is undergoing rapid change, and its entrenched culture may no longer be appropriate.[33] Consistency of behaviour, an asset in a stable environment, may then burden the organisation and make it difficult for the organisation to be able to respond to changes.

Diversity

Hiring new employees who differ from the majority in terms of race, age, gender, disability or other characteristics creates a paradox.[34] Management wants to demonstrate support for the differences these employees bring to the workplace, but newcomers must accept the organisation's core cultural values to fit in. Because diverse behaviours and unique strengths are likely to diminish as people attempt to assimilate, strong organisational cultures can become liabilities when they effectively eliminate these advantages.

By limiting the range of acceptable values and styles, strong organisational cultures put considerable pressure on employees to conform. A strong culture that condones prejudice, supports bias or becomes insensitive to people who are different can even undermine formal corporate diversity policies.

Mergers and acquisitions

Historically, when management looked at acquisition or merger decisions, the key factors were financial advantage and product synergy. In recent years, cultural compatibility has become the primary concern.[35] All things being equal, whether the acquisition actually works seems to have more to do with how well the two organisations' cultures match up.

A survey by consulting firm A. T. Kearney revealed that 58% of mergers fail to reach the financial goals set by top managers.[36] The primary cause of failure is conflicting organisational cultures. When health insurer BUPA Australia merged with MBF in 2010, the organisation tripled in size overnight. This was one of the more successful mergers in recent times. BUPA Australia managing director Richard Bowden was very sensitive to the issue of cultural fit between the two organisations and explains: '[W]e did lots and lots of communication, and we were conscious of being very transparent about our intentions and execution. We thought this was particularly important in view of the fact that, prior to the merger, there was vigorous competition between the two companies.'[37]

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15.3 Identify the factors that create and sustain an organisation's culture.

Creating and sustaining culture

An organisation's culture doesn't pop out of thin air and, once established, it rarely fades away. What forces influence the creation of a culture? What reinforces and sustains a culture once it's in place?

Establishing a culture

An organisation's current customs, traditions and general way of doing things are largely due to what it has done before and how successful it has been in doing it. This leads us to the ultimate source of an organisation's culture: its founders.[38] Founders traditionally have a major impact on an organisation's early culture. Free of previous customs or ideologies, founders have a vision of what the organisation should be, and the initially small size of the organisation means it's easy to impose that vision on all members.

Culture creation happens in three ways.[39] First, founders hire and keep only employees who think and feel the same way they do. Second, they indoctrinate and socialise these employees to their way of thinking and feeling. And, finally, the founders' own behaviour encourages employees to identify with them and internalise their beliefs, values and assumptions When the organisation succeeds, the founders' personality becomes embedded in the culture.

The fierce, competitive style and disciplined, authoritarian nature of Hyundai, the giant Korean conglomerate, are the same characteristics often used to describe founder Chung Ju Yung. Other founders with immeasurable impact on their organisation's culture include Bill Gates at Microsoft, Ingvar Kamprad at IKEA, Gerry Harvey of Harvey Norman retail stores and Ricardo Semler at Semco.

Keeping a culture alive

Once a culture is in place, similar practices within the organisation maintain it by giving employees a set of similar experiences.[40] Those who support the culture are rewarded and those who challenge it are penalised (and even expelled).

The three practices of the founder identified above in establishing a culture also play a part in sustaining a culture. These three practices may be described as (1) the selection and reward process, (2) modelling behaviours and (3) socialisation. Let's look at each.

Selection and reward

The explicit goals of the selection and reward processes are to identify, hire and reward individuals with the knowledge, skills and abilities to perform successfully. The final decision, because it is significantly influenced by the decision-maker's judgement of how well the candidates will fit into the organisation, identifies people whose values are essentially consistent with at least a good portion of the organisation's values.[41] Selection and reward processes also provide information to applicants. Those who perceive a conflict between their values and those of the organisation can remove themselves from the applicant pool or leave the organisation. In this way, selection and reward becomes a two-way street, allowing employer or applicant to avoid a mismatch and sustaining an organisation's culture by selecting out those who might attack or undermine its core values.

Modelling behaviours

The actions of top management also have a major impact on the organisation's culture.[42] Through words and behaviour, senior executives establish norms that filter through the organisation about, for instance, whether risk-taking is desirable, how much freedom managers should give employees, what is appropriate dress and what actions pay off in terms of pay increases, promotions and other rewards. When Scott Morgan took over as CEO at the Greater Bank, he was very conscious of his role in shaping and influencing the culture of the organisation to improve internal communication, enhance transparency and lift the

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organisation's level of customer service. Collectively, these behaviours have led to a significant improvement in the organisation's performance.

Socialisation

No matter how good a job the organisation does in recruitment and selection, new employees aren't fully indoctrinated in the organisation's culture and can disrupt beliefs and customs already in place. The process that helps new employees adapt to the prevailing culture is socialisation.[43]

socialisation A process that adapts employees to an organisation's culture.

All army recruits (whether in Australia, New Zealand, Singapore, Malaysia or elsewhere) must go through boot camp, where they 'prove' their commitment. Of course, at the same time, the trainers are indoctrinating new recruits in the 'army way' of doing things.

The socialisation process comprises the pre-arrival, encounter and metamorphosis stages[44] and it has an impact on the new employee's work productivity, commitment to the organisation's objectives and eventual decision to stay with the organisation. The socialisation process is shown in Exhibit 15.6.

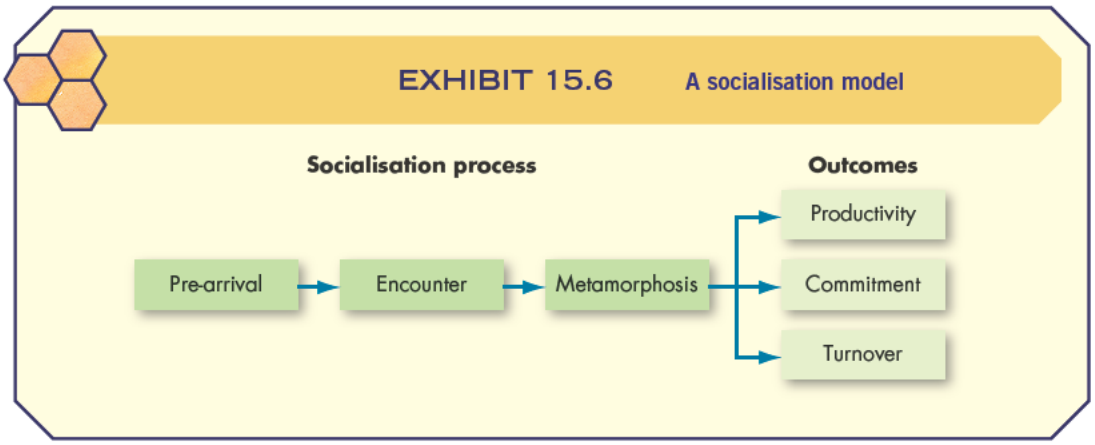
The pre-arrival stage explicitly recognises that each individual arrives with a set of values, attitudes and expectations about both the work to be done and the organisation. One major purpose of a business school, for example, is to socialise business students to the attitudes and behaviours that business organisations want. Newcomers to high-profile organisations with a strong market position will make their own assumptions about what it is like to work there.[45] Most new recruits will expect Nike to be dynamic and exciting and a prestigious law firm to be high in pressure and rewards. No matter how well managers think they can socialise newcomers, however, the most important predictor of future behaviour is past behaviour. What people know before they join the organisation and how proactive their personality is are critical predictors of how well they will adjust to a new culture.[46]

pre-arrival stage The period of learning in the socialisation process that occurs before a new employee joins the organisation.

One way to capitalise on the importance of pre-hire characteristics in socialisation is to use the selection process to inform prospective employees about the organisation as a whole. We've seen how the selection process ensures the inclusion of the 'right type'—that is, those who will fit in. Indeed, to be accepted into an organisation, applicants need to be able to present appropriately during the selection process to prove their capabilities and successful applicants are the ones who have 'correctly anticipated the expectations and desires of those in the organisation in charge of selection'.[47]

On entry into the organisation, new members reach the encounter stage and confront the possibility that expectations—about the job, colleagues, the boss and the organisation in general—may differ from reality. If expectations were fairly accurate, the encounter stage merely cements earlier perceptions. However, this is often not the case. At the extreme, a new member may become disillusioned enough with the reality to resign. Proper recruiting and selection should significantly reduce that outcome, along with encouraging friendship ties in the organisation; newcomers are more committed when friends and colleagues help them to 'learn the ropes'.[48]

encounter stage The stage in the socialisation process in which a new employee sees what the organisation is really like and confronts the possibility that expectations and reality may diverge.



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metamorphosis stage The stage in the socialisation process where a new employee changes and adjusts to the job, work group and organisation.

Finally, to work out any problems discovered during the encounter stage, the new member changes or goes through the metamorphosis stage. The options presented in Exhibit 15.7 are alternatives designed to bring about the desired metamorphosis. Most research suggests that there are two major 'bundles' of socialisation practices. The more management relies on formal, collective, sequential, fixed and serial socialisation programs and emphasises divestiture, the more likely newcomers' differences will be stripped away and replaced by standardised predictable behaviours. These institutional practices are common in police departments, fire departments and other organisations that value rule-following and order. Programs that are informal, individual, random, variable and disjunctive and emphasise investiture are more likely to give newcomers an innovative sense of their role and methods of working. Creative fields such as research and development, advertising and filmmaking rely on these individual practices. Most research suggests that high levels of institutional practice encourage person–organisation fit and high levels of commitment, whereas individual practices produce more role innovation.[49]

The three-part entry socialisation process is complete when new members have become comfortable with the organisation and the job. They have internalised and accepted the norms of the organisation and their work group, are confident in their competence and feel trusted and valued by their peers. They understand the system—not only their own tasks but the rules, procedures and informally accepted practices as well. Finally, they know what's expected of them and what criteria will be used to measure and evaluate their work. Successful metamorphosis should have a positive impact on new employees' productivity and their commitment to the organisation and reduce their propensity to leave the organisation.

Researchers have begun to examine how employee attitudes change during socialisation by measuring the degree of socialisation at several points over the first few months. One study has documented patterns of 'honeymoons' and 'hangovers' for new workers, showing that the period of initial adjustment is often marked by decreases in job satisfaction as their idealised hopes come

EXHIBIT 15.7 Entry socialisation options

Formal vs. informal The more a new employee is segregated from the ongoing work setting and differentiated in some way to make explicit their newcomer's role, the more formal socialisation is. Specific orientation and training programs are examples. Informal socialisation puts the new employee directly into the job, with little or no special attention.

Collective vs. individual New members can be grouped together and processed through an identical set of experiences, as in military boot camp. Or they can be socialised individually, as in many professional offices.

Sequential vs. random A sequential schedule establishes standardised stages of transition, as in rotational training programs. It also includes probationary periods, such as the eight-to-ten-year 'associate' status used by accounting and law firms before a candidate can be made a partner. Random schedules give no advance notice of their transition timetable, as in the typical promotion system in which an employee is not advanced to the next stage until 'ready'.

Fixed vs. variable When the content of socialisation is fixed, all employees entering the organisation receive the same standardised information, often from a policy manual or a training curriculum. When the content is variable, different employees are exposed to different information depending on their specific job tasks.

Serial vs. disjunctive Serial socialisation is characterised by the use of role models who train and encourage the newcomer. Apprenticeship and mentoring programs are examples. In disjunctive socialisation, role models are deliberately withheld, and new employees are left on their own to figure things out.

Investiture vs. divestiture Investiture socialisation assumes that the newcomer's qualities and qualifications are the necessary ingredients for job success, so these qualities and qualifications are confirmed and supported. Divestiture socialisation tries to strip away certain characteristics of the recruit.

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into contact with the reality of organisational life.[50] Other research suggests that role conflict and role overload for newcomers rise over time, and that workers with the largest increases in these role problems experience the largest decreases in commitment and satisfaction.[51] It may be that the initial adjustment period for newcomers presents increasing demands and difficulties, at least in the short term.

This is not to say that the cultural expectations they are being socialised into are always ethical or lawful. German engineering giant Siemens used bribes so widely that a German government official claimed that bribery was Siemens's business model and that Siemens had institutionalised corruption. Managers were frequently socialised on how to bribe officials, where to obtain the money (bribes were referred to as 'NA' for *nützliche Aufwendungen*, or 'useful money') and how to hide it in a sham accounting system. In the end, 2700 of Siemens's contracts were found to have been won through bribes and the company and its managers faced myriad penalties.[52]

How employees learn culture

15.4 Show how culture is transmitted to employees.

Culture is transmitted to employees in a number of forms. Employees learn through observing and experiencing the artefacts of the organisation, in becoming aware of and understanding its espoused values; and through these and the socialisation process described previously, they develop a set of deeply held beliefs (referred to as 'Basic assumptions' in Exhibit 15.2) that guide their behaviour and decision making in the organisation.

Each is critical in the learning process, but perhaps the most potent is the 'Artefacts' level in the same exhibit. Artefacts such as organisational stories, rituals, material symbols and language warrant a particular mention here and are addressed below.

Stories

When Henry Ford II was chairman of Ford Motor Company, you would have been hard-pressed to find a manager who hadn't heard how he reminded his executives, when they got too arrogant: 'It's my name that's on the building'. The message was clear: Henry Ford II ran the company.

A number of senior Nike executives spend much of their time serving as corporate storytellers. And the stories they tell are meant to convey what Nike is about.[53] When they tell how co-founder Bill Bowerman went to his workshop and poured rubber into his wife's waffle iron to create a better running shoe, they're talking about Nike's spirit of innovation. When new hires hear tales of Olympic runner Steve Prefontaine's battles to make running a professional sport and obtain better equipment, they learn of Nike's commitment to helping athletes.

Stories such as these circulate through many organisations. They typically contain a narrative of events about the organisation's founders, rule breaking, rags-to-riches successes, reductions in the workforce, relocation of employees, reactions to past mistakes and organisational coping.[54] These stories anchor the present in the past and explain and legitimise current practices.

Rituals

Rituals are repetitive sequences of activities that express and reinforce the key values of an organisation, including things like the values that are most prized, and the way in which people are regarded. An example is Australian tech firm Canva, where CEO Melanie Perkins has been instrumental in setting up an all-inclusive dining area for employees. The company provides lunch for its staff with seating arrangements that foster interaction and bring people from all levels together.[55]

rituals Repetitive sequences of activities that express and reinforce the key values of the organisation, which goals are most important, which people are important and which people are expendable.

Symbols

The layout of company headquarters, the types of cars the top executives are given and the presence or absence of corporate aircraft are a few examples of material symbols. Others include the size of offices, the elegance of furnishings, executive perks and attire.[56] These convey to employees who is important, the degree of egalitarianism that top management

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desires and the kinds of behaviour that are appropriate, such as risk-taking, conservative, authoritarian, participative, individualistic or social.

Some cultures are known for the perks in their environments, such as Google's bocce courts, Atlassian's pool table meetings and free lunches, and Microsoft's organic spa. Other companies communicate the values of their cultures through the gift of time to think creatively, either with leaders or offsite. Financial products developer Think Finance and other companies set up rotating focus groups and 'town halls', where employees meet with top management to enhance an idea-sharing culture. Biotech leader Genentech and many other top companies provide paid sabbaticals. Genentech offers every employee seven weeks' paid leave for every five years of service in order to support a culture of equitability and innovative thinking.[57]

Language

Many organisations and subunits within them use language to help members identify with the culture, attest to their acceptance of it and help preserve it. Unique terms describe equipment, officers, key individuals, suppliers, customers or products that relate to the business. New employees may at first be overwhelmed by acronyms and jargon, which, once assimilated, act as a common denominator to unite members of a given culture or subculture. If you're a new employee at Boeing, you'll find yourself learning a unique vocabulary, including BOLD (Boeing online data), CATIA (computer-graphics-aided three-dimensional interactive application), MAIDS (manufacturing assembly and installation data system), POP (purchased outside production) and SLO (service-level objectives).[58]

15.5 Describe the similarities and differences of creating an ethical culture and a positive culture.

Changing organisational cultures

The fast-moving competitive markets of the 21st century require the modern organisation to adapt and change to stay in business. This type of change, due, for example, to the globalised economy or to technology changes, may require a revisit of the organisation's mission, values and ultimately its culture. Changing an organisational culture, however, is a difficult task because as we've seen, it's a shared, multi-determined and deeply embedded phenomenon.

To succeed, you have to influence the observable (artefacts, behaviours and espoused values) in order to change the unobservables (the enacted values, deeply seated beliefs and basic assumptions). This is usually managed through increasing those individuals who are aligned with the new culture (through selection, reward, promotion), reducing resistance of the others (through dismissal, penalising, demoting) and through the effective establishment of new artefacts and values reflective of the new culture. This is all achieved through effective and consistent cultural communication which explains, justifies and aligns the new artefacts, values and deeply seated assumptions that will make up the new culture. The new leaders and managers will engage in the same three processes that the founder did when the organisation was established and that they normally do to keep the culture alive: selection and reward, modelling behaviour and socialisation.

The added difficulty will be managing the natural resistance to changing the culture by many in the organisation, including some managers. We will come back to this and see how we might overcome such resistance in Chapter 16.

Now, we'll consider two types of culture that are gaining ground in terms of perceived importance for the 21st-century organisation: ethical culture and positive culture.

Developing an ethical culture

The organisational culture most likely to shape high ethical standards among its members is one that is high in risk tolerance, low to moderate in aggressiveness, and focused on means as well as on outcomes.[59] This type of culture also takes a long-term perspective and balances the rights of multiple stakeholders, including the communities in which the business operates, its employees and its shareholders. Managers are supported for taking risks and innovating, discouraged from engaging in unbridled competition, and guided to pay attention not just to *what* goals are achieved but also *how*.

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If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behaviour. At RedBalloon, Naomi Simson has built a strong commitment to developing an employee-centred workplace based on a culture of deep dedication and involvement. This culture helps to define the company's ongoing success. Not surprisingly, RedBalloon has won numerous awards for its employee-empowerment practices. However, a strong culture that encourages pushing the limits can be a powerful force in shaping unethical behaviour as we noted earlier when we saw Enron's aggressive culture, with its unrelenting pressure on executives to rapidly expand earnings, encouraging unethical and criminal behaviours and eventually contributing to the company's downfall.[60]

What can management do to create a more ethical culture? Research suggests that managers can have an effect on the ethical behaviour of employees by adhering to the following principles:[61]

- *Be a visible role model.* Employees will look to the actions of top management as a benchmark for appropriate behaviour. Senior managers taking the ethical high road send a positive message to all employees.
- *Communicate ethical expectations.* Minimise ethical ambiguities by creating and disseminating an organisational code of ethics. It should state the organisation's primary values and the ethical rules employees are expected to follow.
- *Provide ethical training.* Set up seminars, workshops and similar ethical-training programs. Use these to reinforce the organisation's standards of conduct, clarify what practices are and are not permissible, and address potential ethical dilemmas.
- *Visibly reward ethical acts and punish unethical ones.* Include in managers' performance appraisals a point-by-point evaluation of how their decisions measure up against the organisation's code of ethics. Review the means taken to achieve goals as well as the ends themselves. Visibly reward those who act ethically. Just as importantly, unethical acts should be conspicuously punished.
- *Provide protective mechanisms.* Provide formal mechanisms so employees can discuss ethical dilemmas and report unethical behaviour without fear of reprimand. These might include ethical counsellors, ombudsmen or officers.

Setting a positive ethical climate has to start at the top of the organisation.[62] A study of 195 managers demonstrated that supervisors are more likely to practise ethical leadership when top management emphasises strong ethical values. A positive ethical attitude transfers down to line employees, who show lower levels of deviant workplace behaviour and higher levels of cooperation and assistance. The general ethical behaviour and attitudes of other members of the department matter too for shaping individual ethical behaviour. Finally, employees whose ethical values are similar to those of their department are more likely to be promoted, so we can think of ethical culture as flowing from the bottom up as well.[63]

Developing a positive culture

Creating a positive culture may sound hopelessly naïve or like a Dilbert-style conspiracy. The one thing that indicates this trend is here to stay, however, is the signs that management practice and OB research are converging.

A positive organisational culture emphasises building on employee strengths and rewards more than it punishes and emphasises individual vitality and growth.[64] Let's consider each of these areas.

positive organisational culture A culture that emphasises building on employee strengths and rewards more than punishing and emphasising individual vitality and growth.

Building on employee strengths

A lot of OB and management practice considers how to fix employee problems. Although a positive organisational culture doesn't ignore problems, it does emphasise showing workers how they can capitalise on their strengths. As management guru Peter Drucker said, most people 'do not know what their strengths are. When you ask them, they look at you with a blank stare, or they respond in terms of subject knowledge, which is the wrong answer'. Do you know what your strengths are? It would obviously be better to be in an organisational culture that helped you discover them and learn ways to make the most of them.

