Arab World Edition

Organizational Behavior

Stephen T. Robbins
Timothy A. Judge
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ALWAYS LEARNING
PEARSON

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Marketing Manager: Sue Mainey
Production Controller: Christopher Crow
Cover Designer: Sarah Fach
Typesetter: Graphicraft
Typeface: ITC New Baskerville Std 10.5pt/12pt
Printed in China

Pearson Education Limited
Edinburgh Gate
Harlow
Essex CM20 2JE
England

and Associated Companies throughout the world

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20 19 18 17 16 15 14 13 12 11
IMP 10 9 8 7 6 5 4 3 2 1

ISBN: 978-1-4082-5965-8

To my mother, Juliet, my father, Said, and my brothers,
Francois and Anthony:
Thank you, and thank God.
—Elham S. Hasham

About the Authors

Stephen P. Robbins

Education

Ph.D. University of Arizona

Professional Experience

Academic Positions: Professor, San Diego State University, Southern Illinois University at Edwardsville, University of Baltimore, Concordia University in Montreal, and University of Nebraska at Omaha.

Research: Research interests have focused on conflict, power, and politics in organizations, behavioral decision making, and the development of effective interpersonal skills.

Books Published: World's best-selling author of textbooks in both management and organizational behavior. His books have sold more than six million copies, have been translated into 20 languages, and editions have been adapted for Canada, Australia, South Africa, and India. These include

- *Essentials of Organizational Behavior*, 10th ed. (Prentice Hall, 2010)
- *Management*, 11th ed., with Mary Coulter (Prentice Hall, 2011)
- *Human Resource Management*, 10th ed., with David DeCenzo (Wiley, 2010)
- *Prentice Hall's Self-Assessment Library 3.4* (Prentice Hall, 2010)
- *Fundamentals of Management*, 7th ed., with David DeCenzo and Mary Coulter (Prentice Hall, 2011)
- *Supervision Today!*, 6th ed., with David DeCenzo (Prentice Hall, 2010)
- *Training in Interpersonal Skills*, 6th ed., with Phillip Hunsaker (Prentice Hall, 2011)
- *Managing Today!*, 2nd ed. (Prentice Hall, 2000)
- *Organization Theory*, 3rd ed. (Prentice Hall, 1990)
- *The Truth About Managing People*, 2nd ed. (Financial Times/Prentice Hall, 2008)
- *Decide and Conquer: Make Winning Decisions and Take Control of Your Life* (Financial Times/Prentice Hall, 2004).

Other Interests

In his 'other life,' Dr. Robbins actively participates in masters' track competition. Since turning 50 in 1993, he has won 22 national championships and 14 world titles. He is the current world record holder at 100 meters (12.37 seconds) and 200 meters (25.20 seconds) for men 65 and over.

Timothy A. Judge

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Professional Experience

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Research: Dr. Judge's primary research interests are in (1) personality, moods, and emotions, (2) job attitudes, (3) leadership and influence behaviors, and (4) careers (person-organization fit, career success). Dr. Judge has published more than 120 articles in these and other major topics in journals such as *Journal of Organizational Behavior, Personnel Psychology, Academy of Management Journal, Journal of Applied Psychology, European Journal of Personality, and European Journal of Work and Organizational Psychology.*

Fellowship: Dr. Judge is a fellow of the American Psychological Association, the Academy of Management, the Society for Industrial and Organizational Psychology, and the American Psychological Society.

Awards: In 1995, Dr. Judge received the Ernest J. McCormick Award for Distinguished Early Career Contributions from the Society for Industrial and Organizational Psychology, and in 2001, he received the Larry L. Cummings Award for mid-career contributions from the Organizational Behavior Division of the Academy of Management. In 2007, he received the Professional Practice Award from the Institute of Industrial and Labor Relations, University of Illinois.

Books Published: H. G. Heneman III, and T. A. Judge, *Staffing Organizations*, 6th ed. (Madison, WI: Mendota House/Irwin, 2009).

Other Interests

Although he cannot keep up (literally!) with Steve's accomplishments on the track, Dr. Judge enjoys golf, cooking and baking, literature (he's a particular fan of Thomas Hardy, and is a member of the Thomas Hardy Society), and keeping up with his three children, who range in age from 7 to 21.

Elham S. Hasham

Education

Ph.D. Educational Leadership, Management & Administration, University of Leicester, England

Professional Experience

Professional and Academic Positions: At Notre Dame University, Lebanon, Dr Hasham is currently an Associate Professor, Coordinator of undergraduate and graduate courses and Graduate Advisor. She previously held posts as Dean of Students (North Lebanon Campus), Director of Admissions and International Recruitment, and Acting Director of Tests and Measurements. Dr Elham is also CEO of Australian Consulting Engineers and Architects (ACEA), and Australian Lebanese Design Services (ALDS); and Coordinator of a Human Resource Management Program, Master of International Business, which is a joint venture between Notre Dame University, Lebanon and Bordeaux University, Paris.

Research: Dr. Hasham's research interests include Organizational Behavior, Business Ethics, Intercultural Communication and Management, Global Human Resource Management, Leadership and Quality Decision Making, Entrepreneurship, Strategic Management, Marketing and Business Policy Strategy. She has presented numerous papers at both regional and international conferences, resulting in publications in refereed journals and conference proceedings, and has written a variety of articles and case studies for a number of books published by Pearson Education.

Memberships: Dr. Hasham is a member of various prestigious associations and organizations such as the Lebanese League of Women in Business (LLWB); the Human Resource Association of Lebanon (HRAL); the Notre Dame University Education Society; the International Association of Universities (IAU); NAFSA: Association of International Educators; and the European Association of International Educators (EAIE).

Other Interests

Dr. Hasham is interested in all activities that can develop her intellectual, spiritual, physical, and social status. She is a people's person and has excellent interpersonal skills that have contributed to a worldwide network. She also enjoys reading, music, tennis, swimming, and nature in general.

Dr. Hasham is an advocate of participative management and believes that we need human capital, and must invest in people, to receive the performance and productivity that we seek as leaders.

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Foreword

This book has been the world's No. 1 best-selling organizational behavior textbook for nearly three decades. It has sold in excess of three million copies, been translated into 10 different languages, and has adapted editions published for Europe, Canada, Australia, South Africa, and the Philippines. It is with great pride that we introduce this Arab World Edition.

I think you will find this book will provide the latest research in organizational behavior, written in an interesting and conversational style, with examples that make it relevant to Arab World students. Most importantly, this book will provide you with the relevant knowledge and skills needed for managing and working with people in diverse organizations.

Stephen P. Robbins, Ph.D. and Timothy A. Judge, Ph.D.

Preface

Welcome to the first Arab World Edition of *Organizational Behavior*! Pearson has pioneered this project with the aim of highlighting the practices of organizational behavior in organizations within the Arab world. This edition is addressed to both undergraduate and graduate students of the region, with the goal of making relevant research come alive for students. This textbook covers several themes and topics that are related to organizational behavior in general and in particular to organizational behavior in the Arab world. While maintaining many of the hallmark features, we have also introduced new features. These special features will enable you to understand certain issues much better, and also provide a smooth transition from one chapter to another. The writing style, level of English, and pedagogy have been carefully considered to meet the needs of students in the Arab world.

The most significant aspect of this edition is the introduction of many examples, cases, incidents, and illustrations talking about people, companies, and organizations that are well known in both the industry and services domain throughout the Arab world. Examples are taken from the Gulf Cooperation Council (GCC), the Levant, North Africa, Turkey, and Cyprus. This Arab World Edition reflects the attitudes and behavioral patterns of employers and employees in many of the prominent organizations across the Arab world, while examples from other countries provide a global context.

Organization

Part 1 introduces the concept of organizational behavior (OB). It looks at the skills that managers need to be successful and to get the job done. It also explains the various disciplines of OB as well as the challenges and opportunities it presents to both employers and employees.

Part 2 speaks about individuals and how they should behave within the organization by explaining the reasons why people behave in certain ways. This part looks at the personality, values, attitudes, emotions, and moods of individuals. Once we understand these, we can identify how to satisfy and motivate people for greater productivity.

Part 3 deals with group behavior by explaining the importance of working in teams. We must realize that leaders need excellent communication skills to interact with different types of people. The other organizational issues covered in this section are power, politics, conflict, and negotiation.

Part 4 covers the basics of organizational structure and corporate culture. In addition, it explains the HR policies and practices that are practiced in the Arab world.

Part 5 speaks about organizational dynamics by looking at the challenges of change and stress, and the nature of the family business which is common in the Arab world.

Finally, Part 6 looks at intercultural management and how it affects organizational behavior. It also addresses the role that women are starting to play in business and how they are contributing to organizational behavior.

Key Changes to the Arab World Edition

Arab World Cases and Trends

Each chapter has been carefully adapted to include regional case studies and examples, connecting the theory of organizational behaviour with real Arab companies and people that students will be able to relate to. These include:

Opening Vignettes

- The Strength of General Electric in the Arab World (Chapter 1)
- What Do Arabs Think About Arabs? (Chapter 4)
- Facebook Dominates in the Arab World (Chapter 9)
- Al-Wasta (Chapter 11)
- Aramex—Empowerment Through Organizational Structure (Chapter 13)
- The Culture at Arab World Companies (Chapter 14)
- Human Resource Policy at Azadea (Chapter 15)
- Family Business Success Stories from the Region: The Habtoor Empire (Chapter 17)
- A Sheikha and a Queen (Chapter 19)

Critical Analyses

- Equal opportunity at Crepaway (Chapter 1)
- Qatar: A Country with a Vision (Chapter 2)
- Job satisfaction in the UAE (Chapter 3)
- Team Effectiveness in Egypt (Chapter 8)
- Etisalat-Zain Deal Blocked (Chapter 12)
- Organizational Structure at Food & Co. (Chapter 13)
- So7i Wa Sari3 (Chapter 15)
- From London to Lebanon (Chapter 17)

Photo Cases

- Saudi Aramco (Chapter 1)
- Qatari Business Women's Forum (Chapter 2)
- Etihad Airways (Chapter 6)
- Mobinil (Chapter 9)
- SABIC (Chapter 9)
- Sheikh Zayad bin Sultan Al Nahayan (Chapter 10)
- Qatar International Islamic Bank (QIIB) (Chapter 12)
- Etisalat (Chapter 13)
- Ritz Carlton, Oman (Chapter 14)
- The Tharawat Family Business Forum (Chapter 17)

New Features

- Two new features—*What Do You Think?* and *Picture This*—allow students to get more involved in the process and interact in class.
- End-of-chapter features have been changed to *Discussion Exercise*, *Ethical Considerations*, *Critical Analysis* and *Research Exercise*. These hands-on, in-class exercises are included in each chapter, along with material in the Instructor's Manual that will make for unique and entertaining exercises to highlight a key chapter concept.
- *OB in the News*, *International OB* and *Point/CounterPoint* features have been adapted to include examples from the Arab region.
- The Arab World Edition benefits from the addition of an English–Arabic glossary for quick, easy reference, and to aid students' understanding of key terms throughout the book.

New Chapters

The Arab World Edition contains three brand new chapters on topics that are particularly relevant to this part of the world:

- Organizational Behavior in the Family Business (Chapter 17).
- Intercultural Management: The Significance to Organizational Behavior (Chapter 18).
- Female Entrepreneurs in the Arab World (Chapter 19).

MyManagementLab®

Teaching and Learning Support

Mymanagementlab (www.pearsonmiddleeastawe.com/robbinsjudge) is an easy-to-use online tool that personalizes course content and provides robust assessment and reporting to measure student and class performance. All the resources you need for course success are in one place—flexible and easily adapted for your course experience. Resources include a Pearson eText (an eBook version of all chapters), quizzes, personalized study plans, video clips, and PowerPoint presentations, all of which engage students while helping them to study independently.

In particular, mymanagementlab supports more active learning styles, involving students as they study management and prepare for tests and quizzes. Mymanagementlab also contains key video, testing, and other support resources that offer instructors many ways to enliven their classroom and save time—all in one convenient place.

Instructor's Resource Center

At www.pearsonmiddleeastawe.com/robbinsjudge, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions. As a registered faculty member, you can download resource files and receive immediate access and instructions for installing course management content on your campus server.

If you need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit http://247pearsoned.custhelp.com for answers to frequently asked questions, and toll-free user support phone numbers, and live chat support.

The following fully adapted supplements are available to adopting instructors:

- **Instructor's Manual**—Provides ideas and resources in the classroom
- **Test Item File**—Revised and updated from previous editions to include Arab examples, the test item file contains over 2,500 questions that require students to apply what they have read in the text. Questions are also tagged to reflect the AACSB Learning Standards.
- **TestGen Test Generating Software**—Test management software containing all the material from the Test Item File. This software is completely user friendly and allows instructors to view, edit, and add test questions with just a few mouse clicks.
- **PowerPoint Slides**—Ready-to-use PowerPoint presentations designed for classroom presentation. Use them as they are, or edit content to fit your individual classroom needs.