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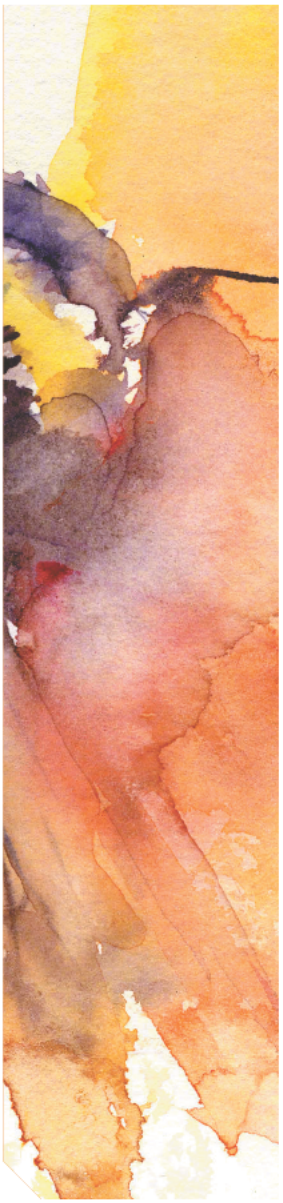
Ethical choice



A culture of contradiction

In the world of business, success and ethical culture don't necessarily go hand in hand for all sectors and industries. Leaders who desire ethical cultures in their organisations must choose to build ethics into the company's definition of success in ways that translate into ethical actions for managers and employees. They need to develop and sustain an ethical culture that becomes part of the 'everyday way of thinking' of the organisation.

The development of an ethical culture has resonance in Australian society. The Governance Institute of Australia's 2018 Ethics Index, which rates the overall importance of ethics to the Australian public and compares it to the actual level of ethical behaviour exhibited by various industries and occupations, suggests that Australians are increasingly concerned about unethical behaviour by the banking and financial sectors in light of the Banking Royal Commission's revelations of misconduct. The index reports that 87% of Australians surveyed rated ethics as 'important or very important' in a well-functioning society and close to 60% of these respondents adopted a 'selfless act' when an ethical scenario was posed to them. Australian individuals, therefore, value ethical conduct.

In contrast, the corporate sector was regarded as 'somewhat unethical' (–9). The banking, finance and insurance industries were rated as the least ethical sector in Australia (–15) and also ranked worst on the 'ethical expectation deficit'—that is, the difference between the importance placed on ethics by the public and the actual ethical behaviour displayed by that sector. The public's reasons for the low score of this sector were ranked as follows: executive salaries, bribery and corruption, executive bonuses, insufficient regulation and customer service.

Although Australian individuals value ethical behaviour and organisational leaders espouse ethics as important, the leaders' espoused culture doesn't seem to be transforming into its enacted culture in certain sectors.

A 2017 survey provides evidence that more work is needed in sustaining strategies—such as reward and selection, modelling behaviours and socialisation—in Australian organisations and reveals that while individuals might personally value ethical behaviour, their actual behaviour within certain organisational sectors is very different.

The 2017 EY Asia Pacific Fraud survey found that, in light of economic conditions and increased competition, 32% of Australian respondents saw that growing pressure to exceed the business bottom line was taking its toll on ethical conduct.

Despite expressing the wish to work for an ethical organisation, 17% believed it justifiable to mis-state an organisation's financial position in order to meet performance targets and 20% saw it as justifiable to massage financial reports to provide a more positive outlook on results.

In terms of observable behaviours/enacted culture, 27% of respondents believed the use of bribery to secure a contract was common practice in their industry or sector and 31% believed Australian companies massaged their financial reports to report financial performance better than it is.

As a possible part-explanation for why unethical behaviours are increasing, the survey found that 43% of respondents believed those engaging in unethical behaviour were being promoted.

Rob Locke, EY's Oceana Managing Partner, Fraud Investigation and Dispute Service, says, 'what's most concerning for Australian business is the overwhelming belief that achieving economic targets trumps the need for ethical behaviour'. He states that employees perceive that unethical behaviour is not only tolerated but is rewarded and that leaders need to recognise this. The contradiction between espoused and enacted cultures needs to end.

SOURCES: R. Williams, 'Ethics in banking? That's a negative', *Sydney Morning Herald*, 15 August 2018; I. Lane, 'Banks, mortgage brokers, real estate agents considered least ethical: 2018 Ethics Index', *The New Daily*, 17 August 2018; C. Pash, 'Business ethics are crumbling in Australia as economic growth slows', *Business Insider Australia*, 23 May 2017.

Larry Hammond used this approach—finding and exploiting employee strengths—when you'd least expect it: during his company's darkest days. Hammond is CEO of Auglaize Provico, an agribusiness company. When the company was in the midst of its worst financial struggles and had to lay off one-quarter of its workforce, Hammond decided to try a different approach. Rather than dwell on what was wrong, he took advantage of what was right. 'If you really want to [excel], you have to know yourself—you have to know what you're good at, and you have to know what you're not so good at,' says Hammond. With the help of Gallup consultant

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Barry Conchie, Hammond focused on discovering and using employee strengths and helped the company turn itself around. 'You ask Larry [Hammond] what the difference is, and he'll say that it's individuals using their natural talents,' says Conchie.[65] One employee may be strong in 'ideation' (the ability to find connections between seemingly disparate phenomena) and may learn to use that strength more often and effectively, while another may discover and develop the skill of 'consistency' (the ability to set clear rules and adhere to them).

Rewarding more than punishing

Although most organisations are sufficiently focused on extrinsic rewards such as pay and promotions, they often forget about the power of smaller (and cheaper) rewards such as praise. Part of creating a positive organisational culture is 'catching employees doing something right'. Another part is articulating praise. Many managers withhold praise because they're afraid employees will coast or because they think praise isn't valued. Because employees generally don't ask for praise, managers usually don't realise the costs of failing to provide it. Failing to praise can become a 'silent killer', like escalating blood pressure.

Consider Elżbieta Górska-Kolodziejczyk, a plant manager for International Paper's facility in Kwidzyn, Poland. The job environment at the plant is bleak and difficult. Employees work in a windowless basement. Staffing is roughly one-third its prior level, while production has tripled. These challenges had defeated the previous three managers. So, when Górska-Kolodziejczyk took over, she knew she had her work cut out. Although she had many items on her list of ways to transform the organisation, at the top was recognition and praise. She initially found it difficult to give praise to those who weren't used to it, especially men. 'They were like cement at the beginning,' she said. 'Like cement.' Over time, however, she found they valued and even reciprocated praise. One day a department supervisor called her over to tell her she was doing a good job. 'This I do remember, yes,' she said.[66]

Encouraging vitality and growth

A positive organisational culture emphasises organisational effectiveness as well as individuals' growth. No organisation will get the best from employees who see themselves as mere tools or parts of the organisation. A positive culture recognises the difference between a job and a career and supports not only what the employee does to contribute to organisational effectiveness but also what the organisation can do to make the employee more effective (personally and professionally).

Although it may take more creativity to encourage employee growth in some types of industries, consider the fast-paced food industry. Philippe Lescornez leads a team of employees at Masterfoods in Belgium. One of his team members is Didier Brynaert, who works in Luxembourg, nearly 250 kilometres from Masterfoods' Belgian headquarters. Brynaert was considered to be a good sales promoter who was meeting expectations. Lescornez decided that Brynaert's job could be made more important if he were seen less as just another sales promoter and more as an expert on the unique features of the Luxembourg market. So Lescornez asked Brynaert for information he could share with the home office. He hoped that by raising Brynaert's profile in Brussels he could create in him a greater sense of ownership for his remote sales territory. 'I started to communicate much more what he did to other people [within the company], because there's quite some distance between the Brussels office and the section he's working in. So I started to communicate, communicate, communicate. The more I communicated, the more he started to provide material,' says Lescornez. As a result, 'Now he's recognised as the specialist for Luxembourg—the guy who is able to build a strong relationship with the Luxembourg clients,' says Lescornez. What's good for Brynaert, of course, is also good for Lescornez, who gets credit for helping Brynaert grow and develop.[67]

Limits of positive culture

Is positive culture a panacea? Although companies such as GE, Xerox, Boeing and 3M have embraced aspects of a positive organisational culture, it's a new enough idea for there to be uncertainty about how and when it works best.

There surely are limits to how far we should go to preserve a positive culture. For example, Admiral, a British insurance company, has established a Ministry of Fun in its call centres to organise events such as poem writings, football, conker competitions (a British game involving

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How do I learn to lead?

Career OBjectives



I'll be starting a new job in a few weeks. It's my first time working as a leader for a team, and I know I have a lot to learn. Is there any way I can be sure I'll achieve success as a leader?

—Gary

Dear Gary,

Learning about a new job is always complicated. Learning how to be a leader is doubly complicated. It's expected that you have the capacity to provide direction and purpose for employees and that you will respect the existing culture of the group as well as the capacities of individual members. Here are a few key insights towards making your transition into leadership successful:

- *Ask questions*. New leaders are often anxious about asking questions of employees who report directly to them for fear of being seen as incompetent or weak. However, inquiring about how things have been done in the past and asking about individual goals signals that you are concerned about the team members. Familiarising yourself with the group's culture and practices can also help you develop techniques to harness the team's strengths and overcome challenges.
- *Build relationships with other leaders.* Remember: you were put into this role for a reason, and the company wants to see you succeed, so make the most of the resources of others. Take detailed notes regarding specific activities and strategies that were successful, and schedule a check-in to discuss how these strategies have worked over time. If you can show you're truly engaged in the learning process, you'll find others are more willing to provide you with assistance and advice.
- *Start small.* Much has been written about the importance of gaining small wins early to build your reputation. The old saying 'You never get a second chance to make a first impression' definitely holds true in the workplace. Try to develop new initiatives with clear outcomes that will allow you to demonstrate your leadership traits. The best leadership transitions include learning what the situation calls for and setting your team up for success from the start.

Be proactive!

SOURCES: Based on T. B. Harris, N. Li, W.R. Boswell, X. Zhang and Z. Xie, 'Getting what's new from newcomers: empowering leadership, creativity, and adjustment in the socialization context', *Personnel Psychology* 67, 2014, pp. 567–604; Y. H. Ji, N. A. Cohen, A. Daly, K. Finnigan and K. Klein, 'The dynamics of voice behavior and leaders' network ties in times of leadership successions', *Academy of Management Proceedings*, January 2014; and B. Eckfeldt, '5 things new CEOs should focus on', *Business Insider*, 1 June 2015.

chestnuts) and fancy-dress days. When does the pursuit of a positive culture start to seem coercive or even Orwellian? As one critic notes, 'Promoting a social orthodoxy of positiveness focuses on a particular constellation of desirable states and traits but, in so doing, can stigmatise those who fail to fit the template'.[68]

There may be benefits to establishing a positive culture, but an organisation also needs to be careful to be objective and not pursue it past the point of effectiveness.

15.6 Show how national culture may affect the way organisational culture is transported to another country.

The global context

We considered global cultural values (collectivism–individualism, power distance and so on) in Chapter 4. Here, our focus is a bit narrower: how is organisational culture affected by a global context? Organisational cultures are often so powerful that they transcend national boundaries. But that doesn't mean organisations should, or could, be ignorant of local culture.

Organisational cultures often reflect national culture. The culture at AirAsia, a Malaysian-based airline, emphasises informal dress so as not to create status differences. The carrier has a lot of parties, participative management and no private offices, reflecting Malaysia's relatively collectivistic culture. In contrast, the culture of Qantas doesn't reflect the same degree of

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informality. If Qantas were to merge with AirAsia, it would need to take these cultural differences into account. So, when an organisation opens up operations in another country, it ignores the local culture at its risk.

One of the primary things all managers can do is to be culturally sensitive. As one US executive put it, 'We [American managers] are broadly seen throughout the world as arrogant people, totally self-absorbed and loud'. Companies such as American Airlines, ExxonMobil and Microsoft have implemented training programs to sensitise their managers to cultural differences. Some ways managers can be culturally sensitive include talking in a low tone of voice, speaking slowly, listening more and avoiding discussions of religion and politics.

The management of ethical behaviour is one area where national culture can rub up against corporate culture.[69] Many strategies for improving ethical behaviour are based on the values and beliefs of the host country. Managers in some Western countries endorse the supremacy of anonymous market forces and implicitly or explicitly view profit maximisation as a moral obligation for business organisations. Associated with this perspective is the belief that bribery, nepotism and favouring personal contacts are highly unethical practices. Any action that deviates from profit maximisation may indicate inappropriate or corrupt behaviour.

Of course, there are exceptions to this. In the spirit of market-based capitalism during the global financial crisis of 2008–09, some senior executives viewed such unethical practices as part of the game. A growing number of authors have expressed their alarm at the extent and depth of unethical practices in business, particularly evident in the recent Royal Commission into banking practices throughout Australia.

In contrast, managers in developing economies are more likely to see ethical decisions as embedded in a social environment. This means doing special favours for family and friends is not only appropriate but may even be an ethical responsibility. Managers in many nations also view capitalism sceptically and believe the interests of workers should be put on a par with the interests of shareholders.

Summary

Exhibit 15.8 depicts the impact of organisational culture. Employees form an overall subjective perception of the organisation based on factors such as the degree of risk tolerance, team emphasis and support of individuals. This overall perception represents, in effect, the organisation's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.

EXHIBIT 15.8 How organisational cultures impact employee performance and satisfaction



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Implications for managers

- Realise that an organisation's culture is relatively fixed in the short term. To effect change, involve top management and strategise a long-term plan.
- Hire individuals whose values align with those of the organisation; these employees will tend to remain committed and satisfied. Not surprisingly, organisations with individuals misaligned with the culture have considerably higher turnover rates.
- Understand that employees' performance and socialisation depend to a considerable degree on their knowing what to do and not to do. Train your employees well and keep them informed of changes to their job roles.
- As a manager, you can shape the culture of your work environment, sometimes as much as it shapes you. All managers can do their part to create an ethical culture and to consider its role in creating a positive organisational culture.
- Be aware that your company's organisational culture may not be 'transportable' to other countries. Understand the cultural relevance of your organisation's norms before introducing new plans or initiatives overseas.

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ORGANISATIONAL CULTURE CAN BE 'MEASURED'

POINT

Greg Besner, entrepreneur, founder and CEO of CultureIQ, has spent nearly two decades following hundreds of companies to be able to accurately measure organisational culture. CultureIQ focuses on measuring and managing organisational culture using a software package, and they have found, over time, what they believe are 10 indicators that help a company assess their organisational cultures (especially the mission and values aspect). Besner suggests that companies should assess all of the following:

1. Communication, including employee voice and downward communication from leaders
2. Innovation, including employee creativity and organisational receptiveness to new ideas
3. Agility, including employee perceptions of whether the organisation adapts to changes
4. Wellness, including the mental and physical well-being of employees
5. Environment, including the comfort and usability of the office space
6. Collaboration, including how well employees work with one another
7. Support, including the assistance that employees get from their supervisors, co-workers and the organisation as a whole
8. Performance orientation, including role clarity, rewards and employee recognition
9. Responsibility, including employee accountability and autonomy
10. Mission and values, including awareness and implementation.

Beyond Besner's approach, a variety of other researchers and practitioners have claimed to assess organisational culture accurately. Primarily, they have used surveys and interviews to assess organisational culture and have amassed evidence that the surveys and interviews measure what they should and measure them consistently. One example of these measures asks employees to respond to questions related to the dimensions of organisational culture discussed at the beginning of the chapter (the same 'objective factors' listed in Exhibit 15.8) and to compare how their stance on these values aligns with those of the organisation.

COUNTERPOINT

Can something so complex, so deep and so difficult to define be measured clearly by asking someone about their organisation's culture in an interview or a survey? Probably not, according to some researchers. As Professor John Traphagan notes, 'The problem with the term "culture" is that it tends to essentialise groups: It simplistically represents a group of people as a unified whole that share simple common values, ideas, practices, and beliefs'. Not only does it reduce complex systems to unified wholes, organisational culture is also deterministic, meaning that it's a given, complete entity that changes slowly and tends to have a strong, straightforward effect on behaviour. But the reality is that these assumptions are probably not grounded. The survey measures and interviews that are employed to assess organisational culture often fail to 'meet the mark' because either they assess other phenomena that we inappropriately call 'culture' (communication, performance, attitudes, etc.) or they don't fully capture the deep complexities of organisational culture.

For example, should organisational culture assessments focus on myths? Stories? Values? Behaviour? Artefacts? Beliefs? Underlying assumptions? Although it's easy to see how values, behaviour and beliefs can be assessed with surveys, it's perhaps difficult to make sense of the organisation's stories, artefacts and underlying assumptions. Furthermore, how can we distinguish reliably between the effect of subcultures or the national culture and the culture as a whole?

A final issue can be found in what we should measure. As can be seen throughout this chapter, many different forms of organisational culture and dimensions have been forwarded by organisational behaviour researchers over many decades. Which ones are correct? The answer to this question plays into the question of how we should measure organisational culture. It seems clear that, although organisational cultures appear to be real and to influence people, it's incredibly difficult to 'measure' them.

SOURCES: Based on N. M. Ashkanasy, L. E. Broadfoot and S. Falkus, 'Questionnaire measures of organizational culture', in N. M. Ashkanasy, C. P. M. Wilderom and M. F. Peterson (eds), *Handbook of Organizational Culture and Climate*, Thousand Oaks, CA: SAGE, 2000, pp. 131–46; G. Besner, 'The 10 company culture metrics you should be tracking right now', *Entrepreneur*, 3 June 2015; C. Ostroff, A. J. Kinicki and R. S. Muhammad, 'Organizational culture and climate', in I. B. Weiner (ed.), *Handbook of Psychology* (2nd edn), Hoboken, NJ: Wiley, 2012, pp. 643–76; B. Schneider, M. G. Ehrhart and W. H. Macey, 'Organizational climate and culture', *Annual Review of Psychology* 64, 2013, pp. 361–88; and J. Traphagan, 'Why "company culture" is a misleading term', *Harvard Business Review*, 21 April 2015.

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Questions for review

1. What is organisational culture and what are its common characteristics?
2. What are the functional and dysfunctional effects of organisational culture on people and the organisation?
3. What factors create and sustain an organisation's culture?
4. How is culture transmitted to employees?
5. What are the similarities and differences of creating an ethical culture and a positive culture?
6. How does national culture affect what happens when an organisational culture is transported to another country?

Application and employability

In this chapter, you were introduced to organisational culture and climate, as well as their differentiating characteristics. You should also now know that they matter—a poor organisational culture, in many ways, can be a make-or-break factor for an organisation. Organisational cultures are often taken very seriously by organisations. By learning about organisational cultures and how they work, you're improving your employability by enabling you to adapt to distinct types of cultures, to craft positive organisational cultures if you're taking on a leadership position, and to demonstrate your fit with the values of the company interviewing you. You're also aware of the negative aspects of organisational culture, which will help you avoid or circumvent potentially troublesome situations when you're either on the job or applying to an organisation that might have a negative organisational culture. In this chapter, you improved your communication skills by considering the forces of organisational culture change; learning how to be a better leader; and considering how Australians value ethics as a societal value but consider unethical business practices commonplace and even acceptable. Next, you'll improve your critical-thinking and knowledge-application and analysis skills by designing an organisational culture of your own; discussing how aspects of office and organisational design contribute to organisational culture; and questioning the pros and cons of an active culture.

Experiential exercise

CULTURE ARCHITECTS

Form groups of three to four students.

Draw on what you've learned in this chapter to set the foundation for a new classroom culture. Each group will need to provide the following information about their new classroom culture and to justify their answers:

- Mission or vision statement
- Three primary values guiding the classroom
- Five core beliefs that guide the conduct of business in the classroom
- Three examples of classroom policies, practices or procedures that will be needed to further the classroom's vision or that reinforce its values
- One or more artefacts or symbols that represent the classroom's mission or values (can be a logo, description of clothes, use of language or jargon, etc.).

Questions

1. What type of student do you think will succeed in this kind of culture?
2. Was it difficult to come to a consensus on any of these elements when crafting the culture? What sorts of disagreements arose and how did you solve them?
3. Do you think this foundation will definitely lead to the culture you intended? Why or why not? What sorts of changes, roadblocks or other events might you see changing the culture or making it drift towards something that wasn't intended?
4. What types of specific socialisation practices could you use so that new classroom members can best adapt to the classroom culture?
5. Compare your cultures with other groups. How closely do they align? Discuss the discrepancies and hypothesise why they exist (referring to Exhibit 15.8 may help with this).

Case study 1

THE PLACE MAKES THE PEOPLE

At Gerson Lehrman Group, you won't find employees working in a cubicle day after day. You won't find employees working in a free-form open-office area consistently either. The reason is that Gerson Lehrman is invested in what it calls activity-based working. In this system, employees have access to cubicle spaces for privacy, conference rooms for group meetings, café seating for working with a laptop and full open-office environments. Where you work on a particular day is entirely up to you.