Self
Assessment
Library

Self-Assessment Library (S.A.L.)

A hallmark of the Robbins series, S.A.L. is a unique learning tool that allows you to assess your knowledge, beliefs, feelings, and actions in regard to a wide range of personal skills, abilities, and interests. Self-assessments have been integrated into each chapter, including a self-assessment at the beginning of each chapter. S.A.L. helps students better understand their interpersonal and behavioral skills as they relate to the theoretical concepts presented in each chapter.

Highlights

- **67 research-based self-assessments**—Our entire collection of 67 instruments are from sources such as *Journal of Social Behavior and Personality*, *Harvard Business Review*, *Organizational Behavior: Experiences and Cases*, *Journal of Experimental Education*, *Journal of Applied Measurement*, and others.
- **Work–life and career focused**—All self-assessments are focused to help individuals better manage their work lives or careers. Organized in four parts, these instruments offer you one source from which to learn more about yourself.
- **Online**—The Self-Assessment Library is available online via MyManagementLab.
- **Save feature**—Students can take the self-assessments an unlimited number of times, and save and print their scores for class discussion.
- **Scoring key**—The key to the self-assessments has been edited by Steve Robbins to allow students to quickly make sense of the results of their score.
- **Instructor's manual**—An *Instructor's Manual* guides instructors in interpreting self-assessments and helps facilitate better classroom discussion.

Acknowledgments

Getting this book into your hands was a team effort. It took faculty reviewers and a talented group of designers and production specialists, editorial personnel, and marketing and sales staff.

Foremost, I want to thank Stephen P. Robbins and Timothy A. Judge for giving the framework of this pioneer project. I want to salute the genuine contributions, support and cooperation received from the Pearson team: Sophie Bulbrook, Senior Development Editor, and Rasheed Roussan, Acquisitions Editor. Sincere gratitude goes to Fay Gibbons, Editor, for her patience. I would also like to thank Francois S. Hasham and Nafez H. Shahin, for their continuous moral support.

Instructors from the Arab world reviewed all chapters in this edition and their comments, compliments, and suggestions have significantly improved the final product. I'd like to extend my sincerest thanks to the following:

Mohammed A. Al-Waqfi, United Arab Emirates University

Dr. Tamer A. Awad, University College of Bahrain

Eman Azmi, King Saud University

Dr. Shaju George, Royal University for Women, Bahrain

Dr. Adnan Iqbal, Prince Sultan University

James T. Kunnanatt, United Arab Emirates University

Dr. Penny MacDonald, American University of Kuwait

Muhammad A. Malallah, University of Jordan

Samer Nakhle, University of Fribourg

Adel Rayan, Assiut University, Egypt

Nihad Shaker Sakallah, Prince Mohammad Bin Fahd University

Additional appreciation goes to all those who contributed material and allowed me to feature cases about them or their companies in this book:

Rev. Father Ziad Antoun, Notre Dame University, Lebanon

Charbel Aoun, Attorney

Nadine Fayad Comair, FOCUS Magazine

Kamal Comair, INDEVCO

Eric Davoine, University of Fribourg

Musa Freiji, Tanmia

Bchara Ghawi, So7i Wa Sari3

Amal Harb, Rotana

Walid Harb, Tannourine Hospital

Anthony S. Hasham, Australian Lebanese Design Services

Reine Jabre, So7i Wa Sari3

Olga Kampaxi, Rotana

Marwan Kanaan, Zaatar w Zeit

Carol-Ann Goff Kfouri, Notre Dame University

Claire Kfouri, Engineer

The Menhem Family, Damco

Joseph Mghames, Azadea

Farid Muna, MEIRC

Gisele Nacouzi, INDEVCO

Samer Nahkle, University of Fribourg

Maroun Nassar, Rotana

Fay Niewiadomski, ICTN

Bassem Sleiman, London Taxi

Nelly Sleiman, London Taxi

Khaled Tayyara, Zaatar w Zeit

Hani Tuffaha, Aramex

Monique Bassila Zaarour, So7i Wa Sari3

Finally, this text would not have been possible without the many contributions of reviewers, consultant board members, and accuracy checkers in previous editions. I'd like to thank them all for their valuable insight and suggestions.

Elham Hasham

LEARNING OBJECTIVES

This chapter will enable you to:

1. Define *leadership* and contrast leadership and management.
2. Summarize the conclusions of trait theories.
3. Identify behavioral theories and their main limitations.
4. Assess contingency theories of leadership by their level of support.
5. Understand the significance of leader–follower participation.
6. Define *charismatic leadership* and show how it influences followers.
7. Contrast transformational leadership and transactional leadership and discuss how transformational leadership works.
8. Define *authentic leadership* and show why ethics and trust are vital to effective leadership.
9. Demonstrate the importance of mentoring, self-leadership, and virtual leadership to our understanding of leadership.
10. Determine the challenges that leaders face.
11. Explain how to find and create effective leaders.
12. Assess whether charismatic and transformational leadership generalize across cultures.

10 Leadership

Great leaders always focus on others, not on themselves. They hire the right people, train them, trust them, respect them, listen to them, and make sure to be there for them. As a result, they get committed people who work hard and give their best because they feel involved, appreciated, and proud of what they do. —Lee Cockerell

Visionary Leaders at Meirc Training & Consulting

Founded in Lebanon in 1958 by the late Simon Siksek, Meirc Training & Consulting is one of the leading providers of management training and consulting to organizations throughout the Arab world.

The original Middle East Industrial Relations Counselors (Meirc) was sponsored by what were then the four major oil companies in the GCC countries: Saudi Aramco, Bahrain Petroleum Company, Qatar Petroleum Company, and Kuwait Oil Company. Meirc's *raison d'être* was to provide up-to-date advice on industrial relations, which later became known as human resources. Gradually, Meirc started serving all types of organizations in all types of industries, in the Middle East and beyond.

Values

Under the effective leadership of the late Mr. Siksek, the company's culture emphasized specific work ethics and values, including commitment to excellence, and quality of products and services. Siksek also stressed integrity, innovation, teamwork, and the concept of a 'Meirc family.' Each of the five chairmen and managing directors who succeeded him embraced the same set of values and company culture.

The current chairman, Dr. Farid A. Muna, continues the legacy and demonstrates extreme competencies that allow him to be successful. Muna appreciates the importance of the people who work with him and respects their qualifications. More significantly, he gives individuals the opportunity to prove their potential and allows them to grow with and for the organization.

Vision

Mr. Siksek's original mission was, "To serve the human resources of our region." This visionary statement evolved over the years and is currently described by these simple, yet powerful, words: "Cultivating professional competence and providing effective business and human capital solutions." In order to accomplish this vision, Meirc had to work hard, continuously and patiently, to maintain and sustain unique competitive advantages that are difficult for their competitors to copy. Meirc still works relentlessly on several strategic fronts such as people, research, and succession planning.

People

Farid Muna stresses that Meirc takes seriously the saying that "people are our greatest asset," and that it can take Meirc a long time (sometimes years) before the right talent is hired. Consultants normally have significant managerial experience—it is much more effective to teach management skills if one has the hands-on experience of a manager. Additionally, most of Meirc's consultants are multicultural by education or work experience: they have studied or worked in the West, and thus know what works well in the Middle East and what does not. Finally, Meirc strongly believes in the saying that "learning takes place from the cradle to the grave," and demonstrates it by continually investing in the development of its employees.

Research

Inspired by the words and actions of Meirc's founder, Farid Muna continues to promote the practice of conducting field research and the subsequent publication of its findings. Muna understands that to remain effective as a leader, one must stay abreast of the latest theories and practices to enhance the employer–employee relationship. Among the several books sponsored by Meirc are *Manpower and Oil in Arab Countries* (1960); *The Arab Executive* (1980); and *Developing Multicultural Leaders: The Journey to Leadership Success* (2011).

Succession Planning

Critical to the success of Meirc was the well-planned succession of its own managing directors. Under Farid Muna's consultative style of leadership, the top executives at Meirc established an effective process for succession planning, which should serve the firm for years to come.

Source: Case contributed by Dr. Farid A. Muna, Chairman, Meirc Training & Consulting.

As we read in the opening case, Siksek and Muna both demonstrated effective leadership through their display of respect and professionalism. In addition, they believed in their vision and were single-minded in their determination to ensure that Meirc Training & Consulting became the leading provider of management training and consulting to organizations throughout the Arab world. This chapter will discuss all the issues that contribute to effective leadership.

To assess yourself on another set of qualities that we'll discuss shortly, take the following self-assessment.

Self Assessment Library

WHAT'S MY LEADERSHIP STYLE?

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

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

In this chapter, we'll look at the basic approaches to determining what makes an effective leader and what differentiates leaders from nonleaders. First, we'll present trait theories, which dominated the study of leadership up to the late 1940s. Then we'll discuss behavioral theories, which were popular until the late 1960s. Next, we'll introduce contingency theories and interactive theories. Thereafter, we will move on to the issues in leadership such as styles and characteristics in general, and in the Arab world in particular. But before we review any of these, let's first clarify what we mean by the term *leadership*.

What Is Leadership?

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

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

John Kotter of the Harvard Business School argues that management is about coping with complexity.[1] Good management brings about order and consistency by presenting formal plans, designing organization structures, and monitoring results against the plans. Leadership, in contrast, is about coping with change. Leaders establish direction by developing a vision of the future; then they align people by communicating this vision and inspiring them to overcome obstacles. Management consists of implementing the vision and strategy provided by leaders, coordinating and staffing the organization, and handling day-to-day problems.

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

We define **leadership** as the ability to influence a group toward the achievement of a vision or set of goals. The source of this influence may be formal, such as that provided by the possession of managerial rank in an organization. Because management positions come with some degree of formally designated authority, individuals may assume a leadership role because of the position held in the organization. However, not all leaders are managers, nor are all managers leaders. However, leaders can emerge from within a group, as well as by formal appointment, to lead a group.

Carlos Ghosn is multi-cultural and multi-lingual, and has made a great impact as a leader at Michelin Tyres, Renault, and Nissan. In addition to his vision, he has impressive leadership traits, which include respect, diversity tolerance, transparency, and charisma. He is able to establish rapport with employees from all levels of the hierarchy. He considers that the key to success in any career is understanding, and choosing, what you love to do.

In brief, organizations need strong leadership *and* strong management for optimal effectiveness. In today's dynamic world, we need leaders to challenge the status quo, to create visions of the future, and to inspire organizational members to want to achieve the visions, just as Simon Siksek did in the opening case. We also need managers to formulate detailed plans, create efficient organizational structures, and oversee day-to-day operations.

Trait Theories

2 *Summarize the conclusions of trait theories.*

Throughout history, strong leaders such as Napoleon, Gamal Abdel Nasser, and Winston Churchill have been described in terms of their traits with adjectives like confident, strong-willed, determined, charismatic, and decisive.

Trait theories of leadership

Theories that consider personal qualities and characteristics that differentiate leaders from nonleaders.

Trait theories of leadership differentiate leaders from nonleaders by focusing on personal qualities and characteristics. Individuals are recognized as leaders and described in terms such as *charismatic*, *enthusiastic*, and *courageous*. The search for personality, social, physical, or intellectual attributes that would describe leaders and differentiate them from nonleaders goes back to the earliest stages of leadership research.

Researchers began organizing traits around the Big Five personality framework that was discussed in Chapter 2.[2] It then became clear that most of the dozens of traits emerging in various leadership reviews could be found under one of the Big Five and this approach resulted in consistent and strong support for traits as predictors of leadership. For instance, ambition and energy—two common traits of leaders—are part of extraversion. Rather than focus on these two specific traits, it is better to think of them in terms of the more general trait of extraversion.

Conscientiousness and openness to experience also showed strong and consistent relationships to leadership, though not quite as strong as extraversion. The traits of agreeableness and emotional stability weren't as strongly correlated with leadership. Overall, it does appear that the trait approach does have something to offer. In other words, leaders who are extraverted (individuals who like being around people and are able to assert themselves), conscientious (individuals who are disciplined and keep commitments they make), and open (individuals who are creative and flexible) do seem to have an advantage when it comes to leadership, suggesting that good leaders do have key traits in common.

What Do You Think?

Do you have the characteristics and traits of a good leader? Do you feel you have had them from birth or did you learn them?

Moreover, recent studies are indicating that another trait that may indicate effective leadership is emotional intelligence (EI), which we discussed in Chapter 6. Supporters of EI argue that without it, a person can have outstanding training, a highly analytical mind, a compelling vision, and an endless supply of terrific ideas, but still not make a great leader. But why is EI so critical to effective leadership? A core component of EI is empathy. Empathetic or sensitive leaders can understand others' needs, listen to what followers say (and don't say), and are able to read the reactions of others. As one leader noted, "The caring part of empathy, especially for the people with whom you work, is what inspires people to stay with a leader when the going gets rough. The mere fact that someone cares is more often than not rewarded with loyalty."[3]

OB in the News

Riding the Waves Requires Leadership Skill!