It may be hard to remember, but office allocations were a uniform signal of hierarchical status and part of organisational

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culture until recently. As organisations have become flatter and the need for creativity and flexibility has increased, the open-office plan has become a mainstay of the business world. The goal is to encourage free-flowing conversation and discussion, enhance creativity and minimise hierarchy—in other words, to foster a creative and collaborative culture and remove office space from its status position.

Research on open offices, however, shows there's a downside. Open offices decrease the sense of privacy, reduce the feeling of owning your own space and create a distracting level of background stimulation. As psychology writer Maria Konnikova noted, 'When we're exposed to too many inputs at once—a computer screen, music, a colleague's conversation, the ping of an instant message—our senses become overloaded, and it requires more work to achieve a given result'.

So is the activity-based hybrid described earlier a potential solution?

With its constantly shifting workspace and lack of consistent locations, this may be an even less controlled environment than an open office. However, it does signal a culture that values the autonomy of individual workers to choose their own best environment at a particular time. The lack of consistency creates other problems, though. Workers can't achieve even the modest level of personal control over any specific space that they had with the open design. Design expert Louis Lhoest notes that managers in an activity-based office 'have to learn to cope with not having people within their line of sight'. This is a difficult transition for many managers to make, especially if they're used to a command-and-control culture.

Whether a traditional, open or activity-based design is best overall is hard to say. Perhaps the better question is, 'Which type will be appropriate for each organisation?'

Questions

1. How might different types of office design influence employee social interaction, collaboration and creativity? Should these be encouraged even in organisations without an innovative culture?
2. Can the effects of a new office design be assessed objectively? How could you measure whether new office designs are improving the organisational culture?
3. Do you think certain types of office design can be utilised to create a more ethical or positive culture? Why or why not? If you answered yes, how can office design be utilised to create an ethical culture?

SOURCES: Based on B. Lanks, 'Don't get too cosy', *Bloomberg Businessweek*, 30 October 2014; M. Konnikova, 'The open-office trap', *New Yorker*, 7 January 2014; and N. Ashkanasy, O. B. Ayoko and K. A. Jehn, 'Understanding the physical environment of work and employee behavior: an affective events perspective', *Journal of Organizational Behavior* 35, 2014, pp. 1169–84.

Case study 2

ACTIVE CULTURES

International clothing and gear brand Patagonia has a mission statement that proudly boasts that 'we are in business to save our home planet'. It started in a garage making picons and other climbing equipment in the 1950s but is now an international brand serving the climbing, surfing, ski/snowboarding and fishing communities with clothing, gear and provisions.

While many employees at many successful companies start the day by checking the economic forecast, in Patagonia's Ventura, California, employees start the day by checking the surf forecast. The outdoor clothing company encourages its workforce to take time from the workday to get outside and get active. For Patagonia, linking employees with the natural environment is a major part of the culture.

New hires are introduced to this mindset very quickly. Soon after starting at Patagonia, marketing executive Joy Howard was immediately encouraged to go fly fishing, surfing and rock climbing all around the world.

She notes that all this holidaying is not just playing around—it's an important part of her job. 'I needed to be familiar with the products we market,' she said. Other practices support this outdoors-oriented, healthy culture. The company has an on-site organic café featuring locally grown produce. Employees at all levels are encouraged through an employee discount program to try out activewear in the field. And highly flexible hours ensure that employees feel free to take the occasional afternoon off to catch the waves or get out of town for a weekend hiking trip.

Are there bottom-line benefits to this organisational culture? Some corporate leaders think so. As Neil Blumenthal, one of the founders of Warby Parker eyewear, observes, '[T]hey've shown that you can build a profitable business while thinking about the environment and thinking about your team and community'. As Patagonia CEO Rose Marcario says, 'People recognise Patagonia as a company that's ... looking at business through a more holistic lens other than profit'. However, she is quick to add, 'Profit is important; if it wasn't you wouldn't be talking to me'.

Patagonia's culture obviously makes for an ideal workplace for some people—but not for others, who don't share its values. People who are just not outdoor types would likely feel excluded. While the unique mission and values of Patagonia may not be for everyone, for its specific niche in the product and employment market, the culture fits like a glove.

Questions

1. What do you think are the key dimensions of culture that make Patagonia successful? How does the organisation help to foster this culture?
2. Does Patagonia use strategies to build its culture that you think could work for other companies? Is the company a

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useful model for others who aren't so tied to a lifestyle? Why or why not?

3. What are the drawbacks of Patagonia's culture? Might it sometimes be a liability and, if so, in what situations?

SOURCES: Based on J. Murphy, 'At Patagonia, trying new outdoor adventures is a job requirement', *The Wall Street Journal*, 10 March 2015; B. Schulte, 'A company that profits as it pampers workers', *The Washington Post*, 25 October 2014; D. Baer, 'Patagonia CEO: "There's no way I should make one decision based on quarterly results"', *Business Insider*, 19 November 2014; and 'Inside Patagonia', <www.patagonia.com.au>.

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CHAPTER

16 Organisational change and stress management

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

16.1 Identify forces that act as stimuli to change, and contrast planned and unplanned change.

16.2 List the sources of resistance to change.

16.3 Compare two models of planned organisational change.

16.4 Demonstrate one way of creating more continuous change.

16.5 Define *stress* and identify its potential sources.

16.6 Identify the consequences of stress.

16.7 Contrast the individual and organisational approaches to managing stress.

Employability Skills Matrix (ESM)

	Myth or science?	Career OBjectives	Ethical choice	Point/ Counterpoint	Experiential exercise	Case study 1	Case study 2
Critical thinking			✓	✓	✓	✓	✓
Communication		✓	✓		✓	✓	✓
Collaboration		✓			✓	✓	✓
Knowledge application and analysis	✓	✓	✓	✓	✓	✓	✓
Social responsibility		✓	✓	✓			

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One accounting firm's response to changing client needs

Accounting firm PKF Australia has repeatedly been recognised as an outstanding business entity over the past decade. It has received a series of awards including Best National Accountancy Firm, Best Firm (as rated by C-suite executives), Best Client Relationship Management Firm, and was recently named in the *Australian Financial Review*'s Top 100 Accounting Firms. This recognition, according to PKF Australia chairman Norm Draper, 'serves as a reminder that we must continue to maintain focus on the needs and aspirations of our clients and their businesses'.



Steve Meyn, managing director of PKF Australia
SOURCE: Courtesy of PKF Newcastle.

PKF Australia is part of a network of global firms consisting of over 400 offices operating in 150 countries across five regions. The member firms have an aggregate fee income of over $1 billion. PKF Australia's 500 plus expert staff provide a range of audit, taxation and specialist advisory services.

One of the reasons behind PKF's success is management's ability to deal with change. This was exemplified at PKF's Sydney–Newcastle accountancy firm, when, only two years after dismantling the human resources department, staff turnover fell 10% and staff engagement rose 10%. Steve Meyn, the firm's managing director, suggests that with the presence of a four-person HR department, everyone in the firm abdicated their responsibility for performance. He explains: 'This shifts responsibility back into the trenches. It empowers people to deal with people management issues directly without using human resources as a crutch'.

But this was only part of a larger restructure at the organisation, which was driven by changing client needs and increasing pressure on the company's profit margins. In response to clients' growing preference for self-service, PKF established an offshore office in India, which allows clients to do more themselves, while reducing costs to the business.

The Internet and social networks enable clients to seek financial advice from different sources, putting more pressure on accounting firms to engage with clients more effectively. Senior accountants in particular need to become more diligent at demonstrating value for money with each client. They need to continually manage change within their firms to ensure they're servicing clients' needs more effectively and efficiently.

The changes implemented at PKF are aimed at just that. A thorough analysis of the environment was required in order to develop a strategy for change. One of the initiatives was the creation of a team comprised of specialists from different parts of the business, such as marketing and information technology. The team focuses on packaging and digitising a range of services for specific industries, such as pharmacies, veterinarians, hotels and clubs, and high-net-worth individuals running small and medium-sized businesses. This was seen as a significant initiative for focusing on creating greater value for specific clients.

Like many other industry sectors, the professional services sector is experiencing environmental changes that are forcing many firms to look at the way they do business.

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'Change or perish' is a phrase with meaning. Although many would argue that getting rid of the HR department isn't a particularly good idea, PKF's Sydney–Newcastle firm believed it was the appropriate response at the time.

SOURCES: A. King, 'How accountancy firm PKF sacked HR and made its workplace happier', *BRW*, 11 March 2015; and 'PKF recognised for client service', PKF Australia, 6 February 2015, <www.pkf.com.au/press-releases/press-releases/pkf-recognised-for-client-service>.

THIS CHAPTER FOCUSES ON change and stress. We describe the environmental forces that require companies to change, why people and organisations often resist change and how this resistance can be overcome. We review the processes for managing organisational change. We then address the topic of workplace stress, its sources and its consequences. Finally, we discuss what individuals and organisations can do to better manage the many stressors that face individuals throughout their careers.

Let's first consider organisational change.

A group of housekeeping employees who work for a small hotel confronted the owner: 'It's very hard for most of us to maintain rigid 7 am to 4 pm work hours,' said their spokesperson. 'Each of us has significant family and personal responsibilities. Rigid hours don't work for us. We're going to have to begin looking for somewhere else to work if we can't have flexible work hours.' The owner listened to the group's ultimatum and agreed to make changes. The next day, a flexitime plan was introduced for these employees.

A major car manufacturer spent several billion dollars to install state-of-the-art robotics. One area that would receive the new equipment was quality control, where sophisticated computers would significantly improve the company's ability to find and correct defects. Because the new equipment would dramatically change the jobs in the quality-control area, and because management anticipated considerable employee resistance to it, executives developed a program to help employees become familiar with it and to deal with any anxieties they might be feeling.

change Making things different.

Both of these scenarios are examples of change, or making things different.

Many changes are like the one that took place at the hotel—they just happen—and many organisations treat all change as an accidental occurrence.

planned change Change activities that are intentional and goal oriented and are executed over a specified time frame.

Others don't, with some carefully planning their change activity, and others making change a continuous activity. Only the second scenario above can be described as a planned change.

In this chapter, we address change as an intentional, goal-oriented activity, whether planned or continuous.

Forces for change

16.1 Identify forces that act as stimuli to change, and contrast planned and unplanned change.

No company today is in a particularly stable environment. Even those with dominant market share must change, sometimes radically. The car market, for instance, is particularly volatile. On 20 October 2017, the Holden car manufacturing plant in Elizabeth, South Australia, closed its doors for the final time, ending 65 years of car manufacturing in Australia. Manufacturing was moved to Germany, where more advanced technologies were able to keep the costs of production down. This happened only a year after Toyota Motor Corporation and Ford Motor Company also withdrew their manufacturing from Australia. At the same time, Apple and Google were using their domination of smartphone operating systems to take over car dashboards, elbowing aside the car-makers' proprietary systems.

There are many stimuli for change within an organisation and Exhibit 16.1 provides some examples. Internal stimuli for change typically focus on the changing nature of the workforce and organisational performance. External stimuli are multiple. We've adopted the PESTEL analysis framework, where each letter of PESTEL represents an external environmental factor capable of stimulating organisational change.

A continuing theme of this book is the changing nature of the workforce. Almost every organisation must adjust to a multicultural environment, demographic changes, migration and changing ways of doing business (e.g. outsourcing).

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EXHIBIT 16.1 Forces for organisational change

Internal stimuli for change	Examples
Nature of the workforce	e.g. workforce diversity, ageing workforce, outsourcing, changing employee expectations
Organisational performance against key performance indicators	poor financial results, low employee engagement, problematic organisational climate
External stimuli for change (local and global)	**Examples**
Political	new markets opening, wars and conflict, trade tariffs, government ideology, union and activist activities
Economic	stability of markets, economic activity, competition, exchange rates, employment and wage rates, financial lending policies, governmental economic policies
Socio-cultural	environmental awareness, demographic trends, new ways of communication, lifestyle changes, liberalisation of attitudes (e.g. to gay, lesbian and transgender employees), role of ethics, attitudes to employment and work–life balance
Technological	technological advances in production, technological advances in communication (e.g. social-networking, use of artificial intelligence/robotics)
Environmental/Ecological	new mining technologies (e.g. fracking, global warming and fossil fuel dependence), renewable power, destruction of fauna and flora
Legal/regulatory	laws, government regulation, universal rights, taxation policies

Not even globalisation's strongest proponents could have imagined how the globe's *politics* would change in recent years. We've seen a major set of financial crises that have rocked global markets, a dramatic rise in the power and influence of China and intense shake-ups in governments across the Arab world. Throughout the industrialised world, businesses—particularly in the banking and financial sectors—have come under new scrutiny. *Economic* factors have stimulated changes in competition. Since competitors are as likely to come from across the ocean as from across town, successful organisations will be fast on their feet, capable of developing new products rapidly and getting them to market quickly.[1]

Socio-cultural trends don't remain static. Consumers now meet and share information using all forms of social media. Companies must continually adjust their products and marketing strategies to be sensitive to changing social trends, a reality not lost on Australian retail group Myer, when faced with the onslaught of e-shopping. In its attempts to adjust to a new economy where e-commerce was challenging the traditional models of retailing in Australia, Myer continued to struggle, with both Bernie Brooks and Richard Umbers leaving the chief executive's role after unsuccessfully attempting to make the necessary changes that Myer needed. The current CEO, John King, who previously successfully transformed the House of Fraser chain in the UK, still faces major challenges in Australia. By November 2018, ten years after being initially floated on the Australian Stock Exchange at AU$4.10 per share, Myer's share price had plunged to AU$0.40.

Technology is continually changing jobs and organisations. The very idea of an office becoming an antiquated concept is no longer fiction with the rise of smart work hubs, co-working spaces and virtual offices.[2]

There's also more *environmental* awareness among consumers, employees and organisational leaders. 'Green' practices are quickly becoming expected rather than optional.[3] Finally, local and global *laws and regulations*, including taxation laws, international law and the regulation

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and deregulation of industries all affect the ability of a modern organisation to perform well in national or global markets.

The nature of change

There's general agreement that organisations change in order to become more effective at what they do. This may mean, for example, that they deliver a better service, produce better products, have an improved culture, are more competitive or deliver better value.

There's no agreement, however, as to how change happens.

One view assumes that an organisation's existence is relatively stable and that when change happens it's incremental in nature (i.e. it happens in small steps). For these organisations, change is an exception rather than the norm.

A different view of the nature of change rejects this idea and argues that the natural state of organisations is one of continuous (and discontinuous) change. For them, there's no incremental change and, in order for organisations to survive, they must develop the ability to continually change in fundamental ways and adapt to the dynamic environments in which they operate.

For organisations asserting change is typically incremental, the idea of planned change is appealing. However, those who believe change is continuous argue planned change is pointless because by the time the plan has been implemented the environment has already changed. Therefore, they advocate for a type of organisation that continually changes with the changes in the environment (known as 'continuous improvement organisations') rather than being part of an organisation that relies on planned change.

So which is the right way? Both! Context is everything in this instance. Since the 1980s, it has been universally accepted that planned change is acceptable for relatively stable environments but not for contemporary organisations operating in rapidly changing environments. In these latter organisations, change must be continuous if they are to stay ahead of their competitors.

Where is change most effective?

In addition to different viewpoints about the nature of change, there are differences in opinion as to where in the organisation change is most effective.

For some, the best way of effecting meaningful change is to focus on changing the norms, values and practices of the *individual* using various change-management techniques.

For others, the best way is to focus on changing individuals at the *team/group* level of the organisation, because we know the influence of group norms, group values and group practices on individuals make them likely to change their practice by following the group.

The final viewpoint argues that change can only be effective if we focus on the *organisation as a whole* because the organisation is an 'open system'—that is, an organisation is seen as a system that's subject to forces as part of a broader external system (e.g. the PESTEL factors discussed earlier). The challenge is that some system changes may not be within the control of the organisation (e.g. market competition, disruptive technologies). For open system theorists, different organisations will have different situational (contextual) factors affecting them, so every organisation and its need for change will be different.

It should therefore be no surprise to you that with so many different views on the nature of change (incremental versus continuous) and where in the organisation change is most effectively made, many different change-management approaches have been put forward over time.

We'll now look at how organisations might manage change where it operates in a relatively stable environment and in a not-so-stable environment.

Planned change

We saw how the second scenario (of the major car manufacturer) at the beginning of this chapter was an example of planned change.

Planned change is about making internal changes to an organisation in order to meet specific goals or to follow a specific strategy. These changes may be strategic, structural, people-focused, process-oriented or any combination of the four, but the change will be designed to move the

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organisation from the present state to a desired future state. Some planned change approaches even seek to improve the ability of the organisation to adapt to changes in its environment (i.e. to become continuous improvement organisations, which we will discuss later). In all cases, the planned change approach will need a change in employee behaviour from what's being done now to what needs to be done in the future.

The people in organisations responsible for managing change activities are the change agents.[4] They see a future for the organisation that others haven't identified, and they're able to create this future and motivate others to implement their vision. Change agents can be managers or non-managers, current or new employees, or outside consultants.

change agents People who act as catalysts and assume the responsibility for managing change activities.

Some change agents look to transform old industries to meet new capabilities and demands. For instance, Alan Joyce[5] has driven the transformation of Qantas since 2014 when the organisation experienced heavy losses and the share price fell below AU$1. Joyce's planned, multi-pronged strategy enabled the organisation to return to profit and Qantas was heralded as the 'International turnaround airline of the year' in 2015. Joyce's change initiative involved cost reductions through the recruitment of foreign domiciled flight crew, the renegotiation of federal restrictions on overseas investment and a heightened emphasis on customer service and satisfaction. This innovative combination of change initiatives enabled Qantas to achieve one of the most miraculous corporate recoveries in Australian business history.

Finding true change agents in long-established organisations can be difficult. General Motors (GM) expects its human resource managers to be change agents and its top human resource executive to set the tone, but it experienced significant problems achieving this after it filed for bankruptcy in 2009 at a time when the global car industry was experiencing significant disruptive change. Kathleen Barclay was GM's senior vice president of human resources at that time. She was replaced by Mary Barra in 2009, who was in turn replaced by Cynthia Brinkley in 2011. In 2013, Melissa Howell took over but left one year later. By this time, Mary Barra had become CEO of GM and asked 39-year veteran employee John Quattrone to succeed Melissa and to focus on GM's disruptive and seismic shift in attention towards automated vehicles and ride sharing. After three years, he retired at the age of 64 and was replaced in 2017 by Jose Tomas, who resigned after eight months. In March 2018 Kimberley Bryz was appointed to the role. That's an astonishing seven executives holding this role over a ten-year period!

Resistance to change

16.2 List the sources of resistance to change.

Our egos are fragile, and we often see change as threatening. Even when employees are shown data that suggest they need to change, they latch onto whatever data they can find that suggest they're okay and don't need to change.[6] Employees who have negative feelings about a change utilise a range of coping strategies, including not thinking about it, increasing their use of sick time and/or quitting. All these reactions can sap the organisation of vital energy when it's most needed.[7]

Resistance to change doesn't come only from lower levels of the organisation. In many cases, higher level managers resist changes proposed by subordinates, especially if these leaders are focused on immediate performance or they recognise that the change will adversely affect their status, power or influence. Conversely, when leaders are focused more on mastery and exploration, they're more willing to hear and adopt subordinates' suggestions for change.[8]

There are many sources of resistance to change and some can have a very positive effect on the success of the change initiative. For example, resistance to change can be positive if it leads to more open discussion and debate.[9] These kinds of responses are usually preferable to apathy or silence and can indicate that members of the organisation are open to be engaged in the process, giving change agents an opportunity to explain the change effort. Change agents can also use resistance to modify the change to fit the preferences of other members of the organisation. If change agents treat resistance only as a threat, rather than a behaviour to be understood and managed, they may increase dysfunctional conflict.

Resistance doesn't necessarily surface in standardised ways. It can be overt, implicit, immediate or deferred.[10] It's easiest for management to deal with overt and immediate resistance, such as complaints, a work slowdown or a strike threat. The greater challenge is managing resistance that's implicit or deferred. These responses—loss of loyalty or motivation, increased errors or absenteeism—are more subtle and more difficult to recognise for what they are. Deferred actions

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also cloud the link between the change and the reaction to it and may surface weeks, months or even years later. Or a single change of little inherent impact may be the idiomatic 'straw that breaks the camel's back' because resistance to earlier changes has been deferred and stockpiled.

There have been many attempts at cataloguing the sources of an individual's resistance to change. Exhibit 16.2 summarises the major sources of individuals' resistance to change. Individual sources reside in human characteristics such as perceptions, personalities and needs.

EXHIBIT 16.2 Sources of individual resistance to change

Source of resistance	Examples
Status quo	*Adjustment and load resistance*—the individual considers that the intended change will create more work in the short term and the post-change era will result in increased workloads, more task and role ambiguity, and that necessary systems to alleviate this will not be in place as promised
	Low stimulus resistance—the individual is unable to respond to high stimulus/novelty prompts; they prefer a low stimulus, status quo approach
	Habitual resistance—the individual is reluctant to give up old habits ('familiarity breeds comfort')
Psychological safety	*Perceptual resistance*—the individual selectively processes incoming information regarding the intended change in order to keep their perceptions intact and they ignore information that challenges the world they've created
	Fear of failure—the individual fears failure for the new way of doing things
	Uncertainty resistance—the individual fears the unknown resistance, and the ambiguity the intended change creates
	Non-resilient resistance—the individual sees the intended change as an unmanageable stressor to be opposed
	Security resistance—the individual has a high need for security and the intended change threatens their feelings of safety
	Blind resistance—the individual is intolerant or afraid of change
Ego-defence	*Loss of face*—the individual perceives that to support it would result in a loss of face (because they reflect the change is occurring because their previous work wasn't good enough)
Conflict	*Personal dislike*—the individual personally dislikes or clashes with the change agent or change team
Political	*Political resistance*—the individual fears losing something of value (e.g. status, job, control of resources, friendships and alliances)
Philosophical	*National values*—the individual opposes the intended change because it is incompatible with their national culture (e.g. a change which increases uncertainty is incompatible with the German culture's need for uncertainty avoidance)
	Organisational values—the individual opposes the intended change because it's incompatible with the enacted organisational culture or values
	Ideological resistance—the individual holds deep-seated values that are offended by the intended change
	Rights-based resistance—the individual opposes third-party-imposed change rather than being self-initiated, depriving the individual's human right of self-determination
Cognitive	*Cognitive rigidity*—the individual shows a cognitive rigidity, stubbornness or closed-mindedness to the benefit of the intended change
	Reasoned resistance—the individual argues that the intended change will not achieve the change goals set out

SOURCES: D. C. Hambrick and A. A. Cannella, 'Strategy implementation as substance and selling', *Academy of Management Executive* 3, no. 4, 1989, pp. 278–85; S. Oreg, 'Resistance to change: developing an individual differences measure', *Journal of Applied Psychology* 88, no. 4, 2003, pp. 680–93; M. Pardo del Val and C. Martinez Fuentes, 'Resistance to change: a literature review and empirical study', *Management Discipline* 41, 2003, pp. 148–55; F. Graetz, M. Rimmer, A. Lawrence and S. Smith, *Managing Organisational Change*, London, England: Wiley, 2006; B. Burnes, *Managing Change* (6th edn), Harlow, England: Pearson, 2014; and D. M. Waddell, A. Creed, T. G. Cummings and C. G. Worley, *Organizational Change Development and Transformation* (6th edn), Melbourne, Australia: Cengage, 2017.

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EXHIBIT 16.3 Sources of organisational resistance to change

Structural inertia	Organisations have built-in mechanisms, such as their selection processes and formalised regulations, to produce stability. When an organisation is confronted with change, this structural inertia acts as a counterbalance to sustain stability.
Systems inertia	Organisations are made up of a number of interdependent subsystems. One can't be changed without affecting the others. So limited changes in subsystems tend to be nullified by the larger system.
Group inertia	Even if individuals want to change their behaviour, group norms may act as a constraint.
Threat to established expertise groups	Changes in organisational patterns may threaten the expertise of specialised groups.
Threat to established power relationships	Any redistribution of decision-making authority can threaten long-established power relationships within the organisation.
Threat to established resource allocations	Groups in the organisation that control sizeable resources often see change as a threat. They tend to be content with the way things are.

Note how the source of an individual's resistance can come from very different places and therefore when we attempt to overcome this resistance, we must choose our tactic carefully, cognisant of the source of the resistance.

Exhibit 16.3 lists some organisational sources to change that reside in organisations due to perceived threats and organisational inertia.

It's worth noting that not all change is good. The speed with which radical change is often undertaken due to the pressure exerted by the need for urgent change can lead to poor decisions, and sometimes those initiating change fail to realise the full magnitude of the effects or their true costs. Rapid, transformational change is risky, so change agents need to carefully think through the full implications of a change.

Overcoming resistance to change

There are a range of tactics to use in overcoming resistance to change, and in doing so it's important to choose wisely, dependent on the source of resistance being identified.

The eight change tactics listed below will help change agents deal with resistance to change.[11] The choice will depend on a number of factors, not least the source of resistance, the readiness of the organisation to change and the urgency of achieving the desired change. If time is at hand, a more participative approach may be desirable, but if the need for change is urgent, a more coercive approach may be needed.

Let's review the eight change tactics briefly.

1. Education and communication

Communicating the logic of a change can reduce employee resistance on two levels. First, it fights the effects of misinformation and poor communication. If employees receive the full facts and misunderstandings are rectified, resistance can subside. Second, if communication is in the appropriate form, disseminated effectively and empathic in nature, it can help 'sell' the need for change by packaging it properly and sensitively.[12] A study of German companies revealed that changes are most effective when a company communicates a rationale that balances the interests of various stakeholders (shareholders, employees, community, customers) rather than those of shareholders only.[13] Another study of a changing organisation in the Philippines found that formal change-information sessions decreased employee anxiety about the change, while providing high-quality information about the change increased commitment to it.[14]

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2. Participation

It's difficult to resist a change decision that we've participated in. Assuming that participants have the expertise to make a meaningful contribution, their involvement can reduce resistance, obtain commitment and increase the quality of the change decision.[15] However, against these advantages are the negatives: potential for a poor solution and great consumption of time. In 2016, Arrium Steelworks at Whyalla, South Australia, was in administration and its employees voted to take a 10% pay cut in order to make the works more attractive to potential buyers. The town and its steelworks were facing a bleak future. The steelworks was more than $4 billion in debt and its 3000 employees came from a single-industry town of only 21 000 people that was facing a bleak future. The move worked and enigmatic British billionaire Sanjeev Gupta purchased the company, moved his family to Australia to oversee its renaissance and, locals say, saved the town.[16]

3. Building support and commitment

When employees' fear and anxiety are high, counselling and therapy, new-skills training or a short, paid leave of absence may facilitate adjustment. When managers or employees have low emotional commitment to change, they favour the status quo and resist the change.[17] Employees are also more accepting of changes when they're committed to the organisation as a whole.[18] So, firing up employees can also help them emotionally to commit to the change rather than embrace the status quo.

4. Developing positive relationships

People are more willing to accept changes if they trust the managers implementing them and see those leaders as legitimate.[19] One study surveyed 235 employees from a large housing corporation in the Netherlands that was experiencing a merger. Those who had a more positive relationship with their supervisors, and who felt that the work environment supported development, were much more positive about the change process.[20] Underscoring the importance of social context, other studies have found that individuals who are dispositionally resistant to change are more willing to accept new and different ideas (and can even experience less stress) when they feel supported by their co-workers and believe the environment is safe for taking risks.[21] They also felt more positive about the change if they trusted the change agent.[22] This research suggests that if managers are able to facilitate positive relationships, they may be able to overcome resistance to change even among those who ordinarily don't like change.

5. Implementing changes fairly

One way organisations can minimise negative impacts is to make sure change is implemented fairly. As we saw in Chapter 6, procedural fairness is especially important when employees perceive an outcome as negative, so it's crucial that employees see the reason for the change and perceive its implementation as consistent and fair.[23]

6. Manipulation and co-optation

Manipulation refers to covert influence attempts. Twisting facts to make them more attractive (commonly known as 'spinning'), withholding information and creating false rumours to get employees to accept change are all examples of manipulation.[24] If management threatens to close a manufacturing plant whose employees are resisting an across-the-board pay cut, and if the threat is actually untrue, management is using manipulation. Co-optation, on the other hand, combines manipulation and participation.[25] It seeks to 'buy off' the leaders of a resistance group by giving them a key role—seeking their advice not to find a better solution but to get their endorsement. Both manipulation and co-optation are relatively inexpensive ways to gain the support of adversaries, but they can backfire if the targets become aware that they're being tricked or used. Once that's discovered, the change agent's credibility may drop to zero.

7. Selecting people who accept change

Research suggests that the ability to easily accept and adapt to change is related to personality—some people simply have more positive attitudes about change than others.[26] They're open to experience, take a positive attitude towards change, are willing to take risks and are flexible in their behaviour. One study of managers in the United States, Europe and Asia found that those

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with a positive self-concept and high risk tolerance coped better with organisational change.[27] A study of 258 police officers found that those higher in growth-need strength (a personality variable that measures the extent to which an individual has a strong need for personal growth and development in their job), internal locus of control and internal work motivation had more positive attitudes about organisational change efforts.[28] Individuals higher in general mental ability are also better able to learn and adapt to changes in the workplace.[29] In summary, there's an impressive body of evidence showing that organisations can facilitate change by engaging with and selecting people who are predisposed to accept change.

Besides selecting individuals who are willing to accept change, it's also possible to select teams that are more adaptable. Studies have shown that teams that are strongly motivated by learning about and mastering tasks and who have collectivistic values are better able to adapt to changing environments.[30, 31] This research suggests that it may be necessary to consider not just individual motivation but also group motivation when trying to implement change.

8. Coercion

Last on the list of tactics is coercion, the application of direct threats or force on the resisters.[32] If management is determined to close a manufacturing plant whose employees don't acquiesce to a pay cut, the company is using coercion. Other examples are the threat of transfer, the loss of promotions, negative performance evaluations and a poor letter of recommendation. The advantages and drawbacks of coercion are approximately the same as for manipulation and co-optation.

The politics of change

No discussion of resistance would be complete without a brief mention of the politics of change.[33] Because change invariably threatens the status quo, it inherently implies political activity.[34]

Politics suggests that the impetus for change is more likely to come from outside change agents, employees new to the organisation (who have less invested in the status quo) or managers slightly removed from the main power structure. Managers who have spent their entire career with a single organisation and achieved a senior position in the hierarchy are often major impediments to change. It's a very real threat to their status and position. Yet they may be expected to implement changes to demonstrate that they aren't merely caretakers. By acting as change agents, they can convey to shareholders, suppliers, employees and customers that they're on top of problems and adapting to a dynamic environment. Of course, as you might guess, when forced to introduce change, these long-time power holders tend to implement incremental changes. Radical change is too threatening. This explains why boards of directors who recognise the imperative for rapid and radical change frequently turn to outside candidates for new leadership.[35]

Models of planned organisational change

16.3 Compare two models of planned organisational change.

Now we turn to two models used in planned organisational change: Lewin's classic three-step model of the change process, and the positive model. Both are used at different times and for different purposes and at different levels of the organisation in the organisational development approach to planned change, which is the most dominant approach to planned change adopted by organisations today.

Lewin's three-step model

Kurt Lewin argued that successful change in organisations should follow three steps: unfreezing the status quo, movement to a desired end state and refreezing the new change to make it permanent (see Exhibit 16.4).[36]

The status quo is an equilibrium state. To move from equilibrium—to overcome the pressures of both individual resistance and group conformity—unfreezing must happen in one of three

unfreezing Change efforts to overcome the pressures of both individual resistance and group conformity.

movement A change process that transforms an organisation from the status quo to a desired end state.

refreezing Stabilising a change intervention by balancing driving and restraining forces.

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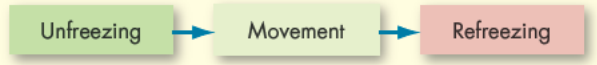
EXHIBIT 16.4 Lewin's three-step change model



driving forces Forces that direct behaviour away from the status quo.

restraining forces Forces that hinder movement from the existing equilibrium.

ways (see Exhibit 16.5). The driving forces, which direct behaviour away from the status quo, can be increased. The restraining forces, which hinder movement away from equilibrium, can be decreased. A third alternative is to combine the first two approaches. Companies that have been successful in the past are likely to encounter restraining forces because people question the need for change.[37]

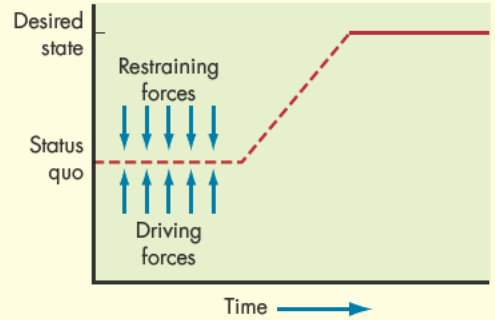
Consider a large oil company that decided to consolidate its three divisional marketing offices in Sydney, Melbourne and Auckland into a single regional office in Sydney. The decision was made in London and the people affected had no say in it. The reorganisation meant transferring more than 150 employees, eliminating some duplicate managerial positions and instituting a new hierarchy of command.

The oil company's management could expect employee resistance to the consolidation. Those in Melbourne or Auckland may not want to transfer to another city, take their children out of school, make new friends, adapt to new colleagues or undergo the reassignment of responsibilities. Positive incentives such as pay increases, liberal moving expenses and low-cost mortgage funds for new homes in Sydney might encourage employees to accept the change. Management might also unfreeze acceptance of the status quo by removing restraining forces. It could counsel employees individually, hearing and clarifying each employee's specific concerns and apprehensions. Where concerns are not substantiated, the counsellor could assure employees that there's nothing to fear and offer tangible evidence that the restraining forces identified are unwarranted. If resistance is extremely high, management may have to resort to both reducing resistance and increasing the attractiveness of the alternative for unfreezing to be successful.

Research on organisational change has shown that, to be effective, change has to happen quickly.[38] Organisations that build up to change do less well than those that get to and through the movement stage quickly.

Once change has been implemented, to be successful the new situation needs to be refrozen so that it can be sustained over time. Without this last step, change will probably be short-lived and employees will attempt to revert to the previous equilibrium state. Think of this like a

EXHIBIT 16.5 Unfreezing the status quo



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stretched elastic band. Without the stretched state being sustained, it will 'snap' back into its equilibrium state. The objective of refreezing, then, is to stabilise the new situation by balancing the driving and restraining forces.

The oil company's management could refreeze its consolidation change by systematically replacing temporary forces with permanent ones. Management might impose a permanent upward adjustment of salaries. The formal rules and regulations governing behaviour of those affected by the change should also be revised to reinforce the new situation. Over time, of course, the work group's own norms will evolve to sustain the new equilibrium. But until that point is reached, management will have to rely on more formal mechanisms.

The positive model

The second model of planned change is the positive model. This is a model that focuses on what the organisation is doing right. Lewin's three-step planned change model was a deficit-based approach (i.e. it sought to identify a problem or set of problems and then look for a solution).

positive model A model that focuses on what an organisation is doing right.

The positive model instead accentuates the positive.[39] Rather than looking for problems to fix, it seeks to identify the unique qualities and special strengths of an organisation, which members can build on to improve performance. That is, the positive model focuses on an organisation's successes rather than its problems. The positive model has been applied to planned change through an approach called appreciative inquiry (AI).

appreciative inquiry (AI) An approach that seeks to identify the unique qualities and special strengths of an organisation, which can then be built on to improve effectiveness.

The AI approach consists of four cyclical steps—discovery, dreaming, design and destiny—but starts with a preliminary stage (definition) where the topic of inquiry is first identified (e.g. customer service and employee engagement) and defined (i.e. its purpose, content and goals). The first step in the cycle, discovery, sets out to identify what organisational members think are the organisation's strengths in this area. Members recount times they felt the organisation worked best or when they specifically felt most satisfied with their jobs. In the second step, dreaming, employees use information from the discovery phase to speculate on possible futures, such as what the organisation will be like in five years. The third step is design, in which participants find a common vision of how the organisation will look in the future and agree on its unique qualities. The fourth stage seeks to define the organisation's destiny or how it's going to fulfil its dream. Participants typically write action plans and develop implementation strategies. This process is often played out in a large-group meeting over two to three days and is overseen by a trained change agent.

American Express used AI to revitalise its culture during a lean economy. In workshops, employees described how they felt proud of working at American Express and were encouraged to create a change vision by describing how it could be better in the future. The efforts led to some concrete improvements. Senior managers were able to use employees' information to enhance their methods of making financial forecasts, improve IT investments and create new performance-management tools for managers. The end result was a renewed culture focused on winning attitudes and behaviours.[40]

Organisational development approach to planned change

As stated earlier, the organisation development approach to planned change is the most dominant approach adopted by most organisations. Organisational development (OD) is a system-wide application of behavioural-science knowledge to the planned development and reinforcement of organisational strategies, structures and processes for improving an organisation's effectiveness.[41] OD seeks to improve organisational performance and employee well-being[42] and in doing so values human and organisational growth, collaborative and participative processes and a spirit of inquiry.[43] There has been renewed interest in OD in recent times, following (1) a resurgence in interest in the work of Lewin by a new generation, (2) OD's evolutionary growth and (3) the development of newer, academically rigorous approaches in the OD process, such as appreciative inquiry.[44]

organisational development (OD) The system wide application of behavioural science knowledge to the planned development and reinforcement of an organisation's strategy, structure, people and processes, to improve effectiveness and employee well being.

We now observe that contemporary OD places emphasis on the ways people see and respond to their environment. The change agent may take the lead in OD, but there's a strong emphasis on collaboration.

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OD has developed many techniques (called interventions) to assist change agents in facilitating effective change. These interventions are typically sets of sequential planned actions that are intended to help an organisation improve its effectiveness.[45] They can operate at the individual level, the team or group level, the inter-group level and the organisational level. The following is a non-exclusive list of some interventions at each of these levels:

- *Individual level*—counselling and coaching, career planning, goal setting, performance appraisal, reward systems, job redesign, job enrichment, management-by-objective, stress management
- *Team or group level*—sensitivity training, team building, conflict management, process consultation, third-party intervention, role negotiation, role analysis
- *Intergroup level*—workflow planning, interorganisational development, intergroup conflict management, third-party intervention, total quality management
- *Organisational level*—strategic planning, work redesign, structural change, re-engineering, organisation confrontation meeting, TQM (total quality management), large group interventions.[46]

Let's consider how three of these OD interventions might operate in practice. We'll start with the earliest of group interventions (sensitivity training) and then describe one more contemporary group level intervention (team building) and one inter-group/organisational level intervention (intergroup development).

Sensitivity training

sensitivity training Training groups that seek to change behaviour through unstructured group interaction.

Sensitivity training refers to an early method of changing behaviour through unstructured group interaction.[47] Members were brought together in a free and open environment in which participants discussed themselves and their interactive processes, loosely directed by a professional behavioural scientist who created the opportunity to express ideas, beliefs and attitudes without taking any leadership role. The group was process-oriented, which means that individuals learned experientially, through observing and participating rather than being told.

Participants could find these unstructured groups intimidating, chaotic and damaging to work relationships and the intervention's popularity diminished in use during the 1970s and has now essentially disappeared, although interventions such as diversity training, executive coaching and team-building exercises are descendants of this early OD intervention technique.

Team building

team building A broad range of highly interactive planned activities among team members designed to increase teamwork, team effectiveness and mutual trust and openness.

It has been noted throughout this book that organisations increasingly rely on teams to accomplish work tasks. **Team building** uses high-interaction group activities to increase teamwork, team effectiveness, and mutual trust and openness among team members.[48] Here, the intragroup level is emphasised; this refers to the dynamics within a single group.

Team-building typically includes goal setting, development of interpersonal relations among team members, role analysis to clarify each member's role and responsibilities and team process analysis. It may emphasise or exclude certain activities, depending on the purpose of the development effort and the specific problems the team is confronted with. Basically, however, team building uses high interaction among members to increase trust and openness.

Intergroup development

intergroup development A set of activities designed to identify and change a group's or department's dysfunctional attitude towards and perceptions of another group or department.

The final OD intervention is one that operates at the inter-group/organisational level. A major area of concern in OD is sub-optimal effectiveness within parts of the organisation or across the organisation as a whole. There are developed OD process interventions that focus on these levels (e.g. the 'organisation confrontation meeting' and the 'large group intervention'). Where the OD intervention is designed to address dysfunctional conflict between two groups or departments, an OD intervention is named 'intergroup development' (or 'intergroup relations'). **Intergroup development** seeks to change a group's or department's dysfunctional attitude towards and perceptions of another group or department. Here, conflict process sessions closely resemble diversity training (in fact, diversity training largely evolved from intergroup development in OD), except that, rather than focusing on demographic

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differences, they focus on differences between occupations, departments or divisions within an organisation.

For example, in one company, the engineers might see the accounting department as comprised of shy and conservative types, and the human resources department as having a bunch of ultra-liberals more concerned with the sentiments of the employees than with the company making a profit. Such stereotypes can have an obvious negative impact on coordination efforts between the departments.

Creating more continuous change

16.4 Demonstrate one way of creating more continuous change.

So far, we have focused on how organisations can adapt to change through planned organisational change.