The extraordinary competence, vision, and leadership skills of the Governor of the Central Bank of Lebanon, Mr. Riad Salameh, enabled Lebanon to be less affected by the 2008 global financial crisis. It managed to stay abreast of the emergency and, thus, was not negatively influenced by the monetary turbulence. Salameh's keen observations and awareness of the local, regional, and international economy allowed him to lead the banking sector through those threatening times:

As of November 26, 2008, Central Bank Governor Riad Salameh announced that the combined assets of Lebanese banks totaled over US$100 billion—four times the country's GDP. Lebanese bankers agree that the central bank takes pride in shying away from complex investments and structured products that it does not understand.

Despite the severe challenges of the economic downturn worldwide, the Lebanese banking sector has demonstrated resiliency and dynamism, apparently weathering the storm. Whilst international markets were struggling with the credit crunch and the high interbank interest rates of October 2008, Lebanese banks acted proactively in lending their ample liquidity to foreign financial institutions, and gaining high returns

As a result of Salameh's leadership and his ability to guide the banking sector to safe shores, his position as Central Bank Governor was once again renewed in 2011.

Sources: M. Mikhael, "Lebanon Basks in the Calm Eye of the Financial Storm," *Executive Magazine,* Issue No. 114 (2009); "Lebanon—Banked for the Storm," *Executive Magazine*, Issue No. 115 (2009).

Consequently, we offer two conclusions. First, traits can predict leadership and the Big Five seems to have supported that. Second, traits do a better job at predicting the emergence of leaders and the appearance of leadership than in actually distinguishing between *effective* and *ineffective* leaders.[4]

Behavioral Theories

3 Identify behavioral theories and their main limitations.

Behavioral theories of leadership

Theories proposing that specific behaviors differentiate leaders from nonleaders.

The discrepancies of early trait studies led researchers to start looking at the behaviors exhibited by specific leaders. They wondered if there was something different in the way that effective leaders behave. Many leaders have been very successful in leading their companies through difficult times.[5] And they have relied on a common leadership style that is tough-talking, intense, and autocratic. Does this suggest that autocratic behavior is a preferred style for all leaders? In this section, we look at three different **behavioral theories of leadership** to answer that question. First, however, let's consider the practical implications of the behavioral approach.

If the behavioral approach to leadership were successful, it would have implications quite different from those of the trait approach. Trait research provides a basis for *selecting* the 'right' persons to assume formal positions in groups and organizations requiring leadership. In contrast, if behavioral studies were to turn up critical behavioral determinants of leadership, we could *train* people to be leaders. The difference between trait and behavioral theories, in terms of application, lies in their underlying assumptions. Trait theories assume that leaders are born rather than made. However, if there were specific behaviors that identified leaders, then we could teach leadership; we could design programs that implanted these behavioral patterns in individuals who desired to be effective leaders.

Ohio State Studies

The most comprehensive of the behavioral theories resulted from research that began at Ohio State University, in the US, in the late 1940s.[6] Researchers wanted to identify independent dimensions of leader behavior and narrowed the list to two categories that were responsible for most of the leadership behavior described by employees. They called these two dimensions *initiating structure* and *consideration.*

Initiating structure

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

Initiating structure refers to the extent to which leaders define and structure their role and those of employees in the search for goal attainment. It includes behavior that attempts to organize work, work relationships, and goals. A leader characterized as high in initiating structure could be described as someone who 'assigns group members to particular tasks, expects workers to maintain definite standards of performance, and emphasizes the meeting of deadlines.'

Consideration

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

Consideration is described as the extent to which individuals are likely to have job relationships that are characterized by mutual trust, respect for employees' ideas, and regard for their feelings. We could describe a leader high in consideration as one who helps employees with personal problems, is friendly and approachable, treats all employees as equals, and expresses appreciation and support.

University of Michigan Studies

Leadership studies undertaken in the US at the University of Michigan's Survey Research Center at about the same time as those being done at Ohio State had similar research objectives: to locate behavioral characteristics of leaders that appeared to be related to measures of performance effectiveness.

Employee-oriented leader

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

Production-oriented leader

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

The Michigan group also came up with two dimensions of leadership behavior that they labeled *employee oriented* and *production oriented.*[7] The **employee-oriented leaders** were described as emphasizing interpersonal relations; they took a personal interest in the needs of their employees and accepted individual differences among members. The **production-oriented leaders**, in contrast, tended to emphasize the technical or task aspects of the job; their main concern was in accomplishing their group's tasks, and the group members were a means to that end.

The conclusions the Michigan researchers arrived at strongly supported the leaders who were employee-oriented in their behavior. Employee-oriented leaders were associated with higher group productivity and greater job satisfaction. Production-oriented leaders tended to be associated with low group productivity and lower job satisfaction.

Managerial grid

A nine-by-nine matrix outlining 81 different leadership styles.

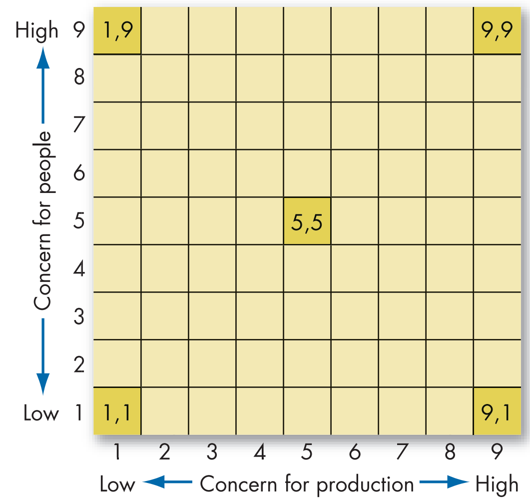
Referring to both the Ohio State and Michigan studies, Robert R. Blake and Jane S. Mouton designed a **managerial grid** (sometimes called the *leadership grid*) based on the styles of *concern for people* and *concern for production*, which essentially represent the Ohio State dimensions of consideration and initiating structure or the Michigan dimensions of employee oriented and production oriented.[8]

The grid, shown in Figure 10-1, has 9 possible positions along each axis, creating 81 different positions in which the leader's style may fall. The grid does not show results produced; rather, it shows the dominating factors in a leader's thinking in regard to getting results. Based on the findings of Blake and Mouton, managers were found to perform best under a 9,9 style, as contrasted, for example, with a 9,1 (authority type) or 1,9 (laissez-faire or flexible type) style.[9]

Summary of Trait Theories and Behavioral Theories

Judging from the evidence, the behavioral theories, like the trait theories, add to our understanding of leadership effectiveness. Leaders who have certain

Figure 10-1 The Managerial Grid



traits and who display consideration and structuring behaviors, do appear to be more effective. We should remember, however, that as important as trait theories and behavioral theories are in determining effective versus ineffective leaders, they do not guarantee a leader's success. The context matters too.

Contingency Theories: Fiedler Model and Situational Leadership Theory

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

Predicting leadership success is more complex than isolating a few traits or preferable behaviors. In the mid-twentieth century, many researchers were unable to obtain consistent results on traits and behaviors as predictors for leadership success, and this 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* would be more suitable for condition *b*, and style *z* would be more suitable for condition *c*. But what were the conditions *a,b,c* and so forth? It was one thing to say that leadership effectiveness was dependent on the situation and another to be able to isolate those situational conditions. Several approaches to isolating key situational variables have proven more successful than others and, as a result, have gained wider recognition. We shall consider three of these: the Fiedler model, Hersey and Blanchard's situational theory, and the path-goal theory.

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.

Fiedler Model

The first comprehensive contingency model for leadership was developed by Fred Fiedler.[10] The **Fiedler contingency model** proposes that effective group performance depends on the proper match between the leader's style and the degree to which the situation gives control to the leader.

Identifying Leadership Style Fiedler believes a key factor in leadership success is the individual's basic leadership style. So he begins by trying to find out what that basic style is. Fiedler created the **least preferred coworker (LPC) questionnaire** to measure whether a person is task-or relationship-oriented. The LPC questionnaire contains sets of 16 contrasting adjectives (such as pleasant–unpleasant, efficient–inefficient, open–guarded, supportive–hostile). It asks respondents to think of all the coworkers they have ever had and to describe the one person they *least enjoyed* working with by rating that person on a scale of 1 to 8 for each of the 16 sets of contrasting adjectives. Fiedler believes that based on the respondents' answers to this LPC questionnaire, he can determine their basic leadership style. If the least preferred coworker is described in relatively positive terms (a high LPC score), then the respondent is primarily interested in good personal relations with this coworker. That is, if you essentially describe the person you are least able to work with in favorable terms, Fiedler would label you *relationship oriented.* In contrast, if the least preferred coworker is seen in relatively unfavorable terms (a low LPC score), the respondent is primarily interested in productivity and thus would be labeled *task oriented.*

Least preferred coworker (LPC) questionnaire
An instrument that purports to measure whether a person is task or relationship oriented.

To understand Fiedler's model, take the following self-assessment exercise before we move on.

Self Assessment Library

WHAT IS MY LPC SCORE?

In the Self-Assessment Library (available online) take assessment IV.E.5 (What is My LPC Score?).

Defining the Situation After an individual's basic leadership style has been assessed through the LPC questionnaire, it is necessary to match the leader with the situation. Fiedler has identified three dimensions that define the key situational factors that determine leadership effectiveness:

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

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

Task structure
The degree to which job assignments are procedurized.

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

The next step in the Fiedler model is to evaluate the situation in terms of these three contingency variables. Leader–member relations are either good or poor, task structure is either high or low, and position power is either strong or weak.

Matching Leaders and Situations How would you apply Fiedler's findings? You would seek to match leaders and situations. Individuals' LPC scores would determine the type of situation for which they are best suited. That 'situation' would be defined by evaluating the three contingency factors of leader–member relations, task structure, and position power. But remember that Fiedler views an individual's leadership style as being fixed. Therefore, there are really only two ways in which to improve leader effectiveness.

First, you can change the leader to fit the situation; for example, a group's performance could be improved by replacing that manager with one who is task oriented. The second alternative would be to change the situation to fit the leader. That could be done by restructuring tasks or increasing or decreasing the power that the leader has to control factors such as salary increases, promotions, and disciplinary actions.

When Home Depot hired Robert Nardelli as CEO, the company believed he was 'the right guy' to improve the company's performance. Under his leadership, Home Depot's profits, sales, and number of stores doubled. But shareholders criticized his leadership because he failed to improve the company's stock price relative to his huge pay package. After leaving Home Depot, Nardelli was hired as 'the right guy' to revitalize Chrysler based on his turnaround expertise. Predicting the effectiveness of Nardelli's leadership as CEO of Home Depot and Chrysler illustrates the premise of contingency theories that leadership effectiveness is dependent on situational influences.

Evaluation As a whole, reviews of the major studies that have tested the overall validity of the Fiedler model lead to a generally positive conclusion. That is, there is considerable evidence to support only three categories rather than the original eight. But there are problems with the LPC questionnaire and the logic underlying the LPC questionnaire is not well understood. Also, the contingency variables are complex and difficult for practitioners to assess.

Cognitive Resource Theory More recently, Fiedler has reconsidered his original theory.[11] In this refinement, called **cognitive resource theory**, he focuses on the role of stress as a form of situational unfavorableness and how a leader's intelligence and experience influence his or her reaction to stress. The basis of the new theory is that stress is the enemy of rationality. It's difficult for leaders (or anyone else, for that matter) to think logically and analytically when they're under stress.

Hersey and Blanchard's Situational Theory

Paul Hersey and Ken Blanchard have developed a leadership model that has gained a strong following among management development specialists.[12] This model—called **situational leadership theory (SLT)**—has been incorporated into leadership training programs at more than 400 of the Fortune 500 companies; and more than 1 million managers per year from a wide variety of organizations are being taught its basic elements.[13]

Situational leadership is a contingency theory that focuses on the followers. Successful leadership is achieved by selecting the right leadership style, which Hersey and Blanchard argue is contingent on the level of the followers' readiness. Before we proceed, we should clarify two points: Why focus on the followers? And what do they mean by the term *readiness*?

The emphasis on the followers in leadership effectiveness reflects the reality that it is the followers who accept or reject the leader. Regardless of what the leader does, effectiveness depends on the actions of the followers. The term *readiness*, as defined by Hersey and Blanchard, refers to the extent to which people have the ability and willingness to accomplish a specific task.

SLT says that if followers are *unable* and *unwilling* to do a task, the leader needs to give clear and specific directions; if followers are *unable* and *willing*, the leader needs to display high task orientation to compensate for the followers' lack of ability and high relationship orientation to get the followers to "buy into" the leader's desires; if followers are *able* and *unwilling*, the leader needs to use a supportive and participative style; and if the employees are both *able* and *willing*, the leader doesn't need to do much. Research efforts to support this theory have generally been disappointing, so despite its intuitive appeal, approval of this theory must be cautioned against.

Cognitive resource theory
A theory of leadership that states that stress unfavorably affects a situation and that intelligence and experience can reduce the influence of stress on the leader.