We noted earlier that there was another viewpoint regarding the nature of change. There were those who regarded the natural state of the organisation to be one of continuous (and discontinuous) change and, as such, contemporary organisations needed to continuously change if they were to survive.

These 'emergent change' theorists and practitioners advocate for organisations to establish cultures of innovation, operating from the bottom-up (not top-down) towards flexible, continuous and co-operative change. They consider the organisation to be an open system in which open learning takes place, where empowered managers who know the organisational power and politics (not external change agents) are the agents for positive change. For them, change is complex and no general OD intervention will achieve meaningful results.

Emergent theorists focus on being proactive—for them, organisations can embrace change by transforming what they do and how they do it on a continuing basis. As they don't see change as a linear process, they expect 'emergent change'-type organisations to be constantly evolving, learning, adapting and innovating ahead of the environmental changes that would so typically force a 'planned change'-type organisation into a planned change initiative.[49]

For these types of organisations, planned change as a process is limiting in a global environment of disruptive competition. Where unpredictability is the 'norm', these organisations must focus on emergent change through continuous change. One way of achieving this is by creating a culture of innovation.

emergent change An approach to organisational change that states that change emerges in unpredictable and unplanned ways and therefore the organisation needs to align and re align to its changing environment as part of a continuous, open ended, dynamic and contested process.

Stimulating a culture of innovation

Organisational culture is seen to be at the heart of maintaining competitive advantage. Emergent theorists and practitioners advocate for organisations to have cultures involving innovation and entrepreneurship and which stimulate bottom-up continuous and cooperative change.[50]

Organisations such as Tesla, Google and Alibaba have a track record of innovation. What should other organisations do to replicate their success? Although there's no guaranteed formula, certain characteristics surface repeatedly when researchers study innovative organisations.

Before looking at these characteristics, however, let's clarify what we mean by innovation.

Definition of innovation

Change refers to making things different. Innovation, a more specialised kind of change, is a new idea applied to initiating or improving a product, process or service.[51] So, all innovations imply change, but not all changes necessarily introduce new ideas or lead to significant improvements. Innovations can range from small, incremental improvements, such as netbook computers, to radical breakthroughs, such as Nissan's electric LEAF car.

innovation A new idea applied to initiating or improving a product, process or service.

Sources of innovation

Structural variables have been the most studied potential source of innovation.[52] A comprehensive review of the structure–innovation relationship[53] has concluded that organic structures positively influence innovation (because they facilitate the flexibility, adaptation and cross-fertilisation that make the adoption of innovations easier). Innovation-contingent

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rewards also influence innovation positively. Innovation is nurtured when there are slack resources, since having an abundance of resources allows an organisation to purchase innovations, bear the cost of instituting them and absorb the failures.[54] Finally, inter-unit communication is high in innovative organisations.[55] These organisations are high users of committees, task forces, cross-functional teams and other mechanisms that facilitate interaction across departmental lines.

Innovative organisations tend to have similar cultures. They encourage experimentation and reward both successes and failures. They also celebrate mistakes.[56] Unfortunately, in too many organisations people are rewarded for the absence of failure rather than for the presence of success. Such cultures extinguish risk-taking and innovation.[57] People will suggest and try new ideas only when they feel that these behaviours exact no penalties. Managers in innovative organisations recognise that failures are a natural by-product of venturing into the unknown.

Within the human resources category, innovative organisations actively promote the training and development of their members so they stay current, offer high job security so employees don't fear getting fired for making mistakes and encourage individuals to become champions of change.[58] Once a new idea is developed, idea champions actively and enthusiastically promote it, build support, overcome resistance and ensure that it's implemented.[59]

idea champions Individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance and ensure that the idea is implemented.

Organisational change and stress

Think about the times you've felt stressed during your work life. Look past the everyday stress factors that can spill over to the workplace, such as a traffic jam that makes you late for work or a broken coffee machine that keeps you from your morning flat white. What were the more memorable and lasting stressful times at work? For many people, these were caused by organisational change.

Researchers are increasingly studying the effects of organisational change on employees. They are interested in determining the specific causes and mitigating factors of stress in order to learn how to manage organisational change effectively.[60] The overall findings are that organisational changes incorporating OB knowledge of how people react to stressors may yield more effective results than organisational changes that are only objectively managed through goal setting.[61] Not surprisingly, the role of leadership is critical. Studies have demonstrated that transformational leaders can help shape employee affect so that employees stay committed to the change and don't perceive it as stressful.[62] Other research has indicated that a positive orientation towards change before specific changes are planned will predict how employees deal with new initiatives. A positive change orientation will decrease employees' stress when they go through organisational changes and will increase their positive attitudes. Managers can be continually working to increase employees' self-efficacy, change-related attitudes and perceived control in order to create this positive change orientation. For instance, they can use role clarification and continual rewards to increase self-efficacy. They can also enhance employees' perceived control and positive change attitudes by including employees from the planning stages through to the application of new processes.[63] A further study added the need for increasing the amount of communication to employees during change, for assessing and enhancing the employees' psychological resilience through offering social support and for training employees in emotional self-regulation techniques.[64] Through these methods, managers can help employees keep their stress levels low and their commitment high.

16.5 Define *stress* and identify its potential sources.

Work stress and its management

Friends say they're stressed from greater workloads and longer hours because of downsizing at their companies. Parents worry about the lack of job stability and reminisce about a time when a job with a large company implied lifetime security. The media publish surveys in which employees complain about the stress of trying to balance work and family responsibilities.

Recent surveys indicate that a high proportion of Australians feel stressed and blame their feelings on their workload, and that finances, health and personal relationships increase stress levels.

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What is stress?

Stress is a dynamic condition in which an individual is confronted with an opportunity, a demand or a resource issue related to what the individual desires, and for which the outcome is perceived to be both uncertain and important.[65] This is a complicated definition. Let's look at its components more closely.

Although stress is typically discussed in a negative context, it's not necessarily bad in and of itself; it also has a positive value.[66] In response to stress, your nervous system, hypothalamus, and pituitary and adrenal glands supply you with stress hormones to cope. Your heartbeat and breathing accelerate to increase the supply of oxygen, while your muscles tense for action.[67] This is an opportunity when stress offers potential gain. Consider, for example, the superior performance an athlete or stage performer gives in a 'clutch' situation. Such individuals often use stress positively to rise to the occasion and perform at their maximum. Similarly, many professionals see the pressures of heavy workloads and deadlines as positive challenges that enhance the quality of their work and the satisfaction they get from their job. However, when the situation is negative, stress is harmful and may hinder your progress by elevating your blood pressure uncomfortably and creating an erratic heart rhythm as you struggle to speak and think logically.[68]

Recently, researchers have argued that challenge stressors—or stressors associated with workload, pressure to complete tasks and time urgency—operate quite differently from hindrance stressors—or stressors that keep you from reaching your goals (red tape, office politics, confusion over job responsibilities). Challenge stressors lead to more motivation, engagement and performance than hindrance stressors.[69] Hindrance stressors, on the other hand, appear to have more of a negative effect on safety compliance and participation, employee engagement, job satisfaction, organisational commitment, performance and withdrawal than do challenge stressors.[70] A meta-analysis of responses from more than 35 000 individuals showed that role ambiguity, role conflict, role overload, job insecurity, environmental uncertainty and situational constraints were all consistently negatively related to job performance.[71] There's also evidence that challenge stress improves job performance in a supportive work environment, whereas hindrance stress reduces job performance in all work environments.[72]

challenge stressors Stressors associated with workload, pressure to complete tasks and time urgency.

hindrance stressors Stressors that keep you from reaching your goals (red tape, office politics, confusion over job responsibilities).

Researchers have sought to clarify the conditions under which each type of stress exists. It appears that employees who have a stronger affective commitment to their organisation can transfer psychological stress into greater focus and higher work performance, whereas employees with low levels of commitment perform worse under stress.[73] And when challenge stress increases, those with high levels of organisational support have higher role-based performance, but those with low levels of organisational support do not.[74]

More typically, in the job demands–resources theory, stress is associated with demands and resources. Demands are responsibilities, pressures, obligations and uncertainties that individuals face in the workplace. Resources are things within an individual's control that they can use to resolve the demands. Let's discuss what 'demands–resources' means.[75]

demands Responsibilities, pressures, obligations and even uncertainties that individuals face in the workplace.

resources Things within an individual's control that can be used to resolve demands placed on them.

When you take a test at university or you undergo your annual performance review at work, you feel stress because you confront opportunities and performance pressures. A good performance review may lead to a promotion, greater responsibilities and a higher salary. A poor review may prevent you from getting a promotion. An extremely poor review might even result in you losing your job. To the extent that you can apply resources to the demands on you—such as being prepared, placing the exam or performance review in perspective or obtaining social support—you will feel less stress.

A demand–resource model (see Exhibit 16.6) illustrates one way of viewing this.

Research suggests that adequate resources help reduce the stressful nature of demands when demands and resources match. If emotional demands are stressing you, having emotional resources in the form of social support is especially important. If the demands are cognitive—say, information overload—then job resources in the form of computer support or information are more important. Therefore, under the demands–resources theory, having the resources to cope with stress is just as important in offsetting it as the demands are in increasing it.[76]

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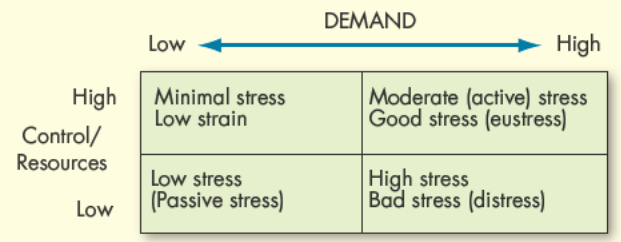
EXHIBIT 16.6 Demand–resource model



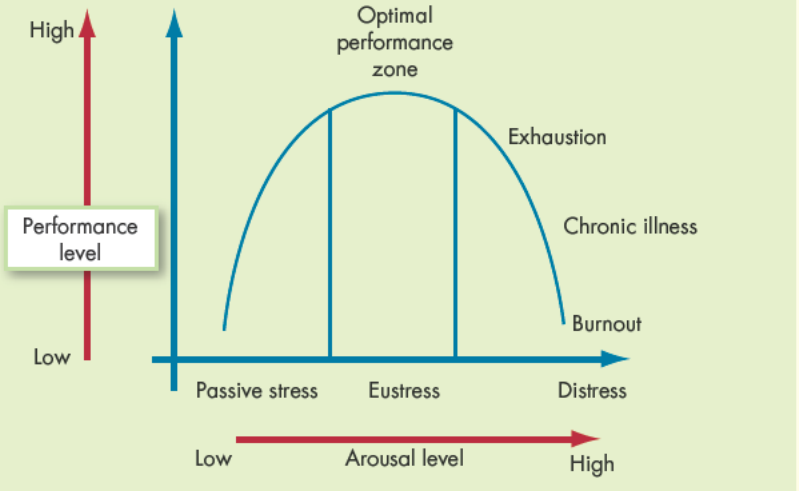
SOURCE: Based on R. Karasek and T. Theorell, *Healthy Work: Stress, Productivity and the Reconstruction of Working Life*, New York: Basic Books, Inc., 1990.

The stress–performance relationship

A significant amount of research has investigated the stress–performance relationship. One study involving Danish human services workers found that higher levels of psychological burnout at the work-unit level were related to significantly higher levels of sickness absence.[77]

The most widely studied pattern of this relationship is the inverted-U shown in Exhibit 16.7.[78] The logic underlying the inverted-U is that low to moderate levels of stress stimulate

EXHIBIT 16.7 The inverted-U relationship between stress and job performance



SOURCE: Substantially adapted and reworked from R. M. Yerkes and J. D. Dodson, 'The relation of strength of stimulus to rapidity of habit-formation', *Journal of Comparative Neurology and Psychology* 18, no. 5, 1908, pp. 459–82.

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the body and increase its ability to react. Individuals then often perform their tasks better, more intensely or more rapidly. But too much stress places unattainable demands on a person, which results in lower performance.

The inverted-U may also describe our reaction to stress over time, as well as to changes in stress intensity. That is, even moderate levels of stress can have a negative influence on performance over the long term, as the continued intensity of the stress wears the individual down and saps energy resources. Sales executives may be able to psych themselves up for their presentation at the annual national meeting but moderate levels of stress experienced continually over long periods, such as by the emergency-room staff in a large hospital, can result in lower performance. This may explain why emergency-room staff are frequently rotated, and why it's unusual for individuals to spend the bulk of their career in such an environment, exposed to the risk of 'career burnout'. In spite of the popularity and intuitive appeal of the inverted-U model, it doesn't get a lot of empirical support.[79] Maybe the model misses links between stressors and felt stress, and job performance—meaning that sometimes there are reasons we could be stressed but we feel fine because of positive moderating factors. But we may be able to avoid letting stress affect our job performance.[80] For example, one study indicated that individuals with high emotional intelligence (discussed in Chapter 5) may be able to mitigate the effects of job stress on performance.[81] Therefore, this model may be a good, neutral starting point from which to study differences.

Multiple stressors increase stress exponentially

Each new and persistent stressor adds to an individual's stress level. So, a single stressor may be relatively unimportant in and of itself, but if it's added to an already high level of stress it can be the 'straw that breaks the camel's back'.

There's strong evidence that stress is an exponential phenomenon,[82] not simply additive—that is, stress builds up exponentially with each new source of stress being introduced. However, the extent of the acceleration of the stress load depends on other factors, such as age and the number, nature and persistence of the stress risks involved, as well as whether the individual is biologically vulnerable, or has the benefit of any psychosocial resources, and has learned any patterns of coping. This exponential relationship makes it easier to understand how multiple, concurrent stressors can cause serious health conditions—even some forms of cancer.

The organisational cost of work-related mental stress

The negative effect is not confined to the individual but also affects the organisation. In a White Paper on mental stress at work in 2017,[83] it was reported that there was an average of nearly 30 000 mental stress claims accepted in Australia over one 2008–2011[84] reporting period. A 2008 research study found the total cost of work-related mental stress to the Australian economy in 2007 was $14.81 billion and the direct cost to employers in stress-related presenteeism[85] and absenteeism was $10.11 billion.[86] These figures don't include the hidden cost of re-staffing and re-training when the stress leads to employee turnover.

These figures are alarming but are believed to be understated. A 2009–2010 Australian Bureau of Statistics survey, for example, found that 70% of workers who had experienced work-related mental stress didn't apply for workers' compensation.[87]

Of notable concern for employers, employees and the general public is the number of mental disorders resulting from work-related stress. Safe Work Australia reports that mental stress accounted for an average of 95% of mental disorder claims in the previous 10 years.[88]

Potential sources of stress

As the model in Exhibit 16.8 shows, there typically are three sources of potential stress in the workplace: external environmental, organisational and familial and that this is capable of leading to two types of medical conditions (physiological and psychological), but the consequences of stress are moderated by a particular individual's characteristics. Let's take a look at each of these.[89]

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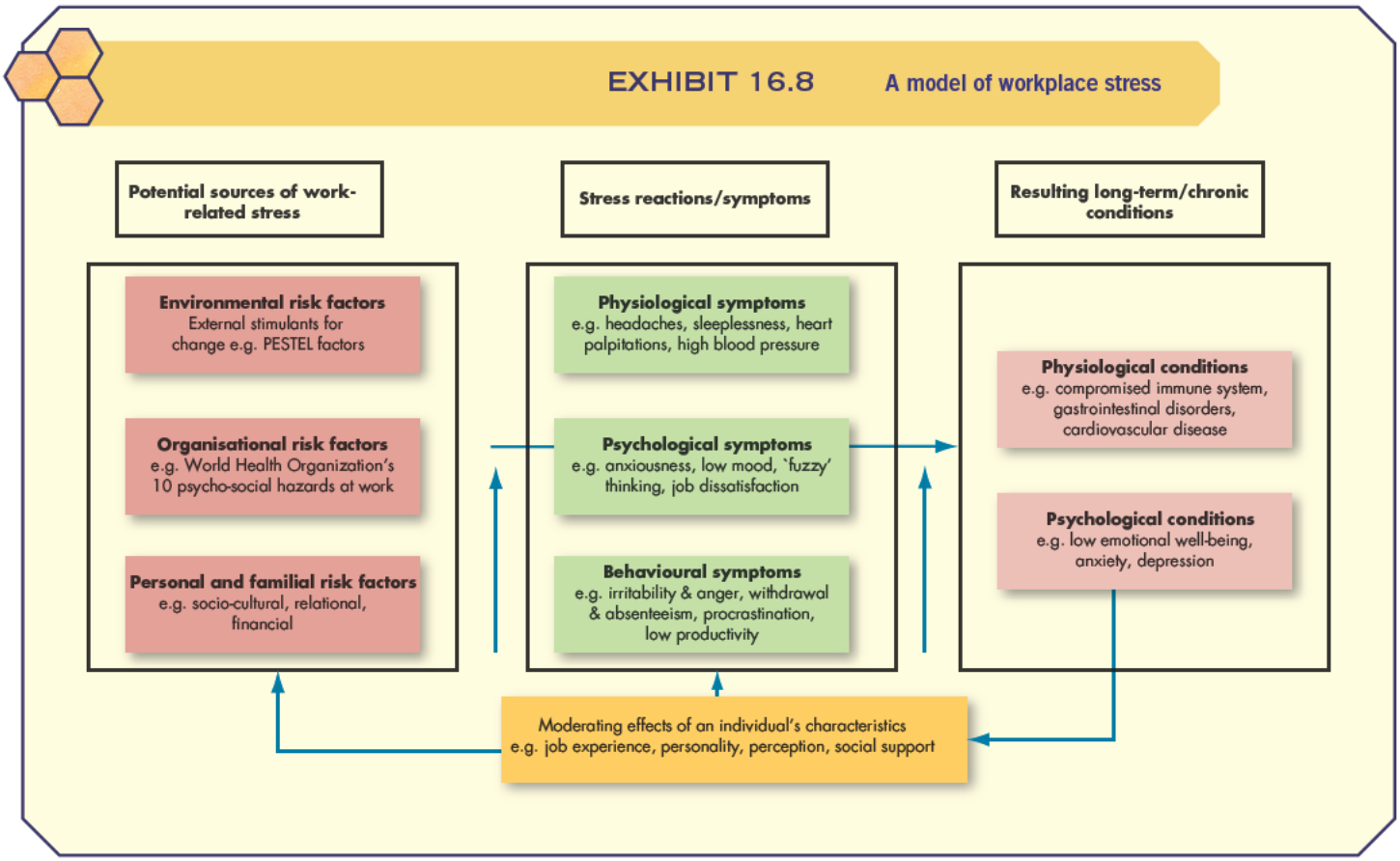

SOURCES: Developed and adapted from Leka et al. 2010; and Kompier and Marcelissen 1990.[90]

Environmental risk factors

Just as environmental uncertainty can influence the design of an organisation's structure, or trigger a change initiative, it can also influence stress levels among employees in that organisation. Indeed, uncertainty is the biggest reason why people have trouble coping with organisational change.[91] External environmental factors that can lead to uncertainty and employee stress are numerous and include the PESTEL factors introduced earlier in the chapter.

Political factors such as threats of terrorism and the changing policies of governments, international trade tariffs or general political uncertainty can all create workplace stress, just as changes in the business cycle create economic uncertainties and associated stress in the workplace.

Technological change and innovation can make an employee's skills and experience obsolete in a very short time, and creates stress. Similarly, environmental and ecological issues and legal/regulatory changes can force change and induce stress where entire industries are affected by a change in environmental conditions, the law or the regulations governing them.

Organisational risk factors

There's no shortage of potential factors within an organisation that can cause stress. Pressures to avoid errors or complete tasks in a limited time; work overload; a demanding and insensitive boss; and unpleasant colleagues are a few examples. What's more alarming is that there's clear evidence that chronic stress in the workplace can cause myriad health conditions, including heart disease, gastro-intestinal disease, diabetes and even some cancers, as well as depression, anxiety and other mental health issues.

In 2010, the World Health Organization (WHO) identified ten categories of psycho-social hazards in the workplace, each of which was identified as a significant emerging risk factor, and which need to be carefully managed in employees if adverse and chronic health and performance issues are to be avoided.[92]

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The WHO recognised that psycho-social risks go hand in hand with the experience of work-related stress and their report concluded that their work had provided comprehensive evidence on the impact of psycho-social hazards on a number of health outcomes.

These ten hazards are by no means the only psycho-social risks faced in the workplace, but they're a useful starting point to explore how the workplace can be a significant source of stress and a cause of chronic health conditions. The ten psycho-social hazards are job content; workload and work pace; work schedules; control; environment and equipment; organisational culture and function; inter-personal relationships at work; role in the organisation; career development; and home-work interface. Let's explore what these actually mean.[93]

Job content becomes a risk when there's a lack of variety in the work, or where someone is engaging in meaningless work, or work that's not recognised by superiors and peers, or is working in an environment of uncertainty or where there's an under-use of their skills.

Workload and work pace will result in stress where there's a work overload or underload, where there's a high level of time pressure doing the work and where employees are continually subject to unrealistic deadlines. The amount of work that needs to be done is typically the biggest stressor, followed closely by the presence of looming deadlines.[94]

Work schedules become stressful where they are inflexible, where hours of work are unpredictable, long or unsociable, or where there's shiftwork.

Control is an issue when employees have a lack of control over workload and its pace and have low participation in decision making.

Environment and equipment become workplace risks when there's no or inadequate equipment, or where there are poor environmental conditions such as lack of space, poor lighting and excessive noise. Working in an overcrowded room or a visible location where noise and interruptions are constant has been seen to increase anxiety and stress.[95]

Organisational culture and function are a source of significant stress where there is poor communication and low levels of support for problem solving and personal development in the workplace. An organisation that's organised dysfunctionally and 'gets in its own way' in seeking to achieve performance goals will create stress for its employees. For example, where an individual might receive different and conflicting performance goals from different parts of the organisation and/or is given a workload that makes it impossible to achieve these performance goals, the individual is being subject to an extreme psycho-social risk.

Interpersonal relationships at work can be both good and bad. When there are pressures created by other employees, a lack of social support from colleagues or poor interpersonal relationships, this becomes toxic and a stress risk factor, especially among employees with a high social need. A rapidly growing body of research has shown that negative colleague and supervisor conflict behaviours (including bullying, incivility, harassment and marginalisation) are especially strongly related to stress at work.[96] The proverb 'a fish rots from the head down' means that when an organisation or group fails, the root cause is its leadership. Poor and ineffective leadership and the cultures it creates can discernibly increase stress among those subject to them. In particular, socially aversive leadership styles (see Chapter 11) can both create and deepen toxic cultural environments that negatively impact chronic stress in the workforce.[97] Similarly, individual or group social or physical isolation, or where there are high levels of emotional labour being expended, all increase stress. For example, as customer service grows ever more important, emotional labour is becoming an increasing source of stress.[98] Imagine being a flight attendant for AirAsia or Jetstar or a cashier at a Gloria Jeans coffee shop. Do you think you could put on a happy face when you're having a bad day?

The 'role in the organisation'—that is, the pressures placed on a person as a function of the particular role they play in the organisation[99]—can become an issue where there's role ambiguity, role conflict or capricious role changing. Role ambiguity is a risk factor where role expectations aren't clearly understood and the employee isn't sure what to do, or where their role is changed capriciously. Role conflicts create expectations that may be hard to reconcile or satisfy. Individuals who face high situational constraints (such as fixed working hours or demanding job responsibilities) are also less able to engage in the proactive coping behaviours that reduce stress levels.[100] When faced with hassles at work, they won't only have higher levels of distress (or 'bad' stress) at the time but also be less likely to take steps to eliminate stressors in the future.

Career development is important to most employees and WHO recognised that career stagnation and uncertainty, or where individuals have experienced under-promotion or

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over-promotion, creates stress. Similarly, if someone is poorly paid or where there is job insecurity or there is perceived to be a low social value to the work, this can also cause stress.

Finally, work–home interface becomes a workplace issue when there are conflicting demands of work and home, low support at home, or even dual career problems and conflicts.

Personal and familial risk factors

Personal and familial risk factors are the factors in an employee's personal life—such as family issues or personal economic problems—that can spill over to the job. They include financial issues, relationship issues, socio-cultural issues and the previously explained home–work interface.

For example, national surveys consistently show that people hold personal and family relationships dear. Marital difficulties, the breaking of a close relationship and discipline troubles with children create stresses that employees often can't leave at the front door when they arrive at work.[101] Regardless of income level—people who make $100 000 per year seem to have as much trouble handling their finances as those who earn $50 000—some people are poor money managers or have wants that exceed their earning capacity. The economic problems of over-extended financial resources can create stress and distraction from work effort. Similarly, such dissonance in social relationships can stress individuals.

Career OBjectives



How can I bring my team's overall stress level down?

My co-workers and I are under a lot of pressure because we have a huge deadline coming up. We're working a lot of extra hours, and tensions are starting to ramp up to arguments. Is there any way I can get my team to chill out?

—Hakim

Dear Hakim,

It sounds like you're facing some of the core issues that produce stress at work: high demands, critical outcomes and time pressure. There's no question tempers can start to flare under these conditions. While it may not even be desirable to get your team to relax, or chill out as you say, lowering your team's aggregate stress level will increase your group's effectiveness. Fortunately, there are some well-established ways to help lower stress in groups. Some of the most effective are directly related to getting people to recommit to the team:

- *To help minimise infighting, get the group to focus on a common goal.* Shared objectives are one of the most effective ways to reduce conflict in times of stress, and they remind everyone that cooperation is key.
- *Review what the team has done and what steps towards the goal remain.* When the team can see how much work they have accomplished, they will naturally feel better.
- *When the team feels most tense, take a collective temporary break.* It can be difficult to step away from a project with heavy time demands, but working at a point of maximum tension and conflict is often counterproductive. A chance to stop and gain perspective helps everyone recharge and focus.

Remember that minimising team stress shouldn't happen through lowering standards and accepting lower quality work but through reducing counterproductive organisational behaviour. A positive work environment with high member engagement will do a lot to move the group forward. A combination of focus, progress and perspective will ultimately be the best approach to limiting your stress.

SOURCES: Based on P. M. Poortvliet, F. Anseel and F. Theuwis, 'Mastery-approach and mastery-avoidance goals and their relation with exhaustion and engagement at work: the roles of emotional and instrumental support', *Work & Stress* 29, April 2015, pp. 150–70; J. P. Trougakos, D. J. Beal, B. H. Cheng, I. Hideg and D. Zweig, 'Too drained to help: a resource depletion perspective on daily interpersonal citizenship behaviors', *Journal of Applied Psychology* 100, 2015, pp. 227–36; and J. P. Trougakos, I. Hideg, B. H. Cheng and D. J. Beal, 'Lunch breaks unpacked: the role of autonomy as a moderator of recovery during lunch', *Academy of Management Journal* 57, 2014, pp. 405–21.

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Moderating effect of individual differences

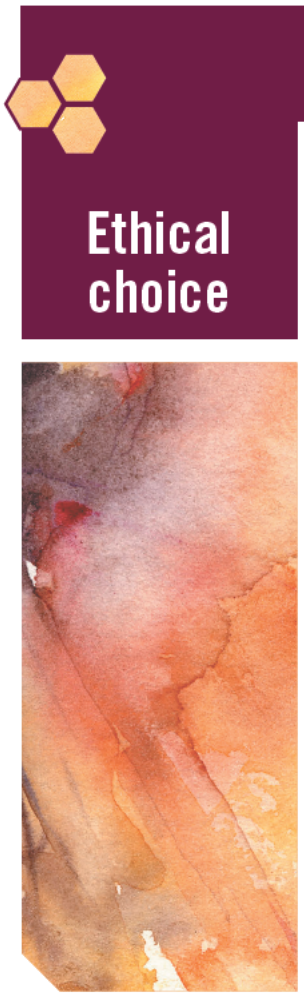
Some people thrive on stressful situations, while others are overwhelmed by them. What differentiates people in terms of their ability to handle stress? What individual character variables moderate the relationship between potential stressors and experienced stress?

There are many and they include such things as job experience, personal values, personality, perception and a person's level of social support.

Job experience tends to be negatively related to work stress. Two explanations have been offered for this.[102] The first is selective withdrawal. Voluntary turnover is more probable among people who experience more stress. Therefore, people who remain with an organisation longer are those with more stress-resistant traits or those more resistant to the stress characteristics of their organisation. Second, people eventually develop coping mechanisms to deal with stress. Because this takes time, senior members of the organisation are more likely to be fully adapted and should experience less stress.

Personal values, which we considered in Chapter 4, can moderate the relationship between potential stressors and actual stress. We know our values are relatively stable and enduring and where work requires us to engage in activity that transgresses our values, stress results.

Studies in three diverse organisations found that stress symptoms that participants reported before beginning a job accounted for most of the variance in stress symptoms reported nine months later.[103] The researchers concluded that some people may have an inherent tendency to accentuate negative aspects of the world. If this is true, then a significant individual factor that influences stress is a person's basic disposition. That is, stress symptoms expressed on the job may actually originate in the person's personality type.[104]



Ethical choice

Manager and employee stress during organisational change

When organisations are in a state of change, employees feel the stress. In fact, one study indicated that job pressures, often due to downsizing and other organisational changes, are the second-leading cause of stress. Dealing with that stress has long been in the domain of workers, who could turn to constructive (counsellors, health professionals, support networks) or destructive (alcohol, gossip, counterproductive work behaviours) options as coping mechanisms. Employees who couldn't cope with stress suffered job burnout and headed to the unemployment line. But are managers ethically obligated to alleviate employee stress?

Historically, no beneficent employers provided employee assistance programs (EAPs) through subcontracted counsellors or in-house HR departments to counsel employees dealing with stress. Managers simply steered individuals towards these resources when workplace problems indicated a need for intervention. This help often arrived too late to mitigate the negative outcomes of stress. Accordingly, employee stress needs to be addressed proactively at the manager level if it's to be effective, even before there are negative work outcomes.

On the one hand, managers are responsible for maximising productivity and realise that organisations increase profitability when fewer employees perform increased work. On the other hand, overwork will increase employee stress, particularly when the organisation is in a state of change due to downsizing or growth. Managers who keep head count low and workloads high may find short-term gains from lower workforce costs but long-term losses from negative stress outcomes, such as increased turnover and lowered productivity. Managers must make the ethical choice between spending more money now on labour costs and stress reduction methods versus the more hidden but salient costs of employee stress later on.

As research increasingly indicates, when employees react to stress, they and their organisations suffer the consequences. Managers must, therefore, consider their opportunity to help alleviate the stress before it's too late.

SOURCES: E. Frauenheim, 'Stressed & pressed', *Workforce Management*, January 2012, pp. 18–22; J. B. Oldroyd and S. S. Morris, 'Catching falling stars: a human resource response to social capital's detrimental effect of information overload on star employees', *Academy of Management Review* 37, 2012, pp. 396–418; and S. Sonnentag, E. J. Mojza, E. Demerouti and A. B. Bakker, 'Reciprocal relations between recovery and work engagement: the moderating role of job stressors', *Journal of Applied Psychology* 97, 2012, pp. 842–53.

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In Chapter 6, we demonstrated that employees react in response to their perception of reality, rather than to reality itself. Perception, therefore, will moderate the relationship between a potential stress condition and an employee's reaction to it. Redundancies may cause one person to fear losing their job, while another sees an opportunity to get a large severance allowance and start their own business. So stress potential doesn't lie in objective conditions; it lies in an employee's interpretation of those conditions.

Social support—that is, collegial relationships with colleagues or supervisors—can buffer the impact of stress.[105] This is among the best-documented relationships in the stress literature. Social support acts as a palliative, mitigating the negative effects of even high-stress environments.

Cultural differences

Research suggests that the job conditions that cause stress show some differences across cultures. One study revealed that whereas US employees were stressed by a lack of control, Chinese employees were stressed by job evaluations and lack of training.[106] It doesn't appear that personality effects on stress are different across cultures, however. One study of employees in Hungary, Italy, the United Kingdom, Israel and the United States found that Type A personality traits predicted stress equally well across countries.[107] A study of 5270 managers from 20 countries found individuals from individualistic countries, such as Australia, the United States, Canada and the United Kingdom, experienced higher levels of stress due to work interfering with family than did individuals from collectivistic countries in Asia and Latin America.[108] The authors proposed that this may occur because, in collectivistic cultures, working extra hours is seen as a sacrifice to help the family, whereas in individualistic cultures, work is seen as a means to personal achievement that takes away from the family.

Evidence also suggests that stress is equally bad for employees of all cultures.[109]

16.6 Identify the consequences of stress.

Consequences of stress

As stated earlier, it's now clear that stress intensity as well as prolonged exposure to stress are particularly harmful and cause ongoing disease and chronic health conditions for those subjected to them. It is now undisputed that there's a disease pathway from work-related stress. Elevated and unsustainable levels of distress (or 'bad' stress) negatively affect biological processes and lead to chronic diseases and disorders.[110] The WHO observed that there was clear and substantial scientific evidence to indicate a clear relationship between psycho-social risks in the workplace and the consequences to an individual's physical, mental and social health.

The WHO report identified consequences of chronic stress as physiological ill-health (such as hypertension, heart disease, poor wound-healing, musculoskeletal disorders, gastro-intestinal disorders, metabolic syndrome, diabetes and a generalised impaired immuno-competence), psychological ill-health (such as anxiety, post-traumatic stress, depression and other mood disorders) and social and behavioural ill-health (i.e. poor health behaviours such as drinking, smoking, inactivity leading to obesity, poor diet, and too little or too much sleep).

Let's take a closer look at the physiological, psychological and behavioural symptoms that result from chronic stress.[111]

Physiological symptoms

Most early concern with stress was directed at physiological symptoms because most researchers were specialists in the health and medical sciences. Their work led to the conclusion that stress could create changes in metabolism, increase heart and breathing rates and blood pressure, bring on headaches and induce heart attacks.[112] The body's natural response to stress is to release cortisol and this hormone increases blood pressure and blood sugars, decreases serotonin and suppresses the immune system. Low serotonin levels are associated with irritability and aggression, low mood, low self-esteem, insomnia and low energy.

One study linked stressful job demands to increased susceptibility to upper-respiratory illnesses and poor immune-system functioning, especially for individuals with low self-efficacy.[113]

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A long-term study conducted in the United Kingdom found that job stress was associated with higher levels of coronary heart disease.[114] A Canadian study of day-shift workers found that higher levels of psychological demands and overcommitment were related to significantly increased variation in cortisol levels.[115]

Psychological symptoms

Job dissatisfaction is 'the simplest and most obvious psychological effect' of stress.[116] But, as we saw above, when the body releases the stress hormone cortisol, stress shows itself in other psychological states; for example, tension, anxiety, irritability, boredom and procrastination. In one study that tracked physiological responses of employees over time, it was found that stress due to high workloads was related to lower emotional well-being as well as the physiological symptom of high blood pressure.[117]

Jobs that make multiple and conflicting demands or that lack clarity about the incumbent's duties, authority and responsibilities increase both stress and dissatisfaction.[118] Similarly, studies across 63 countries have shown that the less control people have over the pace of their work, the greater the stress and dissatisfaction.[119] Although more research is needed to clarify the

Myth or science?



'When you're working hard, sleep is optional'

This is false. Individuals who don't get enough sleep are unable to perform well on the job. A Deloitte Access Economics health survey shows that 7.4 million (39.8%) of working Australians didn't get enough sleep across 2016–2017. The report states 394 Australians died as a direct result of falling asleep at the wheel of a vehicle or industrial accidents because of lack of sleep. It put the financial cost of sleeplessness, including health costs and the loss of productivity at $26.2 billion a year. When the cost of the loss of well-being was added, the combined cost was $66.3 billion a year. Sleep deprivation has been cited as a contributing factor in heart disease, obesity, stroke and cancer and the Deloitte report estimates that sleeplessness was at least partly responsible for 3017 deaths in Australia across in 2016–2017. More than 160 people on Air India Flight 812 from Dubai to Mangalore were killed in May 2010 when pilot Zlatko Glusica awoke from a nap and, suffering from sleep inertia, overshot the runway in India's third-deadliest air crash.

Sleeplessness is affecting the performance of millions of workers. The same report estimated that 13.3% of the adult population has a medical condition known as excessive daytime sleepiness (EDS) and 5.8% of EDS is due to sleep disorders such as insomnia, restless leg syndrome and sleep apnoea.

Research has shown that lack of sleep impairs our ability to learn skills and find solutions, which may be part of the reason law-enforcement organisations and half of the Fortune 500 companies employ 'fatigue management specialists' as performance consultants. Meanwhile, managers and employees increasingly take prescription sleep aids and consume caffeine in efforts either to sleep better or to reduce the effects of sleeplessness on their performance. These methods often backfire. Studies indicate that prescription sleep aids increase sleep time by only 11 minutes and cause short-term memory loss. The effects of sleep labs may not be helpful after the sessions are over. And the diminishing returns of caffeine, perhaps the most popular method of fighting sleep deprivation, require the ingestion of increasing amounts to achieve alertness, which can make users jittery before the effect wears off and leave them exhausted.

When you're working hard, it's easy to consider using sleep hours to get the job done, and to think that the stress and adrenaline from working will keep you alert. It's also easy to consider artificial methods in attempts to counteract the negative impact of sleep deprivation. However, research indicates that, when it comes to maximising performance and reducing accidents, we can't even properly assess our impaired capabilities when we're sleep deprived. In the end, there's no substitute for a solid night's sleep.

SOURCES: Fatigue Risk Management Science Ltd website, <www.frmsc.com>; M. Sallinen, J. Onninen, K. Tirkkonen, M.-L. Haavisto, M. Harma, T. Kubo et al., 'Effects of cumulative sleep restriction on self-perceptions while multitasking', *Journal of Sleep Research*, June 2012, pp. 273–81; P. Walker, 'Pilot was snoring before Air India crash', *The Guardian*, 17 November 2010; Deloitte Access Economics, 'Asleep on the job: costs of inadequate sleep in Australia', Sleep Health Foundation, 2017, <https://www.sleephealthfoundation.org.au/>; and Anna Patty, 'Lack of sleep is costing the economy more than $66 billion', *Sydney Morning Herald*, 18 August 2017.

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relationship, jobs that provide a low level of variety, significance, autonomy, feedback and identity appear to create stress and reduce satisfaction and involvement in the job.[120]

Not everyone reacts to autonomy in the same way, however. For those who have an external locus of control, increased job control increases the tendency to experience stress and exhaustion.[121]

Behavioural symptoms

Research on behaviour and stress has been conducted across several countries and over time, and the relationships appear relatively consistent. Behaviour-related stress symptoms include changes in productivity, absence and turnover, as well as changes in eating habits, increased smoking or consumption of alcohol, rapid speech and fidgeting.[122]

16.7 Contrast the individual and organisational approaches to managing stress.

Managing stress

Management may not be concerned when employees experience low to moderate levels of stress, because these levels can be functional and lead to higher performance. Employees, however, are likely to perceive even low levels of stress as undesirable. It isn't surprising, therefore, that employees and management can have different notions of what constitutes an acceptable level of stress on the job. What management might consider to be 'a positive stimulus that keeps the adrenaline running' is likely to be seen as 'excessive pressure' by some employees. Keep this in mind as we discuss individual and organisational approaches to managing stress.[123]

Individual approaches

Employees can take personal responsibility for reducing their stress levels. Individual strategies that have proven effective include time-management techniques, increased physical exercise, relaxation training and expanded social support networks.[124]

Many people manage their time poorly. The well-organised employee, like the well-organised student, can often accomplish twice as much as the person who is poorly organised. So, an understanding and use of basic time-management principles can help individuals to better cope with tensions created by job demands.[125] A few of the best-known time-management principles are (1) making daily lists of activities to be accomplished, (2) prioritising activities by importance and urgency, (3) scheduling activities according to the priorities set, (4) knowing your daily cycle and handling the most demanding parts of your job when you are most alert and productive, and (5) avoiding electronic distractions, such as frequently checking emails, which can limit attention and reduce efficiency.[126] These time-management skills can help minimise procrastination by focusing efforts on immediate goals and boosting motivation even in the face of tasks that are less desirable.[127]

Doctors recommend non-competitive *physical exercise*, such as aerobics, walking, jogging, swimming and cycling, as a way to deal with excessive stress levels. These forms of physical exercise increase the production of the brain's feel-good neurotransmitters, called endorphins. The result over time is an increase in heart capacity, a lowering of the heart rate at rest and a mental—even meditative—diversion from work pressures. They have been found to even slow the physical and mental effects of ageing.[128]

Individuals can teach themselves to reduce tension through relaxation techniques such as meditation, mindfulness and yogic or other deep breathing.[129] The objective is to reach a state of deep physical relaxation, in which you feel somewhat detached from the immediate environment and from body sensations.[130] Deep relaxation for 15 or 20 minutes a day, twice a day, releases tension and provides a pronounced sense of peacefulness, as well as significant changes in heart rate, blood pressure and other physiological factors.[131] A growing body of research shows that simply taking breaks from work at routine intervals can facilitate psychological recovery and reduce stress significantly, and may improve job performance. These effects are even greater if relaxation techniques are employed.[132]

As we've noted, having friends, family or work colleagues to talk to provides an outlet when stress levels become excessive.[133] Expanding your social support network gives you someone

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to listen to your problems and offer a more objective perspective on the situation than your own. It's so important to be proactive and to try to address your stress head on. But apart from rumination, support from family, friends or spouses who help you recover from stressful work experiences can be mutually beneficial.[134]

Organisational approaches

Several factors cause stress but those such as task and role demands can be modified or changed by management. Strategies to consider include improved personnel selection and job placement, training, realistic goal setting, job design, increased employee involvement, improved organisational communication, employee sabbaticals and corporate wellness programs.