Situational leadership theory (SLT)
A contingency theory that focuses on followers' readiness.

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

Path-Goal Theory

Developed by Robert House, path-goal theory extracts elements from the Ohio State leadership research on initiating structure and consideration and the expectancy theory of motivation.[14]

The Theory The essence of **path-goal theory** is that it is the leader's job to provide followers with the information, support, or other resources necessary for them to achieve their goals. The term *path-goal* is derived from the belief that effective leaders clarify the path to help their followers get from where they are to the achievement of their work goals and to make the journey along the path easier by reducing roadblocks.

Leader Behaviors House identified four leadership behaviors. The *directive leader* lets followers know what is expected of them, schedules work to be done, and gives specific guidance as to how to accomplish tasks. The *supportive leader* is friendly and shows concern for the needs of followers. The *participative leader* consults with followers and uses their suggestions before making a decision. The *achievement-oriented leader* sets challenging goals and expects followers to perform at their highest level. In contrast to Fiedler, House assumes leaders are flexible and that the same leader can display any or all of these behaviors, depending on the situation.

What Do You Think?

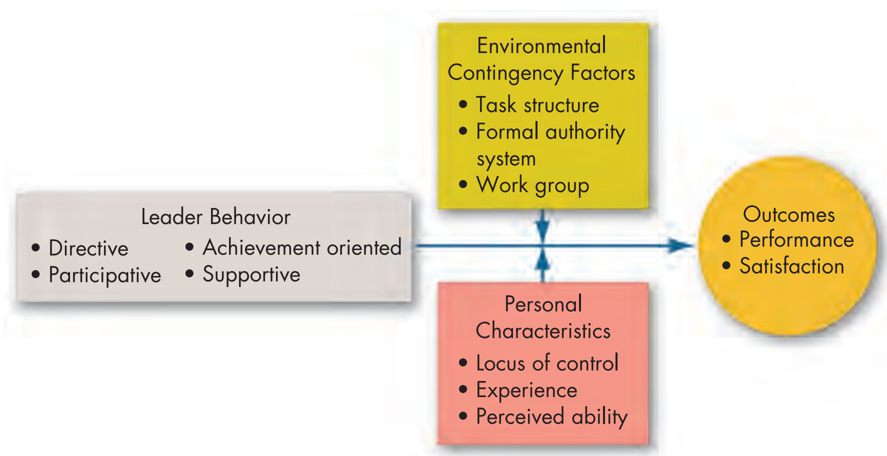
Can leaders show different behaviors or are they identified by one specific behavior?

Path-Goal Variables and Predictions

As Figure 10-2 illustrates, path-goal theory proposes two classes of contingency variables that direct the leadership behavior–outcome relationship: those in the environment that are outside the control of the employee (task structure, the formal authority system, and the work group) and those that are part of the personal characteristics of the employee (locus of control, experience, and perceived ability). For example, the following are illustrations of predictions based on path-goal theory:

- Directive leadership leads to greater satisfaction when tasks are ambiguous or stressful than when they are highly structured and well laid out.
- Supportive leadership results in high employee performance and satisfaction when employees are performing structured tasks.
- Directive leadership is likely to be perceived as redundant among employees with high perceived ability or considerable experience.
- Employees with an internal locus of control will be more satisfied with a participative style.

Figure 10-2 **Path-Goal Theory**



- Achievement-oriented leadership will increase employees' expectancies that effort will lead to high performance when tasks are ambiguously structured.

Summary of Contingency Theories

It is fair to say that none of the contingency theories has been as successful as their developers had hoped. In particular, results for situational leadership theory and path-goal theory have been disappointing.

One limitation of many of the theories we've covered so far is that they ignore the followers. Yet, as one leadership scholar noted, "leaders do not exist in a vacuum;" leadership is a symbolic relationship between leaders and followers.[15] But the leadership theories we've covered to this point have largely assumed that leaders treat all their followers in the same manner. That is, they assume that leaders use a fairly homogeneous style with all the people in their work unit. Next we look at a theory that considers differences in the relationships leaders form with different followers.

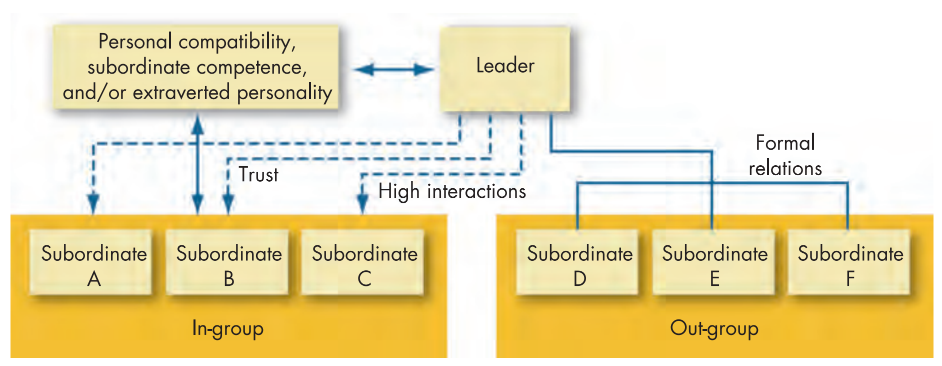
Leader–Member Exchange (LMX) Theory

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.

Think of a leader you know. Did this leader tend to have favorites who made up his or her 'in-group'? If you answered 'yes,' you're acknowledging the foundation of leader–member exchange theory.[16] The **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 are trusted, have the leader's attention, and are more likely to receive special privileges. Other followers fall into the out-group. They get less of the leader's time, get fewer of the preferred rewards that the leader controls, and have leader–follower relations based on formal authority interactions. This is a familiar concept in the Arab world, where many leaders develop their 'own circle' of followers and usually only have ears for them.

Just precisely how the leader chooses who falls into each category is unclear, but there is evidence that leaders tend to choose in-group members because they have demographic, attitude, and personality characteristics that are similar to the leader's or a higher level of competence than out-group members[17] (see Figure 10-3).

Figure 10-3 Leader–Member Exchange Theory



Decision Theory: Vroom and Yetton's Leader-Participation Model

5 *Understand the significance of leader–follower participation.*

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.

The final theory we'll cover argues that the *way* leaders make decisions is as important as *what* they decide. Victor Vroom and Phillip Yetton developed a **leader-participation model** that relates leadership behavior and participation in decision making.[18] Recognizing that task structures have varying demands for routine and nonroutine activities, these researchers argued that leader behavior must adjust to reflect the task structure. Vroom and Yetton's model provides a sequential set of rules that should be followed in determining the form and amount of participation in decision making, as determined by different types of situations. The model is a decision tree incorporating seven contingencies (whose relevance can be identified by making 'yes' or 'no' choices) and five alternative leadership styles. The 12 contingency variables are listed in Box 10-1.

Inspirational Approaches to Leadership

Framing

A way of using language to manage meaning.

Traditional approaches to leadership—those we considered earlier in this chapter—ignore the importance of the leader as a communicator. **Framing** is a way of communicating to shape meaning. It's a way for leaders to influence how others see and understand events. Framing is especially important to an aspect of leadership ignored in the traditional theories: the ability of the leader to inspire others to act beyond their immediate self-interests.

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

BOX 10-1

Contingency Variables in the Revised Leader-Participation Model

1. Importance of the decision
2. Importance of obtaining follower commitment to the decision
3. Whether the leader has sufficient information to make a good decision
4. How well structured the problem is
5. Whether an autocratic decision would receive follower commitment
6. Whether followers 'buy into' the organization's goals
7. Whether there is likely to be conflict among followers over solution alternatives
8. Whether followers have the necessary information to make a good decision
9. Time constraints on the leader that may limit follower involvement
10. Whether costs to bring geographically dispersed members together is justified
11. Importance to the leader of minimizing the time it takes to make the decision
12. Importance of using participation as a tool for developing follower decision skills

Amr Moussa is a charismatic leader. A native of Egypt, he is a former foreign minister and, until recently, was chief of the Arab League. Mussa's visionary insights resulted in his position as head of the Arab League for two terms. His persistence in following his vision of peace in the Arab world has won him the respect of prominent international figures. Although 75, he has been suggested for a possible major role in a future Egyptian government.

Charismatic Leadership

6 *Define* charismatic leadership *and show how it influences followers.*

John F. Kennedy, Amr Mussa, and Martin Luther King Jr. are often identified as being charismatic leaders. So what do they have in common?

What Is Charismatic Leadership? Max Weber, a sociologist, was the first scholar to discuss charismatic leadership. More than a century ago, he defined *charisma* (from the Greek for 'gift') as "a certain quality of an individual personality, by virtue of which he or she is set apart from ordinary people and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities."

Take the following self-assessment to see how you score on charismatic leadership.

Self Assessment Library

HOW CHARISMATIC AM I?

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

Charismatic leadership theory

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

The first researcher to consider charismatic leadership in terms of OB was Robert House. According to House's **charismatic leadership theory**, followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors.[19] There have been a number of studies that have attempted to identify the characteristics of the charismatic leader. One of the best reviews of the literature has documented four—vision, willingness to take personal risks to achieve that vision, sensitivity to follower needs, and behaviors that are out of the ordinary.[20] These characteristics are described in Box 10-2.

BOX 10-2
Key Characteristics of Charismatic Leaders

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

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

Are Charismatic Leaders Born or Made? Are charismatic leaders born with their qualities? Or can people actually learn how to be charismatic leaders? The answer to both questions is yes.

Although a small minority thinks that charisma is inherited and therefore cannot be learned, most experts believe that individuals also can be trained to exhibit charismatic behaviors and can thus enjoy the benefits that accompany being labeled 'a charismatic leader.'[21] One set of authors proposes that a person can learn to become charismatic by following a three-step process.[22] First, an individual needs to develop an aura of charisma by maintaining an optimistic view; using passion as a catalyst for generating enthusiasm; and communicating with the whole body, not just with words. Second, an individual draws others in by creating a bond that inspires others to follow. Third, the individual brings out the potential in followers by tapping into their emotions.

How Charismatic Leaders Influence Followers How do charismatic leaders actually influence followers? It begins by the leader articulating an appealing **vision**. A vision is a long-term strategy for how to attain a goal or goals. The vision provides a sense of continuity for followers by linking the present with a better future for the organization, and this is what the former CEO of Apple, Steve Jobs, showed. A vision is incomplete unless it has an accompanying vision statement. A **vision statement** is a formal articulation of an organization's vision or mission. Once a vision and vision statement are established, the leader then communicates high performance expectations and expresses confidence that followers can attain them. This enhances follower self-esteem and self-confidence.

Vision

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

Vision statement

A formal articulation of an organization's vision or mission.

Does Effective Charismatic Leadership Depend on the Situation? There is an increasing body of research that shows impressive correlations between charismatic leadership and high performance and satisfaction among followers.[23] People working for charismatic leaders are motivated to exert extra work effort and, because they like and respect their leader, express greater satisfaction, as Sony's CEO demonstrates. It also appears that organizations with charismatic CEOs are more profitable. And charismatic college professors enjoy higher course evaluations.[24]

However, there is a growing body of evidence indicating that charisma may not always be generalizable; that is, its effectiveness may depend on the situation. That is, charismatic leadership may affect some followers more than others. Research suggests, for example, that people are especially receptive to charismatic leadership when they sense a crisis, when they are under stress, or when they

Sony Corporation, which recently celebrated 40 years of presence in the Middle East, chose a charismatic leader to inspire the company to return to its innovative roots. As Sony's first CEO and chairman from outside Japan, Howard Stringer, is reorganizing the company to lead the change in making the Sony brand more relevant to digital age consumers. Stringer's strong sense of humor, optimism, boundless energy, and confidence are motivating employees worldwide, from engineers to executives. One top manager says, "Howard's personality and his character and the way he communicates have been good for the company." In this photo, the fun-loving Stringer jokes with Sony top executives about the color of their ties during a press conference announcing his job as CEO.

fear for their lives. If an individual lacks self-esteem and questions his self-worth, he is more likely to absorb a leader's direction rather than establish his own way of leading or thinking.

The Dark Side of Charismatic Leadership Many companies want a charismatic CEO. And to attract these people, boards of directors give them autonomy and resources. One study showed that charismatic CEOs were able to use their charisma to secure higher salaries even when their performance was average.[25]

Unfortunately, charismatic leaders who are too ambitious don't necessarily act in the best interests of their organizations.[26] Many of these leaders used their power to remake their companies in their own image. These leaders often completely blurred the boundary separating their personal interests from their organization's interests.

There are, on the other hand, strong leaders inside firms who could direct the company to greater heights. These individuals have been called **level-5 leaders** because they have four basic leadership qualities—individual capability, team skills, managerial competence, and the ability to stimulate others to high performance—plus a fifth dimension: a blend of personal humility and professional will. Level-5 leaders channel their ego needs away from themselves and into the goal of building a great company.

Level-5 leaders
Leaders who are fiercely ambitious and driven but whose ambition is directed toward their company rather than themselves.

We don't mean to suggest that charismatic leadership isn't effective. Overall, its effectiveness is well supported. The point is that a charismatic leader isn't always the answer. Yes, an organization with a charismatic leader is more likely to be successful, but that success depends, to some extent, on the situation and on the leader's vision. Let's now look at the transformational leader.

Transactional leaders
Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

Transformational Leadership

7 *Contrast transformational leadership and transactional leadership and discuss how transformational leadership works.*

A lot of research has focused on differentiating transformational leaders from transactional leaders.[27] Most of the leadership theories presented in the first part of this chapter—for instance, the Ohio State studies, Fiedler's model, and path-goal theory—have concerned **transactional leaders**. These kinds

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.

of leaders guide or motivate their followers in the direction of established goals by clarifying role and task requirements. **Transformational leaders** inspire followers to give up their own self-interests for the good of the organization and are capable of having a significant and extraordinary effect on their followers.

Transformational leaders pay attention to the concerns and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in new ways; and they are able to excite and inspire followers to put out extra effort to achieve group goals. Box 10-3 briefly identifies and defines the characteristics that differentiate these two types of leaders.

Transactional and transformational leadership shouldn't be viewed as opposing approaches to getting things done.[28] Transformational and transactional leadership complement each other, but that doesn't mean they're equally important. Transformational leadership builds *on top of* transactional leadership and produces levels of follower effort and performance that go beyond what would occur with a transactional approach alone. But the reverse isn't true. So if you are a good transactional leader but do not have transformational qualities, you'll likely only be an ordinary leader. That is, the best leaders are transactional *and* transformational as we'll see in the following sections.

Full Range of Leadership Model Figure 10-4 shows the full range of leadership model. Laissez-faire is the most passive and therefore the least effective of the leader behaviors. Leaders using this style are rarely viewed as effective. Leaders who practice management by exception leadership tend to be available only when there is a problem, which is often too late. Contingent reward leadership can be an effective style of leadership. However, leaders will not get their employees to go above and beyond the call of duty when practicing this style of leadership. Only with the four remaining leadership styles—which are all aspects of transformational leadership—are leaders able to motivate followers to perform above expectations and give up their own self-interest for the sake of the organization. Individualized consideration, intellectual stimulation, inspirational motivation, and

BOX 10-3
Characteristics of Transactional and Transformational Leaders

Transactional Leader

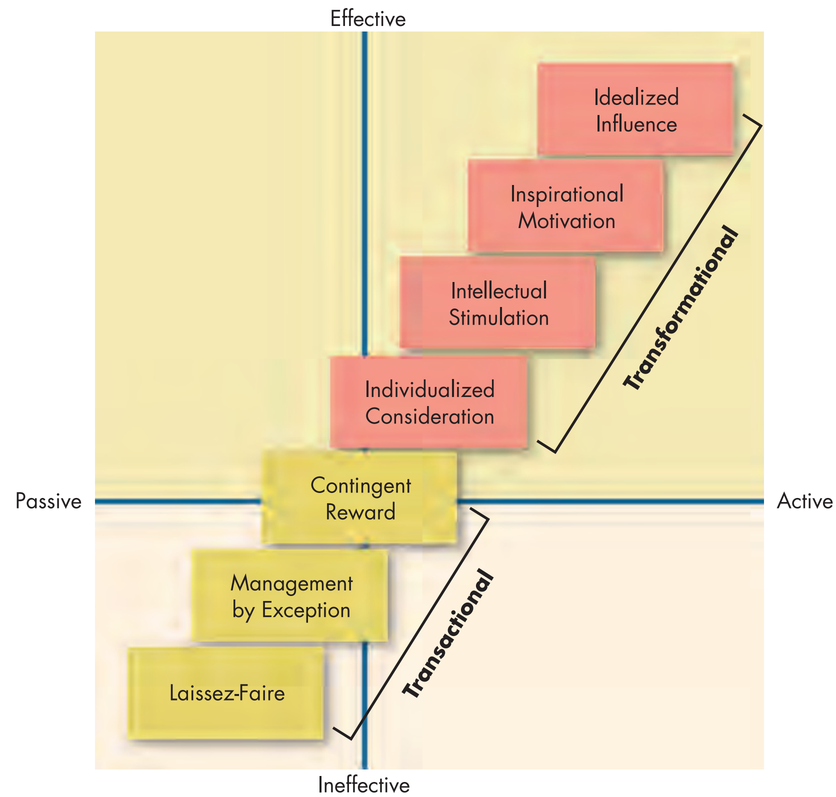
Contingent Reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.
Management by Exception (active): Watches and searches for deviations from rules and standards, takes correct action.
Management by Exception (passive): Intervenes only if standards are not met.
Laissez-Faire: Abdicates responsibilities, avoids making decisions.

Transformational Leader

Idealized Influence: Provides vision and sense of mission, instills pride, gains respect and trust.
Inspirational Motivation: Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.
Intellectual Stimulation: Promotes intelligence, rationality, and careful problem solving.
Individualized Consideration: Gives personal attention, treats each employee individually, coaches, advises.

Source: B. M. Bass, "From Transactional to Transformational Leadership: Learning to Share the Vision," *Organizational Dynamics,* Winter 1990, p. 22. Reprinted by permission of the publisher, Elsevier.

Figure **10-4** **Full Range of Leadership Model**



idealized influence all result in extra effort from workers, higher productivity, higher morale and satisfaction, higher organizational effectiveness, lower turnover, lower absenteeism, and greater organizational adaptability. Based on the model in Figure 10-4, leaders are generally most effective when they regularly use each of the four transformational behaviors.

How Transformational Leadership Works In the past few years, a great deal of research has been conducted to explain how transformational leadership works. Transformational leaders encourage their followers to be more innovative and creative.[29] Transformational leaders are more effective because they themselves are more creative, but they're also more effective because they encourage those who follow them to be creative, too. In addition, followers of transformational leaders are more likely to pursue ambitious goals.

Just as research has shown that vision is important in explaining how charismatic leadership works, research has also shown that vision explains part of the effect of transformational leadership. Indeed, one study found that vision was even more important than a charismatic communication style in explaining the success of entrepreneurial firms.[30] Finally, transformational leadership also encourages commitment on the part of followers and instills in them a greater sense of trust in the leader.[31]

What Do You Think?

Transformation involves change; why is change a challenge for leaders?

A. G. Lafley is a transformational leader. Since joining Procter & Gamble as CEO in 2000, he has brought flexibility and creativity to a slow-growing company. He expanded core brands like Crest toothpaste to innovations such as teeth whiteners and toothbrushes. He shifted P&G's focus from in-house innovation by setting a goal that 50 percent of new products be developed with outside partners. With more than half of P&G's business outside the United States, Lafley recast his top management group to be 50 percent non-American. These changes have raised P&G's revenues, profits, and stock price. Shown here with Iams pet-food representative Euka, the dog, Lafley helped move the brand from the No. 5 position in the United States to the No. 1 spot, and doubled worldwide sales of Iams.

Evaluation of Transformational Leadership The evidence supporting the superiority of transformational leadership over transactional leadership is impressive. Transformational leadership has been supported in occupations such as school principals and teachers, marine commanders, ministers, presidents of MBA associations, and sales reps, at various job levels. A review of 87 studies testing transformational leadership found that it was related to the motivation and satisfaction of followers and to the higher performance and perceived effectiveness of leaders.[32]

Transformational Leadership versus Charismatic Leadership There is some debate about whether transformational leadership and charismatic leadership are the same. Although many researchers believe that transformational leadership is broader than charismatic leadership, studies show that in reality a leader who scores high on transformational leadership is also likely to score high on charisma. Therefore, in practice, measures of charisma and transformational leadership may be roughly equivalent.

Authentic Leadership: Ethics and Trust Are the Foundation of Leadership

8 *Define* authentic leadership *and show why ethics and trust are vital to effective leadership.*

Although charismatic leadership theories and transformational leadership theories as previously discussed have added greatly to our understanding of effective leadership, they do not explicitly deal with the role of ethics and trust. Some scholars have argued that a consideration of ethics and trust is essential to complete the picture of effective leadership. Here we consider these two concepts under the title of authentic leadership.[33]

What Is Authentic Leadership?

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 leaders know who they are, know what they believe in and value, and act on those values and beliefs openly and honestly. Their followers would consider them to be ethical people. The primary quality, therefore, produced by authentic leadership is trust. How does authentic leadership build trust? Authentic leaders share information, encourage open communication, and stick to their ideals. As a result, people come to have faith in authentic leaders.

Find out if you have the qualities of an ethical leader. Do the self-assessment test below.

Self Assessment Library

AM I AN ETHICAL LEADER?

In the Self-Assessment Library (available online), take assessment IV.E.4 (Am I an Ethical Leader?).

Ethics in Leadership and Corporate Social Responsibility

Only recently have ethicists and leadership researchers begun to consider the ethical implications in leadership.[34] Why now? One reason may be the growing general interest in ethics throughout the field of management. Another reason may be the discovery that many past leaders faced ethical problems. There are always ethical weaknesses of business leaders in the headlines.

Ethics covers leadership from a number of angles. Transformational leaders, for instance, have been described by one authority as supporting moral virtue when they try to change the attitudes and behaviors of followers.[35] Charisma, too, has an ethical component. Unethical leaders are more likely to use their charisma to enhance *power over* followers, directed toward self-serving ends. Ethical leaders are considered to use their charisma in a socially constructive way to serve others.[36]

Leaders should gain the trust of their followers and they can do that by leading by example and showing followers how to give back to the community with high integrity. One way in which leaders can show constructive contribution is by demonstrating Corporate Social Responsibility (CSR). A common definition of CSR given by The World Bank stresses the commitment of businesses to managing and improving their economic, environmental and social status at the firm, local, regional and global levels. Thus, in so doing, leaders give back to the community with financial donations or by volunteering their time to help people who need any kind of humanitarian assistance. There is also the issue of abuse of power by leaders, for example when they give themselves large salaries, bonuses, and stock options while, at the same time, they seek to cut costs by laying off long-time employees.

Socialized charismatic leadership

A leadership concept that states that leaders convey values that are other-centered versus self-centered and who role model ethical conduct.

Leadership effectiveness needs to address the *means* a leader uses in trying to achieve goals, as well as the content of those goals. Recently, scholars have tried to integrate ethical and charismatic leadership by advancing the idea of **socialized charismatic leadership**—leadership that highlights values that are other-centered versus self-centered by leaders who model ethical conduct.[37]

Now let's examine the issue of trust and its role in shaping strong leaders.

What Is Trust?

Trust, or lack of trust, is an increasingly important leadership issue in today's organizations.[38] In this section, we define *trust* and provide you with some guidelines for helping build credibility and trust.

Trust
A positive expectation that another will not act opportunistically.

Trust is a positive expectation that another will not—through words, actions, or decisions—act opportunistically.[39] The two most important elements of our definition are that it implies familiarity and risk.

The phrase *positive expectation* in our definition assumes knowledge and familiarity about the other party. Trust takes time to form and build. Most of us find it hard, if not impossible, to trust someone immediately if we don't know anything about them. But as we get to know someone and the relationship matures, we gain confidence in our ability to form a positive expectation.

The term *opportunistic* refers to the existing risk in any trusting relationship. By its very nature, trust provides the opportunity for disappointment or to be taken advantage of.[40] But trust is not actually taking risk; rather, it is a *willingness* to take risk.[41] So when I trust someone, I expect that they will not take advantage of me. This willingness to take risks is common to all trust situations.[42]

What are the key dimensions that underlie the concept of trust? Evidence has identified five: integrity, competence, consistency, loyalty, and openness[43] (see Figure 10-5).

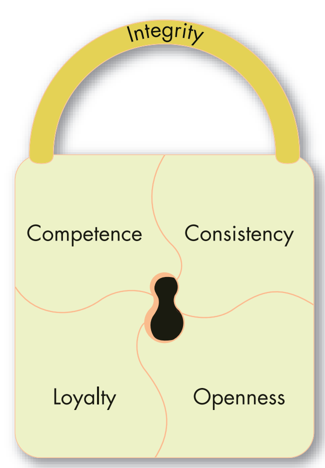
Integrity refers to honesty and truthfulness. *Competence* is an individual's technical and interpersonal knowledge and skills. *Consistency* relates to an individual's reliability, predictability, and good judgment in handling situations. *Loyalty* is the willingness to protect and save face for another person. The final dimension of trust is *openness*. That is, can you rely on the person to give you the full truth?

His Highness Sheikh Zayed bin Sultan Al Nahyan, former President of the UAE, was a truly authentic leader. He had a strong sense of values, great beliefs in his country and people, and motivated and encouraged his people at all times. The people had great trust in Sheikh Zayed and considered him as a father figure who always showed integrity.