Certain jobs are more stressful than others but, as we noted above, individuals differ in their response to stressful situations. We know that individuals with little experience or an external locus of control tend to be more prone to stress. Selection and placement decisions should take these factors into consideration. Obviously, management shouldn't restrict hiring to only experienced individuals with an internal locus, but such individuals may adapt better to high-stress jobs and perform those jobs more effectively. Similarly, training can increase an individual's self-efficacy, lessening job strain.

We discussed goal setting in Chapter 7 as part of our consideration of motivation theory. Individuals perform better when they have specific and challenging goals and receive feedback on their progress towards these goals. Goals can reduce stress as well as provide motivation.[135] Specific goals that are perceived as being attainable clarify performance expectations. In addition, goal feedback reduces uncertainties about actual job performance. The result is less employee frustration, role ambiguity and stress. However, goal setting and goal-focused leadership tend to be more successful in reducing stress for the conscientious, but not for those who are low on emotional stability.[136]

Job redesign gives employees more responsibility, more meaningful work, more autonomy and increased feedback, which can reduce stress because these factors give employees greater control over work activities and lessen dependence on others. But, as noted in the discussion of work design, not all employees want enriched jobs. The right redesign for employees with a low need for growth might be less responsibility and increased specialisation. If individuals prefer structure and routine, reducing skill variety should also reduce uncertainties and stress levels.

Role stress is detrimental to a large extent because employees feel uncertain about goals, expectations, how they will be evaluated and the like. Increasing employee involvement in decision making gives employees a voice in the decisions that directly affect their job performance, thereby increasing employee control and reducing role stress.[137]

Increasing formal organisational communication with employees reduces uncertainty by lessening role ambiguity and role conflict.[138] Given the importance that perceptions play in moderating the stress–response relationship, management can also use effective communication as a means to shape employee perceptions. Remember that what employees categorise as demands, threats or opportunities is an interpretation, and that interpretation can be affected by the effective communication by management.

Some employees need an occasional escape from the frenetic pace of their work. Some companies have begun to provide extended voluntary leave.[139] These sabbaticals—ranging in length from a few weeks to several months—allow employees to travel, relax or pursue personal projects that consume time beyond normal holidays. Proponents say that sabbaticals can revive and rejuvenate workers who might otherwise be headed for burnout.

The final suggestion is organisationally supported **wellness programs**. These are now commonplace in Australian companies[140] and typically involve subsidised health screening, gym memberships, relaxation and holistic activities such as yoga, meditation and massage as well as weight-loss and tobacco-cessation programs. They focus on the employee's total physical and mental condition.[141]

wellness programs
Organisationally supported programs that focus on the employee's total physical and mental condition.

Most now provide psychological services, as well. The business case for such programs is compelling. A meta-analysis of 36 programs designed to reduce stress (including wellness programs) showed that interventions to help employees reframe stressful situations and use active coping strategies led to an appreciable reduction in stress levels.[142]

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In addition, a study of eight Canadian organisations found that every dollar spent on their comprehensive wellness programs generated a return of $1.64, and for high-risk employees, such as smokers, the return was nearly $4.00.[143] This and other research has indicated that effective wellness programs significantly decrease turnover rates for most organisations.[144]

Most wellness programs assume that employees need to take personal responsibility for their physical and mental health. The organisation is merely a means to that end.

Summary

The need for change has been implied throughout this book. For instance, think about attitudes, motivation, work teams, communication, leadership, organisational structures and organisational cultures. Change was an integral part in our discussion of each.

If environments were perfectly static, if employees' skills and abilities were always up-to-date and incapable of deteriorating, and if tomorrow were always exactly the same as today, organisational change would have little or no relevance to managers. But the real world is turbulent, requiring organisations and their members to undergo dynamic change if they are to perform at competitive levels.

Implications for managers

- Consider that, as a manager, you're a change agent in your organisation. The decisions you make and your role-modelling behaviours will help shape the organisation's change culture.
- Your management policies and practices will determine the degree to which the organisation learns and adapts to changing environmental factors.
- Some stress is good. Low to moderate amounts of stress enables many people to perform their jobs better by increasing their work intensity, alertness and ability to react. This is especially true if stress arises due to challenges on the job rather than as the result of hindrances that prevent employees from doing their jobs effectively.
- You can help alleviate harmful workplace stress for your employees by accurately matching the amount and nature of workloads to employees, so that the load is appropriate and the nature of the work is aligned with the employee's job description, performance goals and performance appraisal.
- You can provide managers with advanced training in identifying and managing 'distress' (or 'bad' stress) among staff members and provide employees with stress-management strategies, resources and responses to their concerns.
- You can identify established and extreme stress in your employees when performance declines, turnover increases, health-related absenteeism increases and engagement declines. However, by the time these symptoms are visible, it may be too late to be helpful, so stay alert for early indicators and be proactive.

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COMPANIES SHOULD ENCOURAGE STRESS REDUCTION

POINT

Companies make substantial investments in their employees, so the health and well-being of the workforce is a central concern. One of the most direct ways to provide assistance to employees is to engage in one of the stress-reduction interventions.

One major financial benefit of stress reduction programs is a reduction in health-related costs. Workplace stress leads to dozens of negative and expensive health-related consequences. Stress weakens the immune system, leading to increased illness and sick days. If employees feel extreme stress related to work, they may be more likely to come to work when they're contagious, leading to sickness for many others. Over the longer run, stress levels can also contribute to conditions like heart disease, which ultimately result in very expensive medical treatments. These medical treatments increase employer health insurance expenses.

Reductions in employee stress can facilitate job performance. Employees who are overburdened have difficulty concentrating, can lose energy and motivation at work, and find it difficult to think of new and creative ideas. Stress can also create conflicts with co-workers and lead to rude or hostile treatment of clients or customers. Ultimately, employees who are experiencing high levels of stress may leave, resulting in turnover costs for the organisation.

Stress-reduction programs also have an ethical component. The workplace generates a great deal of stress for many employees, so employers have a certain responsibility to offset its negative consequences. Stress reduction programs are a direct way to help employees feel better. When employers show concern for employees by helping reduce stress, employees feel more committed.

COUNTERPOINT

While employers may have a direct financial interest in certain elements of stress reduction, it's worth asking whether investing in stress-reduction programs is actually a good idea.

The first problem is operational. Some stress-reduction interventions are expensive, requiring professional facilitators or exercise equipment. These can take a long time to show financial returns, and the upfront costs of researching, designing and implementing them are substantial. A growing number of corporations report that the expected returns on investment in wellness programs have failed to materialise. And the time employees spend in stress-reduction interventions is time they spend not working.

Another problem is that stress-reduction programs are invasive. Should your boss or other individuals in the workplace tell you how you're supposed to feel? Many stress-reduction programs step even further into employees' personal lives by encouraging open discussions about sources of stress. Do you really want your manager and co-workers to know why you're experiencing stress? The more sensitive topics related to stress are discussed, the harder it is to keep work relationships professional.

A final concern is that it's too hard to draw the line between stress from work and general life stress. A company's stress-reduction program may try to target problems of work overload or social conflict, but these issues often affect other areas of life. How should a stress-reduction program operate when the reasons for employee stress come, say, from a sick relative or conflicts with family members? Organisations often mean well, but it may be more important to let employees keep their private lives private.

SOURCES: Based on L. Vanderkam, 'The dark side of corporate wellness programs', *Fast Company*, 8 June 2015; D. R. Stover and J. Wood, 'Most company wellness programs are a bust', *Gallup Business Journal*, 4 February 2015; and A. Frakt and A. E. Carroll, 'Do wellness programs work? Usually not', *New York Times*, 11 September 2014.

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Questions for review

1. What is the difference between planned and unplanned change?
2. What forces act as sources of resistance to change?
3. What is similar and what is different between Lewin's three-step model and the positive model of change?
4. How can managers create a culture for continuous change?
5. What is stress and what are the possible sources of stress?
6. What are the consequences of stress?
7. What is more effective: the individual or the organisational approaches to managing stress?

Application and employability

In this chapter, you were introduced to the many ways change affects organisations, and its influence on employee stress and strain. Understanding organisational change can help you become more employable because change is a constant in organisations. Learning to adapt and manage change can help you progress and succeed at work. One day, you may be behind a major organisational change effort. If you find yourself in that position, you can draw on your knowledge of organisational change management efforts to make sure that the change is implemented smoothly. You learned about several techniques to manage your stress levels and knowing how to manage these can help you become more employable because you'll be productive in spite of the stress. Also, challenging stressors and goals can help motivate you and lead to great accomplishments.

If you find yourself managing people someday, you've learned a variety of options for helping your employees manage their stress levels. So far in this chapter, you've improved your social responsibility skills by becoming aware of the dangers of a lack of sleep, considered how to handle team stress and conflict, learned how to manage stress during organisational change, and debated whether or not companies should be involved in stress-reduction efforts. Next, you'll continue to build these skills, along with your critical-thinking and knowledge-application and analysis skills, by reflecting on a major change event at a workplace, how it was managed, what its effect was and how it could have been done differently; seeing how SEE Business Solutions, a small business advisory entity, managed transformational change and growth through an employee-centred approach; and considering whether activity-permissive workspaces could promote greater physical activity and deliver better physiological and psychological outcomes for individuals.

Experiential exercise

LEARNING FROM WORK

As mentioned in the chapter-opening vignette, Steve Meyn observed many environmental changes that were forcing professional services firms to 'change or perish'. He dismantled his HR department in order to empower his workforce, created a cross-expert strategy group to package and digitise the firm's services for different industries and generally is trying to instil in his workforce a diligence towards demonstrating value for money with each client.

No doubt, you have experienced turning-point events in your work experiences and interactions with organisations that have affected the way you perceive work and the way you do things in organisations. Think now about a time when you (or someone close to you) had a major change event at work.

As individuals, answer the following questions about that event.

1. What was the major change event?
2. What caused the major change event?
3. What were the outcomes of the major change event?
4. How many people were affected? Who was affected?
5. Did the change event lead to stress for the people affected? Was it 'good' or 'bad' stress?
6. From this event, can you think of one piece of advice for employees in similar situations in the future? Write that advice down.

After answering these questions, form groups of three or four. Each group member has a turn reading their change event stories and the lessons learned from each. After each description, group members should talk about similar experiences they've had and may ask follow-up questions if they wish. Members should also think about what could have been done differently that may have led to better outcomes as well as what would have happened in other situations and if that would have altered how the change was perceived. For example, what if fewer people were affected by the change event?

After the group members have shared their stories, each member should answer the following questions individually.

7. Did any of the group members disagree on the piece of advice for employees in different situations? If they did, what were the competing advice points? Can you think of alternative pieces of advice that might contradict what you or your group members thought of for any of the group's descriptions? (For example, if one piece of advice is 'birds of a feather flock together', a competing piece of advice is 'opposites attract'.)

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8. For your situation, is there anything you (or someone close to you) should have done differently? Explain.
9. In what ways do you think organisations can train their employees to be more adaptive and resilient? Do you think this is possible? Why or why not?

SOURCES: Adapted from B. Carpenter, *The Bigs: The Secrets Nobody Tells Students and Young Professionals about How to Choose a Career, Find a Great Job, Do a Great Job, Be a Leader, Start a Business, Manage Your Money, Stay out of Trouble, and Live a Happy Life*, Hoboken, NJ: Wiley, 2014.

Case study 1

CHANGE AT SEE BUSINESS SOLUTIONS

SEE Business Solutions was founded in August 2013 by Jay Bolton to provide business advice to the building and construction industry throughout New South Wales. Beginning as a sole owner-operator, Jay progressively developed his firm to a point where it now employs 15 people and actively involves all employees in the process of business development and growth.

But it wasn't always smooth sailing. After one year, Jay took on the firm's first two employees. Twelve months later, both new recruits had left to pursue other interests. This led Jay to embark on a process of organisational transformation, recruiting new people who would be encouraged to actively participate in the organisation's growth, and to become genuine contributors to its development over time.

As the firm's leader, Jay began initiating a series of regular strategy meetings where all employees were encouraged to share their ideas and propose new initiatives to advance the business. Over time, this not only built commitment to the organisation on the part of all employees, it also gave them a sense of ownership of the various changes as they were proposed, evaluated and eventually implemented. Change initiatives underwent consultative planning discussions, followed by preparatory brainstorming sessions involving all organisational members. These were followed by close communication and consultation meetings throughout the implementation and review phases. Concerns were aired along the way and worked through in a rational and non-confrontational manner, thereby reducing the levels of stress that change sometimes brings.

The results speak for themselves. SEE Business Solutions has gone from being a provider of strategic and managerial advice, to a more fully integrated whole-of-business support-and-solutions provider. Client loyalty has increased along with employee commitment, and team morale is now very high. SEE Business Solutions has, through a process of genuine ongoing employee consultation, built a strong culture of commitment and service. Rather than simply providing business advice to its customers, the company is now able to ensure that business knowledge and business acumen become ingrained in the thinking of its clients, so that it directly flows through to their operations. By 2019, employee-centred change had become an important platform for success at SEE Business Solutions.

Questions

1. How closely do the changes in this organisation parallel Kurt Lewin's three-step model for change?
2. What aspects of organisational development are evident in the changes brought about in this organisation?
3. How did the change initiatives at SEE Business Solutions seek to minimise stress for employees throughout the process?

SOURCE: Interview conducted on Friday 19 October 2018 with Jay Bolton, Director and Founder, SEE Business Solutions.

Case study 2

GETTING ACTIVE AT WORK

There are many ways to manage stress within the workplace, but one of the most longstanding and effective methods is to engage in increased physical activity. This increases the brain's feel-good neurotransmitters, known as endorphins. It's also recognised to have a calming effect on individuals and can bring significant mood improvements. Increasingly, modern organisations are becoming aware of the advantages of designing workspaces that encourage movement and promote physical activity among employees. International health fund BUPA, in partnership with the University of Queensland and Baker Heart and Diabetes Institute, collaborated on a study to explore whether moving from a traditional working environment to an activity-permissive workspace would actually promote greater physical activity and deliver better physiological and psychological outcomes for individuals.

This study identified a range of initiatives that were thought to encourage employee movement. From a workspace design perspective, these included sit-to-stand workstations, an array of break-out rooms and collaborative spaces to stimulate employee movement and encourage interaction away from their designated work stations, and remote access technology options to promote and facilitate building-wide mobility. In addition to these design-specific initiatives, the study identified other strategies conducive to better health in employees. These included the provision of bike cages and changing facilities as well as open access to fire stairwells to

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allow people to freely transition between levels without relying on the lift system. Further to this, the study identified fitness offerings such as gym membership subsidies and group fitness programs as important factors in the promotion of a healthier workplace.

Prior to the commencement of this study it was noted that participants were, on average, sitting for 70% of their total time at work. This represents almost 6 hours of the typical 8-hour working day.

Half of this sedentary time was taken up in extended uninterrupted periods that typically exceeded 30 minutes. Following the strategies outlined earlier, this study demonstrated that people exposed to activity-permissive workplaces stood more and sat less, with some noticeable increase in their movement. The study noted that after a 1-month period participants located on the activity-permissive floor showed a significant reduction in their sedentary time. A noticeably positive effect on people's perceptions concerning attitudes towards, and acceptance of, standing during meetings and work-related activities was also noted.

The study, however, didn't account for other variables that might influence employee activity, such as personal motivation and inclination to change their work-related habits. Moreover, known factors such as workload and work-pace, as well as levels of autonomy, might combine to restrict the ability of an employee to engage in purposeful physical activity in the workplace. Nevertheless, this study was able to identify the significant workplace gains that activity-enhancing initiatives can bring to individuals in terms of elevating employee well-being.

Questions

1. What does this case study tell us about managing stress in organisations today?
2. To what extent would activity-permissive workplace settings alleviate the organisational risk factors facing people in contemporary organisations?
3. How likely is it that leaders today will embrace such strategies in situations where they face competing demands on their scarce resources?

SOURCES: BUPA, 'Spotlight on healthier workplaces: a Bupa case study',19 July 2018; and Mayo Clinic, 'Healthy lifestyle: stress management', 8 March 2018.

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GLOSSARY

ability An individual's capacity to perform the various tasks in a job.

accommodating One party's willingness to put someone else's interests above their own in a conflict.

affect A broad range of feelings that people experience.

affect intensity Individual differences in the strength with which individuals experience emotions.

affective component (of an attitude) The emotional or feeling segment of an attitude.

affective events theory (AET) A model that suggests workplace events cause emotional reactions on the part of employees, which then influence workplace attitudes and behaviours.

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

all channel A communication network arrangement that enables all members of a group or team to communicate with each other directly rather than through an intermediary, such as a supervisor. This sort of network encourages a more informal type of communication that can lead to richer interaction and bonding within a team.

anchoring bias A tendency to fixate on initial information, and then fail to adequately adjust for subsequent information.

anthropology The study of societies to learn about human beings and their activities.

appreciative inquiry (AI) An approach that seeks to identify the unique qualities and special strengths of an organisation, which can then be built on to improve effectiveness.

arbitrator A third party to a negotiation who has the authority to dictate a settlement.

attitudes Evaluations employees make about objects, people or events.

attribution theory An attempt to determine whether an individual's behaviour is internally or externally caused.

attribution theory of leadership A leadership theory that leadership is merely an attribution that people make about other individuals.

authentic leaders Leaders who know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly. Their followers would consider them to be ethical people.

authority The perceived right to give orders and expect them to be obeyed, often associated with a managerial position.

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

autonomy The degree to which a job provides substantial freedom and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.

availability bias The tendency for people to base their judgements on information that is readily available to them.

avoiding The desire to withdraw from or suppress a conflict.

BATNA The Best Alternative To a Negotiated Agreement, representing the point at which a party would seek an alternative solution.

behavioural component (of an attitude) An intention to behave in a certain way towards someone or something.

behavioural ethics Analysing how people behave when confronted with ethical dilemmas.

behavioural theories of leadership Theories proposing that specific behaviours differentiate leaders from non-leaders.

behaviourism A theory that argues that behaviour follows stimuli in a relatively unthinking manner.

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

biographical characteristics Personal characteristics—such as age, gender, race and length of tenure—that are objective and easily obtained from personnel records. These characteristics are representative of surface-level diversity.

bonus A pay plan that rewards employees for recent performance rather than for historical performance.

boundary spanning Individuals forming relationships outside their formally assigned groups.

bounded rationality A process of making decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

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

bureaucracy A structure applying routine operating tasks achieved through specialisation, formalised rules and regulations, tasks grouped into functional departments, centralised authority, narrow spans of control and decision making that follows a chain of command.

centralisation The degree to which decision making is concentrated at a single point in the organisation.

chain of command The unbroken line of authority that extends from the top of the organisation to the lowest echelon and that clarifies who reports to whom.

challenge stressors Stressors associated with workload, pressure to complete tasks and time urgency.

change Making things different.

change agents People who act as catalysts and assume the responsibility for managing change activities.

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

charismatic leadership theory A leadership theory where followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviours.

circular structure An organisational structure in which executives are at the centre, spreading their vision outwards in rings grouped by function (managers, then specialists, then workers).

citizenship behaviour Discretionary behaviour that contributes to the psychological and social environment of the workplace.

coercive power A power base that is dependent on fear.

cognitive component (of an attitude) The opinion or belief segment of an attitude.

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cognitive dissonance Any incompatibility between two or more attitudes or between behaviour and attitudes.

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

collaborating When the parties to a conflict want to fully satisfy the concerns of all parties.

collectivism A national culture attribute that describes a tight social framework among people in groups where the expectation is that others in the group will look after them and protect them.

communication The transfer and understanding of meaning.

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

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

competing Seeking to satisfy your own interests, regardless of the impact on the other parties to the conflict.

compromising A situation in which each party to a conflict is willing to give up something.

conceptual skills The mental ability to analyse and diagnose complex situations.

conciliator A neutral third party who provides a communication link between conflicting parties.

confirmation bias The tendency to seek out information that reaffirms past choices and to discount information that contradicts past judgements.

conflict A process that begins when someone perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.

conflict management The use of resolution and stimulation techniques to achieve the desired level of conflict.

conflict process A process incorporating different stages: (1) potential opposition or incompatibility, (2) cognition and personalisation, (3) intentions, (4) behaviour and (5) outcomes.

conformity Adjusting your behaviour to align with the norms of the group.

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

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

contingency variables Situational factors or variables that moderate the relationship between two or more variables.

contrast effects Evaluation of a person's characteristics that is affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics.