Trust and Leadership

As we have shown in discussing ethical and authentic leadership, trust is a primary attribute associated with leadership; and when this trust is broken, it can have serious negative effects on a group's performance.[44] When followers trust a leader, they are willing to be vulnerable to the leader's actions—confident that their rights and interests will not be abused.[45] People are unlikely to look up to or follow someone whom they see as dishonest or who is likely to take advantage of them. Honesty, for instance, consistently ranks at the top of most people's list

Figure 10-5 Trust Dimensions



of characteristics they admire in their leaders. "Honesty is absolutely essential to leadership. If people are going to follow someone willingly, whether it be into battle or into the boardroom, they first want to assure themselves that the person is worthy of their trust."[46]

Three Types of Trust

There are three types of trust in organizational relationships: *deterrence* based, *knowledge* based, and *identification* based.[47]

Deterrence-based trust

Trust based on fear of reprisal if the trust is violated.

Deterrence-Based Trust The weakest relationships are contained in **deterrence-based trust**. One violation or inconsistency can destroy the relationship. This form of trust is based on fear if the trust is violated. Individuals who are in this type of relationship do what they do because they fear the consequences from not following through on their obligations.

Deterrence-based trust will work only to the degree that punishment is possible, consequences are clear, and the punishment is actually imposed if the trust is violated. To be sustained, the potential loss of future interaction with the other party must outweigh the profit potential that comes from violating expectations.

Knowledge-based trust

Trust based on behavioral predictability that comes from a history of interaction.

Knowledge-Based Trust Most organizational relationships are found in **knowledge-based trust**—that is, trust is based on the behavioral predictability that comes from a history of interaction. It exists when you have adequate information about someone to understand them well enough to be able to accurately predict his or her behavior.

Knowledge-based trust relies on information rather than deterrence. Knowledge of the other party and predictability of behavior replaces the contracts, penalties, and legal arrangements more typical of deterrence-based trust. This knowledge develops over time, largely as a function of experience that builds confidence of trustworthiness and predictability. The better you know someone, the more accurately you can predict what he or she will do.

In an organizational context, most manager–employee relationships are knowledge based. Both parties have enough experience working with each other that they know what to expect. A long history of consistently open and honest interactions, for instance, is not likely to be destroyed by one error.

Identification-based trust

Trust based on a mutual understanding of each other's intentions and appreciation of each other's wants and desires.

Identification-Based Trust The highest level of trust is achieved when there is an emotional connection between the parties. It allows one party to act as an agent for the other and substitute for that person in interpersonal transactions. This is called **identification-based trust**. Trust exists because the parties understand each other's intentions and appreciate each other's wants and desires. This mutual understanding is developed to the point that each can effectively act for the other. Controls are minimal at this level. You don't need to monitor the other party because there exists complete loyalty.

You see identification-based trust occasionally in organizations among people who have worked together for long periods of time and have a depth of experience that allows them to know each other inside and out. This is also the type of trust that managers ideally seek in teams. Team members are comfortable with and trusting of each other, and can anticipate each other and act freely in each other's absence.

Basic Principles of Trust

Research allows us to offer some principles for better understanding the creation of both trust and mistrust.[48]

Mistrust Drives Out Trust People who are trusting demonstrate their trust by increasing their openness to others, disclosing relevant information, and expressing their true intentions. People who mistrust do not share information. A few mistrusting people can poison an entire organization.

Trust Leads to Trust In the same way that mistrust drives out trust, exhibiting trust in others tends also to encourage more trust. Effective leaders increase trust in small parts and allow others to respond in kind.

Trust Can Be Regained Once it is gone, trust can be regained, but only in certain situations. When an individual's trust in another is broken because the other party failed to do what was expected, it can be restored when the individual observes a consistent pattern of trustworthy behaviors. However, when the same untrustworthy behavior occurs with deception, trust never fully recovers, even when the deceived is given apologies, promises, or a consistent pattern of trustworthy actions.[49]

Mistrusting Groups Self-destruct When group members mistrust each other, they pursue their own interests rather than the group's. Members of mistrusting groups tend to be suspicious of each other and remain aware of exploitation, and restrict communication with others in the group.

Mistrust Generally Reduces Productivity Although we cannot say that trust necessarily *increases* productivity, though it usually does, mistrust almost always *reduces* productivity. Mistrust focuses attention on the differences in member interests, making it difficult for people to visualize common goals. People respond by concealing information and secretly pursuing their own interests.

Contemporary Leadership Roles

9 Demonstrate the importance of mentoring, self-leadership, and virtual leadership to our understanding of leadership.

Why are many effective leaders also active mentors? How can leaders develop self-leadership skills in their employees? And how does leadership work when face-to-face interaction is gone? In this section, we briefly address these three leadership roles—mentoring, self-leadership, and online leadership.

Mentoring

Mentor
A senior employee who sponsors and supports a less-experienced employee, called a protégé.

Many leaders create mentoring relationships. A **mentor** is a senior employee who sponsors and supports a less-experienced employee—a protégé—and this is becoming a common behavior in the Arab world. Although not all Arab countries exercise mentoring, some do believe that it can be an effective approach. Successful mentors are good teachers. They can present ideas clearly, listen well, and empathize with the problems of their protégés. As shown in Box 10-4, mentoring relationships have been described in terms of two broad categories of functions—career functions and psychosocial functions.[50]

Why would a leader want to be a mentor? There are personal benefits to the leader as well as benefits for the organization. The mentor–protégé relationship gives the mentor full access to the attitudes and feelings of lower-ranking employees, and protégés can be an excellent source of early-warning signals that identify potential problems. Research suggests that mentor commitment to a program is key to its effectiveness, so if a program is to be successful, it's critical that mentors be on board and see the relationship as beneficial to themselves and the protégé. It's also important that the protégés feel that they have input into the relationship; if it's something they feel is forced on them, they'll just go through the motions.[51]

BOX 10-4
Career and Psychosocial Functions of the Mentoring Relationship

Career Functions

- Lobbying to get the protégé challenging and visible assignments
- Coaching the protégé to help develop her skills and achieve work objectives
- Assisting the protégé by providing exposure to influential individuals within the organization
- Protecting the protégé from possible risks to her reputation
- Sponsoring the protégé by nominating her for potential advances or promotions
- Acting as a sounding board for ideas that the protégé might be hesitant to share with her direct supervisor

Psychosocial Functions

- Counseling the protégé about anxieties and uncertainty to help bolster her self-confidence
- Sharing personal experiences with the protégé
- Providing friendship and acceptance
- Acting as a role model

Self-Leadership

Self-leadership
A set of processes through which individuals control their own behavior.

Is it possible for people to lead themselves? An increasing body of research suggests that many can.[52] Proponents of **self-leadership** propose that there are a set of processes through which individuals control their own behavior. And effective leaders (or what advocates like to call *superleaders*) help their followers to lead themselves. They do this by developing leadership capacity in others and train followers so they no longer need to depend on formal leaders for direction and motivation.

To engage in effective self-leadership: (1) make your mental organizational chart horizontal rather than vertical; (2) focus on influence and not control (do your job *with* your colleagues, not *for* them or *to* them); and (3) don't wait for the right time to make your mark; create your opportunities rather than wait for them.[53]

Online Leadership

How do you lead people who are physically separated from you and with whom your interactions are basically reduced to written digital communications? This is a question that, to date, has received minimal attention from OB researchers.[54] Leadership research has been directed almost exclusively to face-to-face and verbal situations. But we can't ignore the reality that today's managers and their employees are increasingly being linked by networks rather than geographic distance. Examples include managers who regularly use e-mail to communicate with their staff, managers who oversee virtual projects or teams, and managers whose telecommuting employees are linked to the office by a computer and an internet connection.

In face-to-face communications, harsh *words* can be softened by nonverbal action. A smile and comforting gesture, for instance, can decrease the impact behind strong words like *disappointed, unsatisfactory, inadequate,* or *below expectations.* That nonverbal component doesn't exist with online interactions. The *structure* of words in a digital communication also has the power to motivate or demotivate the receiver.

In addition, online leaders confront unique challenges, the greatest of which appears to be developing and maintaining trust. Identification-based trust, for instance, is particularly difficult to achieve when there is a lack of intimacy and face-to-face interaction.[55] This discussion leads us to the tentative conclusion that, for an increasing number of managers, good interpersonal skills may include the abilities to communicate support and leadership through written words on a computer screen and to read emotions in others' messages. In this 'new world' of communications, writing skills are likely to become an extension of interpersonal skills.

Challenges to the Leadership Construct

10 Determine the challenges that leaders face.

In this section, we present two perspectives that challenge the widely accepted belief in the importance of leadership. The first argument proposes that leadership is more about appearances than reality. You don't have to *be* an effective leader as long as you *look* like one. The second argument directly attacks the idea that some leadership *will always be effective*, regardless of the situation.

Leadership as an Attribution

Attribution theory of leadership
A leadership theory that says that leadership is merely an attribution that people make about other individuals.

We introduced attribution theory in Chapter 4. As you may remember, it deals with the ways in which people try to make sense out of cause-and-effect relationships. We said that when something happens, we want to attribute it or relate it to something else. The **attribution theory of leadership** says that leadership is merely an attribution that people make about other individuals.[56]

The attribution theory has shown that people characterize leaders as having such traits as intelligence, outgoing personality, strong verbal skills, aggressiveness, understanding, and industriousness.[57] At the organizational level, the attribution framework accounts for the conditions under which people use leadership to explain organizational outcomes. Those conditions are extremes in organizational performance. That is, when an organization has either extremely negative or extremely positive performance, people tend to use leadership attributions as an explanation for the specific performance.

International OB

Cultural Variation in Charismatic Attributions

Do people from different cultures make different attributions about their leaders' charisma? One recent study attempted to answer this question.

A team of researchers conducted a study in which individuals from the United States and Turkey read short stories about a hypothetical leader. Each story portrayed the leader's behaviors and the performance of the leader's company differently. In both cultures, individuals believed that the leader possessed more charisma when displaying behaviors such as promoting the company's vision and involving subordinates *and* when the leader's company performed well. However, the participants from the United States, who are more individualistic, focused on the leader's behaviors when attributing charisma. In contrast, the participants from Turkey, who are more collectivistic, focused on the company's performance when attributing charisma.

Why do these differences exist? The researchers speculated that people from individualistic cultures place more emphasis on the person than on the situation and so they attribute charisma when a leader displays certain traits. People from collectivistic cultures, in contrast, place more emphasis on the situation and assume that the leader is charismatic when the company performs well. So whether others see you as charismatic may, in part, depend on what culture you work in.

Source: Based on N. Ensari and S. E. Murphy, "Cross-Cultural Variations in Leadership Perceptions and Attribution of Charisma to the Leader," *Organizational Behavior and Human Decision Processes*, September 2003, pp. 52–66.

Following the attribution theory of leadership, we'd say that what's important in being characterized as an "effective leader" is projecting the *appearance* of being a leader rather than focusing on *actual accomplishments*. Leader-wannabes can attempt to shape the perception that they're smart, personable, verbally competent, aggressive, hardworking, and consistent in their style. By doing so, they increase the probability that their bosses, colleagues, and employees will *view* them as effective leaders.

Substitutes for and Neutralizers of Leadership

Contrary to the arguments made throughout this chapter, leadership may not always be important. A theory of leadership suggests that, in many situations, whatever actions leaders exhibit are irrelevant. Certain individual, job, and organizational variables can act as *substitutes* for leadership or *neutralize* the leader's influence on his or her followers.[58]

Neutralizers make it impossible for leader behavior to make any difference to follower outcomes. They cancel the leader's influence. Substitutes, however, make a leader's influence not only impossible but also unnecessary. They act as a replacement for the leader's influence. For instance, characteristics of employees such as their experience, training, 'professional' orientation, or indifference toward organizational rewards can substitute for, or neutralize the effect of, leadership. Experience and training can replace the need for a leader's support or ability to create structure and reduce task uncertainty. Jobs that are clear and routine or that are satisfying may place fewer demands on the leadership variable. Organizational characteristics such as explicit, formalized goals, rigid rules and procedures, and cohesive work groups can also replace formal leadership (see Table 10-1).

This recognition that leaders don't always have an impact on follower outcomes should not be that surprising. It's important, therefore, to recognize explicitly that leadership is merely another independent variable in our overall OB model. In some situations, it may contribute a lot to explaining employee productivity, absence, turnover, satisfaction, and citizenship behavior, but in other situations, it may contribute little toward that end.

TABLE 10-1 Substitutes for Neutralizers of Leadership

Defining Characteristics	Relationship-Oriented Leadership	Task-Oriented Leadership
Individual		
Experience/training	No effect on	Substitutes for
Professionalism	Substitutes for	Substitutes for
Indifference to rewards	Neutralizes	Neutralizes
Job		
Highly structured task	No effect on	Substitutes for
Provides its own feedback	No effect on	Substitutes for
Intrinsically satisfying	Substitutes for	No effect on
Organization		
Explicit formalized goals	No effect on	Substitutes for
Rigid rules and procedures	No effect on	Substitutes for
Cohesive work groups	Substitutes for	Substitutes for

Source: Based on S. Kerr and J. M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance*, December 1978, p. 378.

Finding and Creating Effective Leaders

11 *Explain how to find and create effective leaders.*

We have covered a lot of material in this chapter on leadership. But the ultimate goal of our review is to answer this question: How can organizations find or create effective leaders? Let's try to be more specific in answering that question.

Selecting Leaders

The entire process that organizations go through to fill management positions is an exercise in trying to identify individuals who will be effective leaders. There are many associations, such as Young Arab Leaders (YAL), that are also involved in this process. Your search might begin by reviewing the specific requirements for the position to be filled. What knowledge, skills, and abilities (KSAs) are needed to do the job effectively? You should try to analyze the situation to find candidates who will make a proper match.

Testing is useful for identifying and selecting leaders. Personality tests can be used to look for 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 likely to outperform their low-scoring counterparts because the former are better at reading situations and adjusting their behavior accordingly.

What Do You Think?

Can certain tests actually help to select effective leaders?

Interviews also provide an opportunity to evaluate leadership candidates. You can use an interview to determine whether a candidate's prior experience fits with the situation you're trying to fill. Similarly, the interview is a reasonably good vehicle for identifying the degree to which a candidate has leadership traits such as extraversion, self-confidence, a vision, the verbal skills to frame issues, or a charismatic physical presence.

The most important event organizations need to plan for is leadership changes. Nothing lasts forever, so it's always simply a matter of *when* a leader exits, not whether a leader exists.

Musa Freiji has led the Wadi Group of Companies into the twenty-first century. The story of success is a result of effective leadership. The success of Wadi is not a coincidence but the result of diligence, continuous learning, in-depth knowledge, sound vision, and wisdom in decision making. Freiji has led by example and taught employees to embrace the values of Wadi—honesty in word and deed, loyalty and dedication in behavior, faith and ambition in outlook, and integrity in practice. "What motivates our Group and drives our high ambitions is our strong and sincere desire to participate in the economic development of Egypt and other Arab countries in which we operate," stresses Freiji.

Training Leaders

Organizations spend billions on leadership training and development.[59] These efforts take many forms, such as executive leadership programs offered by universities such as Harvard, in the US, and Notre Dame University, Lebanon.

Although much of the money spent on training may provide questionable benefits, our review suggests that there are some things managers can do to get the maximum effect from their leadership-training budgets.[60]

First, let's recognize the obvious. People are not equally trainable. Leadership training of any kind is likely to be more successful with individuals who are high self-monitors than with low self-monitors. Such individuals have the flexibility to change their behavior.

What kinds of things can individuals learn that might be related to higher leader effectiveness? It may be a bit optimistic to believe that we can teach 'vision creation,' but we can teach implementation skills. We can train people to develop "an understanding about content themes critical to effective visions."[61] We can also teach skills such as trust building and mentoring. And leaders can be taught situational-analysis skills.

In addition, they can learn how to evaluate situations, how to modify situations to make them fit better with their style, and how to assess which leader behaviors might be most effective in given situations. A number of companies have recently turned to executive coaches to help senior managers improve their leadership skills.[62] In particular, the banking sector provides professional training on a regular basis. Many well-known banks, such as Byblos Bank, Audi Bank, Bank of Beirut, and Arab Bank, ensure that their people in top management positions attend training to enhance their skills for better performance.

All the issues that have been discussed in this chapter about leadership are applicable to all cultures. They are concepts that leaders of all backgrounds can relate to and definitely consider. Being a leader in the Arab world is no different. Arab world leadership theories, issues and approaches are similar to those of any other country. What we do need to pay attention to, though, is the fact that leaders in the Arab world, or in any other culture, must stress their national culture when implementing their leadership duties and responsibilities. YAL and its partners present annual Arab American Business Fellowship programs aimed at helping people to break cultural barriers and improve the required skills for growth and development.

Global Implications

12 *Assess whether charismatic and transformational leadership generalize across cultures.*

Most of the research on the leadership theories discussed in this chapter has been conducted in English-speaking countries. Thus, we know very little about how culture might influence their validity, particularly in Eastern cultures. However, a recent analysis of the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project has produced some useful, if preliminary, insights into cultural issues that leaders need to consider.[63]

In this article, the authors sought to answer the practical question of how culture might affect a US manager if he or she had been given two years to lead a project in four prototypical countries, whose cultures diverged from that of the United States in different ways: Brazil, France, Egypt, and China. Let's consider each case in turn.

Brazil Based on the GLOBE study findings of the values of Brazilian employees, a US manager leading a team in Brazil would need to be team-oriented, participative, and humane. This would suggest that leaders who are high on consideration, who emphasize participative decision making, and who have high LPC scores would be best suited to managing employees in this culture. As one Brazilian manager said in the 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."

France Compared with US employees, the French tend to have a more bureaucratic view of leaders and are less likely to expect them to be humane and considerate. Thus, a leader who is high on initiating structure, or relatively task-oriented, will do best, and he or she can make decisions in a relatively autocratic manner. A manager who scores high on consideration (people-oriented) leadership may find that style backfiring in France.

Egypt Like those in Brazil, employees in Egypt are more likely to value team-oriented and participative leadership than US employees. However, Egypt is also a relatively high-power-distance culture, meaning that status differences between leaders and followers are expected. How would a US manager be participative and yet act in a manner that shows his or her high level of status? According to the authors, the leaders should ask employees for their opinions, try to minimize conflicts, but also not be afraid to take charge and make the final decision (after consulting team members).

China According to the GLOBE study, Chinese culture emphasizes being polite, considerate, and unselfish. But the culture also has a high performance orientation. These two factors suggest that both consideration and initiating structure may be important. Although Chinese culture is relatively participative compared with that of the United States, there are also status differences between leaders and employees. This suggests that, as in Egypt, a moderately participative style may work best.

In sum, the GLOBE study suggests that leaders need to take culture into account whenever they are managing employees from different cultures.

We also noted in this chapter that while there is little cross-cultural research on the traditional theories of leadership, there is reason to believe that certain types of leadership behaviors work better in some cultures than in others. What about the more contemporary leadership roles covered in this chapter: Is there cross-cultural research on charismatic/transformational leadership? Does it generalize across cultures? Yes and yes. There has been cross-cultural research on charismatic/transformational leadership, and it seems to suggest that the leadership style works in different cultures.

What elements of transformational leadership appear universal? They are vision, foresight, providing encouragement, trustworthiness, dynamism, positiveness, and proactiveness. The results led two members of the GLOBE team to conclude that "effective business leaders in any country are expected by their subordinates to provide a powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfill the vision, and excellent planning skills to assist in implementing the vision."[64]

What might explain the universal appeal of these transformational leader attributes? It's been suggested that pressures toward common technologies and management practices, as a result of global competition and multinational influences, may make some aspects of leadership universally accepted. If that's true, we may be able to select and train leaders in a universal style and thus significantly raise the quality of leadership worldwide.

However, none of this is meant to suggest that a certain cultural sensitivity or adaptation in styles might not be important when leading teams in different cultures. A vision is important in any culture, but how that vision is formed and communicated may still need to vary by culture. This is true even for companies that are known worldwide for their emphasis on vision.

Summary and Implications for Managers

Leadership plays an important part in understanding group behavior, for it's the leader who usually provides the direction toward goal attainment.

The early search for a set of universal leadership traits failed. However, recent efforts using the Big Five personality framework (discussed in Chapter 2) have generated much more encouraging results. Specifically, the traits of extraversion, conscientiousness, and openness to experience show strong and consistent relationships to leadership.

The behavioral approach's major contribution was narrowing leadership into task-oriented (initiating structure) and people-oriented (consideration) styles. As with the trait approach, results from the behavioral school were initially dismissed. But recent efforts have confirmed the importance of task- and people-oriented leadership styles.

A major shift in leadership research came when we recognized the need to develop contingency theories that included situational factors. At present, the evidence indicates that relevant situational variables include: the task structure of the job; level of situational stress; level of group support; leader's intelligence and experience; and follower characteristics, such as personality, experience, ability, and motivation. Although contingency theories haven't lived up to their initial promise, the literature has provided basic support for Fiedler's LPC theory.

Two other theories—leader–member exchange (LMX) theory and the leader-participation model—also contribute to our understanding of leadership. LMX theory has proved influential for its analysis of followers—whether they are included in the leader's 'in-group' or were relegated to the 'out group.' Vroom's leader-participation model focuses on the leader's role as decision maker and considers *how* leaders make decisions (such as whether to involve followers in their decision making).

Moreover, organizations are increasingly searching for managers who can exhibit transformational leadership qualities. They want leaders with vision and the charisma to carry out their vision. And although true leadership effectiveness may be a result of exhibiting the right behaviors at the right time, the evidence is quite strong that people have a relatively uniform perception of what a leader should look like. They attribute 'leadership' to people who are smart, personable, verbally adept, and the like. To the degree that managers project these qualities, others are likely to name them as leaders. There is increasing evidence that the effectiveness of charismatic and transformational leadership crosses cultural boundaries.

Effective managers today must develop trusting relationships with those they seek to lead because, as organizations have become less stable and predictable, strong bonds of trust are likely to be replacing bureaucratic rules in defining expectations and relationships. Managers who aren't trusted aren't likely to be effective leaders.

Furthermore, for managers concerned with how to fill key positions in their organization with effective leaders, we have shown that tests and interviews help to identify people with leadership qualities. In addition to focusing on leadership selection, managers should also consider investing in leadership training. Many individuals with leadership potential can enhance their skills through formal courses, workshops, rotating job responsibilities, coaching, and mentoring.

Point / Counterpoint

LEADERS ARE BORN, NOT MADE

That leaders are born, not made, isn't a new idea. Great leaders are what make teams, companies, and even countries great. These leaders are great leaders because they have the right stuff—stuff the rest of us don't have, or have in lesser quantities.

If you're not yet convinced, there is new evidence to support this position. One study was of several hundred identical twins separated at birth and raised in totally different environments. The researchers found that, despite their different environments, each pair of twins had striking similarities in terms of whether they became leaders.

A great part of leadership is a product of our genes. If we have the right stuff, we're destined to be effective leaders. If we have the wrong stuff, we're unlikely to excel in that role. Leadership cannot be for everyone, and we make a mistake in thinking that everyone is equally capable of being a good leader.[65]

On the other hand, personal qualities and characteristics matter to leadership, as they do to most other behaviors. But the real key is what you do with what you have.

First, if great leadership were just the possession of traits like intelligence and personality, we could simply give people a test and select those people to be leaders. Second, great leaders tell us that the key to their leadership success is not the characteristics they had at birth but what they learned along the way.

Finally, this focus on 'great men and great women' is not very productive. Even if it were true that great leaders were born, it's a very impractical approach to leadership. People need to believe in something, and one of those things is that they can improve themselves.[66]

Questions for Review

1 Are leadership and management different from one another? How?

2 What is the basis of trait theories? What traits are associated with leadership?

3 What are the characteristics and limitations of behavioral theories?

4 What is Fiedler's contingency model? Has it been supported in research?

5 How does leader–follower participation enhance employee performance?

6 What is charismatic leadership and how does it work?

7 What is transformational leadership? How is it different from transactional and charismatic leadership?

8 What is authentic leadership? Why do ethics and trust matter to leadership?

9 What are the importance of mentoring, self-leadership, and virtual leadership?

10 What are the challenges that leaders face and how can they be overcome?

11 How can organizations select and develop effective leaders?

12 How can leaders adapt to different cultures?

Discussion Exercise

Discuss what you think the adjectives are that describe a successful leader. Discuss them with the class and try to all agree on the most important 12 adjectives.

Ethical Considerations

The power that comes from being a leader can be used for evil as well as for good. When you assume the benefits of leadership, you also assume ethical burdens. But many highly successful leaders have relied on questionable tactics to achieve their ends. These include manipulation, verbal attacks, physical intimidation, lying, fear, and control.

Nawfal Hakim is the owner and manager of a fast growing chain of restaurants in Jordan. As an entrepreneur, he experienced very difficult times and had to sacrifice a lot to reach his present position. Because of all this, he has developed a rigid attitude. Nawfal feels that it is his right to control everything and everyone. His employees fear him and they complain that he doesn't trust them and won't give them any freedom. He expects excellence always and, as a result, has just fired 10 employees without giving them a chance to ask why.

What are the ethical implications of Hakim's actions? What do you think of Hakim's leadership style? Explain.

Critical Analysis

CULTURAL VARIATION IN CHARISMATIC ATTRIBUTIONS

Do people from different cultures make different attributions about their leaders' charisma? One recent study attempted to answer this question.

A team of researchers conducted a study in which individuals from the United States and Turkey read short stories about a hypothetical leader. Each story portrayed the leader's behaviors and the performance of the leader's company differently. In both cultures, individuals believed that the leader possessed more charisma when displaying behaviors such as promoting the company's vision and involving subordinates *and* when the leader's company performed well. However, the participants from the United States, who are more individualistic, focused on the leader's behaviors when attributing charisma. In contrast, the participants from Turkey, who are more collectivistic, focused on the company's performance when attributing charisma.