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

controlling Monitoring activities to ensure they are being accomplished as planned, and correcting any significant deviations.

core self-evaluations Bottom-line conclusions individuals have about their capabilities, competence and worth as a person.

core values The primary or dominant values that are accepted throughout the organisation.

corporate social responsibility (CSR) An organisation's self-regulated actions to benefit society or the environment beyond what is required by law.

cost-minimisation strategy A strategy that emphasises tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

counterproductive work behaviour (CWB) Actions that actively damage the organisation, including stealing, behaving aggressively towards colleagues or being late or absent.

creativity The ability to produce novel and useful ideas.

cross-functional teams Employees from a similar hierarchical level, but from different work areas, who collaborate to accomplish a task.

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

decision Making a choice from two or more alternatives.

deep acting Trying to modify your true inner feelings based on display rules.

deep-level diversity Differences in values, personality and work preferences that become progressively more important for determining similarity as people get to know one another better.

defensive behaviours Reactive and protective behaviours used to avoid action, blame or change.

demands Responsibilities, pressures, obligations and even uncertainties that individuals face in the workplace.

departmentalisation The basis by which jobs in an organisation are grouped together.

dependence B's relationship to A when A possesses something that B requires.

deviant workplace behaviour Voluntary behaviour that violates significant organisational norms and, in so doing, threatens the well-being of the organisation or its members; also called antisocial behaviour or workplace incivility.

discrimination Noting a difference between things; often we refer to unfair discrimination, which means making judgements about individuals based on stereotypes regarding their demographic group.

displayed emotions Emotions that are organisationally expected and considered appropriate for the job.

distributive bargaining Negotiation that divides a fixed set of resources; a win–lose or even lose–lose situation.

distributive justice Perceived fairness of the amount and allocation of rewards among individuals.

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

diversity management The process and programs managers use to make everyone more aware of and sensitive to the needs and differences of others.

divisional structure An organisational structure that groups employees into units by product, service, customer or geographical market area.

dominant culture A culture that expresses the core values that are shared by a majority of the organisation's members.

driving forces Forces that direct behaviour away from the status quo.

dyadic conflict Conflict that occurs between two people.

dysfunctional conflict Conflict that hinders group performance.

effectiveness Achievement of goals.

efficiency The degree to which an organisation can achieve its end goals at a low cost.

emergent change An approach to organisational change that states that change emerges in unpredictable and unplanned ways and therefore the organisation needs to align and re-align to its changing environment as part of a continuous, open-ended, dynamic and contested process.

emotional contagion The process by which people's emotions are caused by the emotions of others.

emotional dissonance Inconsistencies between the emotions people feel and the emotions they project.

emotional intelligence (EI) The ability to detect and manage emotional cues and information.

emotional labour When an employee expresses organisationally desired emotions during interpersonal transactions at work.

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

emotions Intense, discrete and short-lived feeling experiences that are often caused by a specific event.

employee engagement An individual's involvement and satisfaction with, and enthusiasm for, the work they do.

employee involvement A participative process that uses the input of employees and is intended to increase employee commitment to an organisation's success.

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

encounter stage The stage in the socialisation process in which a new employee sees what the organisation is really like and confronts the possibility that expectations and reality may diverge.

environment Institutions or forces outside the organisation that potentially affect the organisation's performance.

equity theory A theory that individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities.

escalation of commitment An increased commitment to a previous decision in spite of negative information.

ethical dilemmas Situations in which individuals are required to define right and wrong conduct.

ethical work climate (EWC) The shared concept of right and wrong behaviour in the workplace that reflects the enacted values of the organisation and shapes the ethical decision making of its members.

ethnicity The grouping of people recognised as being unique on the basis of their speech, history, origins, culture or other unique characteristics.

evidence-based management (EBM) Basing managerial decisions on the best available scientific evidence.

exit Dissatisfaction expressed through behaviour directed towards leaving the organisation.

expectancy theory A theory that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

expert power Influence based on special skills or knowledge.

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

faultlines The perceived divisions that split groups into two or more subgroups based on individual differences such as gender, race, age, work experience and education.

feedback The degree to which carrying out the work activities required by a job results in the individual obtaining direct and clear information about the effectiveness of their performance.

felt conflict Emotional involvement in a conflict that creates anxiety, tension, frustration or hostility.

felt emotions An individual's actual emotions.

femininity A national culture attribute that has little differentiation between male and female roles, where women are treated as the equal of men in all aspects of the society.

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

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

fixed pie The belief that there's only a limited resource to be shared between the parties.

flexible benefits A benefits plan that allows each employee to put together a benefits package individually tailored to their own needs and situation.

flexitime Flexible work hours.

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

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

formalisation The degree to which jobs within an organisation are standardise.

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

functional structure An organisational structure that groups employees by their similar specialties, roles or tasks.

fundamental attribution error The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgements about the behaviour of others.

general mental ability (GMA) An overall factor of intelligence, as suggested by the positive correlations among specific intellectual ability dimensions.

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

grapevine An organisation's informal communication network.

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

group cohesion The extent to which members of a group support and validate one another at work.

group functioning The quantity and quality of a group's work output.

groupshift A change in decision risk between a group's decision and an individual decision that a member within the group would make; the shift can be towards either conservatism or greater risk.

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

halo effect The tendency to draw a general impression about an individual on the basis of a single characteristic.

heredity Factors determined at conception, such as biological, physiological and inherent psychological make-up.

hierarchy of needs theory A hierarchy of five needs—physiological, safety, social, esteem and self-actualisation—in which, as each need is substantially satisfied, the next need becomes dominant.

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

higher-order needs Needs that are satisfied internally, such as social, esteem and self-actualisation needs.

hindrance stressors Stressors that keep you from reaching your goals (red tape, office politics, confusion over job responsibilities).

hindsight bias The tendency to believe, falsely, after the outcome of an event is actually known, that you would have accurately predicted that outcome.

horns effect The tendency to draw a negative general impression about an individual based on a single characteristic.

human skills The ability to work with, understand and motivate other people, both individually and in groups.

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

idea champions Individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance and ensure that the idea is implemented.

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idea evaluation The process of creative behaviour involving the evaluation of potential solutions to problems to identify the best one.

idea generation The process of creative behaviour that involves developing possible solutions to a problem from relevant information and knowledge.

illusory correlation The tendency of people to associate two events when in reality there is no connection.

imitation strategy A strategy that seeks to move into new products or new markets only after their viability has already been proven.

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

individualism A national culture attribute describing the degree to which people prefer to act as individuals rather than as members of groups.

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

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

information gathering The stage of creative behaviour where possible solutions to a problem incubate in an individual's mind.

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

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

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

innovation A new idea applied to initiating or improving a product, process or service.

innovation strategy A strategy that emphasises the introduction of major new products and services.

inputs Variables that lead to processes.

institutionalisation A condition that occurs when an organisation takes on a life of its own, apart from any of its members, and acquires immortality.

institutions Cultural factors—especially those factors that might not lead to adaptive consequences—that lead many organisations to have similar structures.

instrumental values Preferable modes of behaviour or means of achieving your terminal values.

integrative bargaining Negotiation that seeks one or more settlements that can create a win–win solution.

intellectual abilities The capacity to do mental activities such as thinking, reasoning and problem solving.

intentions Decisions to act in a given way.

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

interactional justice The perceived degree to which an individual is treated with dignity, concern and respect.

intergroup conflict Conflict between different groups or teams.

intergroup development A set of activities designed to identify and change a group's or department's dysfunctional attitude towards and perceptions of another group or department.

interrole conflict A situation in which the expectations of an individual's different, separate groups are in opposition.

intragroup conflict Conflict that occurs within a group or team.

intuition A feeling not necessarily supported by research.

intuitive decision making An unconscious process created out of distilled experience.

job characteristics model (JCM) A model that proposes that any job can be described in terms of five core job dimensions: skill variety, task identity, task significance, autonomy and feedback.

job design The way the elements in a job are organised.

job enrichment Adding high-level responsibilities to a job to increase intrinsic motivation.

job involvement The degree to which a person identifies with a job, actively participates in it and considers performance important to self-worth.

job rotation The periodic shifting of an employee from one task to another.

job satisfaction Having a positive feeling about your job, resulting from an evaluation of its characteristics.

job sharing An arrangement that allows two or more individuals to split a traditional 40-hour-a-week job.

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

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

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

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

leading A function that includes motivating employees, directing others, selecting the most effective communication channels and resolving conflicts.

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

legitimate power The power a person receives as a result of their position in the formal hierarchy of an organisation.

long-term orientation A national culture attribute that emphasises the future, thrift and persistence.

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

lower-order needs Needs that are satisfied externally, such as physiological and safety needs.

loyalty Dissatisfaction expressed by passively waiting for conditions to improve.

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

managers Individuals who achieve goals through other people.

masculinity A national culture attribute describing the extent to which the culture favours traditional masculine work roles of achievement, power and control. Societal values are characterised by assertiveness and materialism.

matrix structure A structure based on dual lines of authority, combining functional and product departmentalisation.

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

mechanistic model A structure characterised by extensive departmentalisation, high formalisation, a limited information network and centralisation.

mediator A trusted third party who facilitates a negotiated solution by maintaining communication between conflicting parties.

mental models Knowledge and beliefs about how work should be done.

merit-based pay plan A pay plan based on performance appraisal ratings.

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metamorphosis stage The stage in the socialisation process where a new employee changes and adjusts to the job, work group and organisation.

mindfulness Reception, attention and awareness of the present moment, events and experiences.

model An abstraction of reality; a simplified representation of some real-world phenomena.

moods Feelings that tend to be longer lived and less intense than emotions and that lack a contextual stimulus.

moral emotions Emotions that have moral implications.

motivating potential score (MPS) A predictive index that suggests the motivating potential in a job.

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

movement A change process that transforms an organisation from the status quo to a desired end state.

multi-team system A collection of two or more interdependent teams that share a superordinate goal; a team of teams.

Myers–Briggs Type Indicator (MBTI) A personality test that taps four characteristics and classifies people into one of 16 personality types.

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

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

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

need for power (nPow) The need to make others behave in a way that they wouldn't have behaved otherwise.

negative affect A mood dimension that consists of emotions such as nervousness, stress and anxiety at the high end and relaxation, tranquillity and poise at the low end.

neglect Dissatisfaction expressed through allowing conditions to worsen.

negotiation A process involving two or more parties deciding how to allocate scarce resources.

neutralisers Attributes that make it impossible for leader behaviour to make any difference to follower outcomes.

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

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

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

operant conditioning A type of conditioning where desired voluntary behaviour leads to a reward or prevents a punishment.

organic model A structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalisation, possesses a comprehensive information network and relies on participative decision making.

organisation A consciously coordinated social unit, comprised of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

organisational behaviour (OB) A field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge towards improving an organisation's effectiveness.

organisational climate The current shared perceptions of the behaviours, attitudes and feelings that make up organisational life.

organisational commitment The degree to which an employee identifies with a particular organisation and its goals, and wishes to remain in the organisation.

organisational culture A system of shared meaning held by members that distinguishes an organisation from other organisations.

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

organisational development (OD) The system-wide application of behavioural science knowledge to the planned development and reinforcement of an organisation's strategy, structure, people and processes, to improve effectiveness and employee well-being.

organisational justice An overall perception of what is fair in the workplace, comprised of distributive, procedural and interactional justice.

organisational structure The way in which job tasks are divided, grouped and coordinated.

organisational survival The degree to which an organisation is able to exist and grow over the long term.

organising Determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.

outcomes Key factors that are affected by other variables.

outgroup The inverse of an ingroup, which can mean everyone outside the group but is more usually an identified other group.

overconfidence bias The tendency to overestimate the probability that your judgement in arriving at a decision is correct.

participative management A process in which subordinates share a significant degree of decision-making power with their immediate superiors.

path–goal theory A theory that 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 organisation.

perceived conflict Awareness by one or more parties of the existence of conditions that can lead to conflict.

perceived organisational support (POS) The degree to which employees believe an organisation values their contribution and cares about their well-being.

perception A process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment.

person–organisation fit A theory that people are attracted to and selected by organisations that match their values, and that they leave when there is no compatibility.

personal power Ways in which individuals translate power bases into specific actions.

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

personality–job fit theory A theory that identifies six personality types and proposes that the fit between personality type and occupational environment determines satisfaction and turnover.

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

physical abilities The capacity to do tasks that demand stamina, dexterity, strength and similar characteristics.

piece-rate pay plan A pay plan in which employees are paid a fixed sum for each unit of production completed.

planned change Change activities that are intentional and goal-oriented and are executed over a specified time frame.

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planning A process that includes defining goals, establishing a strategy and developing plans to coordinate activities.

political behaviour Activities that aren't required as part of a person's formal role in an organisation but that attempt to influence the distribution of advantages and disadvantages within the organisation.

political skill The ability to influence others in such a way as to enhance your objectives.

position power Influence derived from someone's formal structural position in the organisation; includes power to hire, fire, discipline, promote and award salary increases.

positive affect A mood dimension that consists of specific positive emotions such as excitement, self-assurance and cheerfulness at the high end and boredom, sluggishness and tiredness at the low end.

positive diversity climate In an organisation, an environment of inclusiveness and an acceptance of diversity.

positive model A model that focuses on what an organisation is doing right.

positive organisational culture A culture that emphasises building on employee strengths and rewards more than punishing and emphasising individual vitality and growth.

positive organisational scholarship An area of OB research that studies how organisations develop human strengths, foster vitality and resilience, and unlock potential.

positivity offset The tendency of most individuals to experience a mildly positive mood at zero input (when nothing in particular is going on).

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

power distance A national culture attribute describes the extent to which a society accepts that power in institutions and organisations is distributed unequally.

power tactics Ways in which individuals translate power bases into specific actions.

pre-arrival stage The period of learning in the socialisation process that occurs before a new employee joins the organisation.

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

problem A discrepancy between the current state of affairs and a desired state.

problem formulation The stage of creative behaviour which involves identifying a problem or opportunity requiring a solution that is as yet unknown.

problem-solving teams Groups of five to 12 employees from the same department who meet regularly to discuss ways of improving quality, efficiency and the work environment.

procedural justice The perceived fairness of the process used to determine the distribution of rewards.

process conflict Conflict over how work gets done.

processes Actions that individuals, groups and organisations engage in as a result of inputs and that lead to certain outcomes.

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

productivity The combination of the effectiveness and efficiency of an organisation.

profit-sharing plan An organisation-wide program that distributes compensation based on some established formula designed around a company's profitability.

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

psychological empowerment Employees' belief in the degree to which they affect their work environment, their competence, the meaningfulness of their job and their perceived autonomy in their work.

psychology The science that seeks to measure, explain and sometimes change the behaviour of humans and other animals.

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

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

race Biological heritage that distinguishes one group of people from another.

randomness error The tendency of individuals to believe they can predict the outcome of random events.

rational Characterised by making consistent, value-maximising choices within specified constraints.

rational decision-making model A decision-making model that describes how individuals should behave in order to maximise an outcome.

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

referent power Influence based on identifying with someone who has desirable personal traits.

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

refreezing Stabilising a change intervention by balancing driving and restraining forces.

reinforcement theory A theory that behaviour is a function of its consequences.

relationship conflict Conflict based on interpersonal relationships.

representative participation A system in which workers participate in organisational decision making through a small group of representative employees.

resources Things within an individual's control that can be used to resolve the demands placed on them.

restraining forces Forces that hinder movement from the existing equilibrium.

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

risk aversion The tendency to prefer a sure gain of a moderate amount over a riskier outcome, even if the riskier outcome might have a higher expected pay-off.

rituals Repetitive sequences of activities that express and reinforce the key values of the organisation, which goals are most important, which people are important and which people are expendable.

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

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

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

role perception An individual's view of how they are supposed to act in a given situation.

satisfice To seek solutions that are satisfactory and sufficient.

selective perception The tendency to selectively interpret what you see on the basis of your interests, background, experience and attitudes.

self-actualisation The drive to become what a person is capable of becoming.

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

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

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self-efficacy An individual's belief that they are capable of performing a task; also known as *social cognitive theory* or *social learning theory*.

self-fulfilling prophecy A situation in which one person inaccurately perceives a second person, and the resulting expectations cause the second person to behave in ways consistent with the original perception.

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

self-monitoring A personality trait that measures an individual's ability to adjust their behaviour to external, situational factors.

self-serving bias The tendency for individuals to attribute their successes to internal factors while putting the blame for failures on external factors.

sensitivity training Training groups that seek to change behaviour through unstructured group interaction.

sexual harassment Any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment.

shaping behaviour Systematically reinforcing each successive step that moves an individual closer to the desired response.

short-term orientation A national culture attribute that emphasises the here and now.

simple structure A structure characterised by a low degree of departmentalisation, wide spans of control, authority centralised in a single person or group, and little formalisation.

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

situation-strength theory A theory that proposes that the way personality translates into behaviour depends on the strength of the situation.

skill variety The degree to which a job requires a variety of different activities.

social identity theory A perspective that considers when and why individuals consider themselves to be members of groups.

social-learning theory The view that people can learn through observation and direct experience.

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

social psychology A branch of psychology that blends concepts from psychology and sociology and focuses on the influence of people on one another.

socialisation A process that adapts employees to an organisation's culture.

socialised charismatic leadership A leadership concept where leaders convey values that are other-centred versus self-centred and who role-model ethical conduct.

sociology The study of people in relation to their social environment or culture.

span of control The number of subordinates a manager can efficiently and effectively direct.

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

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

stereotype threat The degree to which we agree internally with the generally negative stereotyped perceptions of our groups.

stereotyping Judging someone on the basis of our perception of the group to which that person belongs.

stress A dynamic condition in which an individual is confronted with an opportunity, a demand or a resource related to what they desire and for which the outcome is perceived to be both uncertain and important.

strong culture A culture in which the core values are intensely held and widely shared.

subcultures Minicultures within an organisation, typically defined by departmental designations and geographical separation.

substitutes Attributes, such as experience and training, that can replace the need for a leader's support or ability to create structure.

surface acting Hiding your inner feelings and forgoing emotional expressions in response to display rules.

surface-level diversity Differences in easily perceived characteristics, such as gender, race, ethnicity, age or disability, that do not necessarily reflect the ways people think or feel, but that may activate certain stereotypes.

systematic study Looking at relationships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

task conflict Conflict over content and goals of the work.

task identity The degree to which a job requires completion of a whole and identifiable piece of work.

task performance The combination of effectiveness and efficiency at doing your core job tasks.

task significance The degree to which a job has a substantial impact on the lives or work of other people.

task structure The degree to which job assignments are procedurised.

team building A broad range of highly interactive planned activities among team members designed to increase teamwork, team effectiveness and mutual trust and openness.

team cohesion A situation where team members are emotionally attached to one another and the team.

team efficacy A team's collective belief that they can succeed at their tasks.

team identity A team member's affinity for and sense of belongingness to their team.

team structure An organisational structure that replaces departments with empowered teams, and that eliminates horizontal boundaries and external barriers between customers and suppliers.

technical skills The ability to apply specialised knowledge or expertise.

technology The way in which an organisation transfers its inputs into outputs.

telecommuting Working from home at least two days per week on a computer linked to the employee's office.

tenure Length of time spent in a job, organisation or field.

terminal values Desirable end-states of existence; the goals a person would like to achieve during their lifetime.

three-stage model of creativity The proposition that creativity involves three stages: causes (creative potential and creative environment), creative behaviour and creative outcomes (innovation).

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

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

transactional leaders Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

transformational leaders Leaders who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers.

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trust A positive expectation that someone else will not act opportunistically.

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

uncertainty avoidance A national culture attribute describing the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid them.

unfreezing Change efforts to overcome the pressures of both individual resistance and group conformity.

unity of command The idea that subordinates should have only one superior to whom they are directly responsible.

utilitarianism A system whereby decisions are made to provide the greatest good for the greatest number.

value system A hierarchy based on a ranking of an individual's values in terms of their intensity.

values Basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.

variable-pay plan A pay plan that bases a portion of an employee's pay on an individual and/or organisational measure of performance.

virtual organisation A small, core organisation that outsources major business functions.

virtual teams Teams that use computer technology to unite geographically dispersed members.

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

vision statement A formal articulation of an organisation's vision or mission.

voice Dissatisfaction expressed through active and constructive attempts to improve conditions.

wellness programs Organisationally supported programs that focus on the employee's total physical and mental condition.

whistle-blowers Individuals who report unethical practices by their employer to outsiders.

withdrawal behaviour The set of actions employees take to separate themselves from the organisation.

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

work specialisation The degree to which tasks in an organisation are subdivided into separate jobs.

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

workforce diversity The concept that organisations are becoming more heterogeneous in terms of employees' gender, age, race, ethnicity, sexual orientation and other characteristics.

zero-sum An approach that treats the reward 'pie' as fixed so that any gains by one individual are at the expense of another.

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