Why do these differences exist? The researchers speculated that people from individualistic cultures place more emphasis on the person than on the situation, and so they attribute charisma when a leader displays certain traits. People from collectivistic cultures, in contrast, place more emphasis on the situation and assume that the leader is charismatic when the company performs well. So whether others see you as charismatic may, in part, depend on what culture you work in.

Questions

1. Why do you think culture affects the attributes of charisma?
2. Compare the charismatic behavior of leaders from the East to those from the West.
3. How do you describe the charisma of leaders in your country?

Source: Based on N. Ensari and S. E. Murphy, "Cross-Cultural Variations in Leadership Perceptions and Attribution of Charisma to the Leader," *Organizational Behavior and Human Decision Processes*, September 2003, pp. 52–66.

Research Exercise

Many concepts, approaches and issues regarding leadership were discussed in this chapter, but not much research has been carried out on leadership in the Arab world. Do your own research and find out more about leadership practices in the Arab world by interviewing a leader of an organization in your country. Share your findings with the class.

LEARNING OBJECTIVES

This chapter will enable you to:

1 Define a family business and its three stages.

2 Identify the characteristics of a family business.

3 Identify the significance of the family business in the Arab world.

4 Understand the advantages of the family business.

5 Understand the disadvantages of the family business.

6 Describe the succession plan.

7 Demonstrate how the family business should be transferred.

8 Determine the future of family businesses.

9 Understand family business in a global context.

Organizational Behavior in the Family Business

17

Family businesses always have a core competence in what they do which makes them successful. They do not require the same bureaucratic processes, and are ready to implement the necessary changes, which other companies may be slow to do. —Dr. Khalid Maniar

Family Business Success Stories from the Region: The Habtoor Empire

Khalaf Al Habtoor, the founder and chairman of the Al Habtoor empire, was proactive and had enough vision to realize the significance of setting a well-established succession plan to ensure a smooth transition into the coming generations. He was ready and willing to confront the challenges of competition and globalization, but was aware that guidelines had to be available for the incoming new blood.

Accordingly, Khalaf put family emotions aside and considered the purely business perspective. He decided to determine the proper structures and rules that would reserve rights and allocate responsibilities among the siblings who decided to continue the family business. This was a very courageous step on the part of Khalaf because succession plans are usually not addressed until conflicts emerge and threaten family ties.

"Family businesses don't survive that long for some inherent structural issues," says Mohammad Al Habtoor, Khalaf Al Habtoor's son. "There is a general perception that as family size increases, the pie sometimes does not grow commensurately and different members have different views and objectives."

At 60, Khalaf Al Habtoor, is concerned about how succeeding generations will take over the family business and meet the market challenges. After all, it is running effectively and efficiently, and Khalaf wants this to continue.

Rashid, the eldest son initially worked with his father for three years but, in 1993, decided to establish his own business—Al Habtoor Trading Enterprises. Rashid today operates a diversified business in the Middle East and the former states of the Soviet Union. Mohammad and Ahmad, both educated in the US, and Amna, with a law degree, manage different segments of the group.

The Al Habtoor Group, with its construction, hospitality and car sales businesses, is one of the biggest diversified business consortiums in the UAE and also has interests in the UK. Mohammad (41) is CEO, Ahmad (32) is chief of Habtoor Motors, and Amna looks after the education sector.

None of the children have had it easy; they have all worked very hard to gain not only their father's respect and confidence, but also their positions in the Habtoor empire.

Source: Based on Z. Bitar, "Keeping it all in the family," *Gulf News*, June 14, 2010, http://gulfnews.com/business/features/keeping-it-all-in-the-family-1.640715.

The opening case highlights one of the Arab world's most prominent family businesses. It shows the concerns that the father—owner, founder, CEO, chairman, entrepreneur—usually has regarding the continuity of the business. The succession plan is something not often addressed in the Arab culture, although it is a major source of conflict for following generations. Khalaf Al Habtoor knew that he could only overcome any difficulties by setting clear lines of communication and structure that would facilitate the continuity process. These details will be discussed throughout this chapter, where we will consider other profiles of prominent family businesses in the Arab world. In addition, the characteristics of the family business and the secrets of their success will be discussed.

Before we continue, take the self-assessment exercise below to see if you are experiencing work/family conflict.

Self Assessment Library

AM I EXPERIENCING WORK/FAMILY CONFLICT?

In the Self-Assessment Library (available online), take assessment III.B.3 (Am I Experiencing Work/Family Conflict?) and answer the following questions:

1. *How did you score? Are you surprised by your score?*
2. *Do you think the types of conflict you face might change throughout your career? Why/why not?*
3. *How do you think you could manage/reduce your work/family conflicts?*

What Is a Family Business?

1 Define a family business and its three stages.

Family-owned businesses are an essential and distinct type of organization in the world economy. Many people think of the family business as that small, informal business run by members of a family. However, this impression is wrong—most of the world's largest organizations started as family businesses and many now only have a few family members in senior positions. A few of the well-established examples include Ford Motors, Motorola, Marriott, Levi Strauss, L'Oreal, BMW, LG, Peugeot, Benetton, Fiat, and Gucci. The family business is crucial to the economic wellbeing of the world, and is considered to be the engine for economic development.[1]

Family business
A complex dual system that is made up of the family and the business.

The **family business** is a complex dual system that is made up of the *family* and the *business*. Family businesses provide the only location where family issues and business issues overlap. Family members are part of a task system as well as the family system. This is where the danger lies: it is inevitable that conflict will arise since each of the systems has its own rules, roles, and requirements. For instance, the family can have emotional bonds since it stresses relationships and rewards loyalty. Entry into a family business is by birth, membership is permanent, and there are certain responsibilities and expectations. On the other hand, the **non-family business** system may be governed by *contract*. Entry is dependent on experience, expertise, and potential. Membership is contingent on performance, which, in turn, is rewarded in material terms.

Non-family business
A business system that is usually governed by contract.

Figure 17-1 shows the system of a family business. The numbers determine the dynamics of a family business by identifying five significant roles of family members as defined by family legacy advisors. Person one is a member of all three subsystems, and is often the founder or current leader of the business.

Dr. Juma Khalfan Belhoul is a physician and the founder of the Belhoul Group, a collection of companies specializing in healthcare, pharmaceuticals, education, construction, garment manufacturing, and travel and tourism. As chairman, he maintains an effective business governance plan that separates ownership and management. Juma's eldest son, Faisal Bin Juma Belhoul, has gained his father's trust and was made Chief Executive of the group. All the siblings are shareholders and have all the rights that come with that position. "We tried to institutionalize and professionalize the management role," Faisal says. Most of the brothers are on the board of directors and they are consulted on key decisions. On a case-by-case basis, and dependant on their qualifications and availability, family members are offered an active role as senior director, supporting the manager.

Source: Z. Bitar, "Keeping it all in the family," *Gulf News*, June 2010, http://gulfnews.com/business/features/keeping-it-all-in-the-family-1.640715.

Person two is a family member who is an inactive owner and may or may not participate in decision making, and may or may not share in the financial benefits of ownership. Person three is a family member who is active in the business, but does not have any ownership and receives compensation as an employee. Person four is a non-family owner working in the business. Person five is a family member and uninvolved in the business or ownership.

Family businesses typically evolve through three stages, and the business focus at each stage is different. The **entrepreneurial stage** is designed around the founder or leader and driven by personal and family goals. Next, the business should reach the **managerial stage**, where it is more organized but still based on the family; that is, the company requires expertise, financial discipline, structure, and accountability. Finally the company enters the **professional stage** and is directed by what is best for the business and specific goal-setting. It is important to identify what stage the family-owned business has reached, in order to be able to determine the corresponding leadership style and the

Entrepreneurial stage

The first stage in the evolution of the family business, whereby development is driven by personal and family goals.

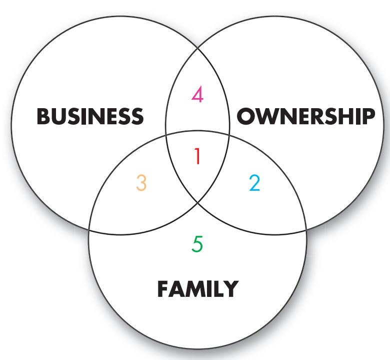
Managerial stage

The second stage in the evolution of the family business, whereby development requires expertise, financial discipline, structure, and accountability.

Professional stage

The third stage in the evolution of the family business, whereby development is driven by what is best for the business.

Figure **17-1** The Family Business System



Source: Based on information from Family Legacy Advisors LLC website: http://familylegacyadvisorsllc.com/family-business-succession-planning.htm

Besides being profitable, family business can also prove to be socially responsible. Georges Frem, founder of the Georges N. Frem Foundation (GNFF), maintained a strong commitment to community welfare, believing that private companies with social spirit can, in many areas, contribute more effectively than public institutions to solving the problems that hamper the social and economic development of the community. Today, in line with Frem's philosophy "What is good for the community is good for the company," the non-profit organization strives to foster economic development for job creation, nurture civic education and advance steward leadership and collective good. Promoting human dignity and social responsibility are the pillars on which the foundation stands; GNFF translates the Frem family's ongoing commitment to the well-being of the Lebanese community.

most likely strengths and characteristics, which will be discussed in a coming section.

Furthermore, families develop unique styles of communication and resolving conflicts that have taken years to perfect. These particular styles may be appropriate for family situations; however, they may not be the best methods to apply to business situations.[2]

The method of interaction between individual family members and the actual firm creates an environment that determines the performance outcomes of all members. Business leaders have always been confused by the distinction between the performance requirements of the family firm versus the non-family firm.[3] Many times these leaders attempt to discount, ignore, or separate the family factors from the business and refer to the traditional strategy models. As a result, there is usually a failure to consider the specific factors that influence performance within the organization.

What Do You Think?

Do you belong to a family business, or have you observed one in action? Think about the methods of interaction within such a business.

Family firms experience an evolutionary process as they grow from infancy to mature businesses. During this process, business leaders find themselves facing great challenges, such as market competition. If, however, they are not proactive and don't anticipate such threats, then problems emerge; among the consequences could be the collapse of the firm.

When we discussed change management in the previous chapter, it became clear that many businesses have difficulty accepting and adapting to change. Similarly, the family institution may have challenges because the culture of most family businesses does not adapt well to change. In addition, family business leaders tend to create unwanted and unnecessary conflicts and, most importantly, they fail to establish succeeding generations of leaders.[4]

Definitions of the Family Business

The family business has been defined in many different ways. In fact, a review of 250 studies on family businesses shows the use of about 21 different definitions.[5] However, certain common criteria are often used to formulate the definitions, including the percentage of ownership, voting power, degree of involvement in strategy, involvement of the generations, and active management by family members.[6]

One possible definition is that a family business is one in which the majority of ownership or control lies within a family because two or more family members are directly involved in the business. Another definition of a family business is a business that includes two or more relatives and has at least two generations working together. A related definition is of a business that will be passed on for the family's next generation to manage and control.[7]

The above-mentioned definitions highlight the key terms of a family business. They can be combined to define a family business as a business where control is by members of a single family, in which both ownership and policy making are dominated by members of an emotional kinship group, and which has experienced at least one transition between generations.[8]

Statistics about the Family Business

Gross Domestic Profit (GDP)

The market value of all the goods and services produced within a country's borders within a given period of time.

Family businesses account for about 80 percent of businesses worldwide[9], contribute about 50 percent of the **Gross Domestic Product (GDP)**, employ more than 75 percent of the working population, and create about 78 percent of new jobs. Family businesses represent 80 to 90 percent of the world's businesses—90 percent of all businesses in the US, 80 percent of businesses in Germany, France, and Spain, and 90 to 98 percent of the businesses in Italy, India, and Latin America. In addition, family businesses play a vital role in the Arab world, where at least 80 percent of all businesses are family-run and family-owned. In Bahrain, 70 percent of all businesses are family businesses and in Oman 57 percent of the businesses are family-owned.

Since family businesses are a major part of the overall economic system, they generate 49 percent of the GDP in the United States, and over 75 percent of the GDP in other countries. They employ 80 percent of the US workforce, and more than 75 percent of the working population around the world. Moreover, family businesses create 86 percent of all new jobs in the US. In the Gulf region, family businesses control more than 90 percent of commerce.

The average age of a family business in the Middle East is usually a little longer than the world average. The average life-span of the family business is 40 years, and 75 percent of those businesses are managed by the second generation. Certain family businesses in the Arab world have survived for over 100 years.

Even though females in the Middle East are entering the workplace, about 17 percent of family businesses still deny them ownership in the business, and 37 percent are undecided. The reason for this is that the family regards people who have married into the family as a major threat to the stability of the family business. One way to limit any problems that may arise is to ensure that organizational structure is clear, channels of communication are determined, and policy is implemented without any favoritism toward family members. Organizational design will be discussed in the next section.

Planning the Family Business

Planning

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

Planning is more crucial to the family business than to any other type of business because most families have a majority of their assets tied up in their business. Consequently, **planning** becomes essential and is related to *succession planning*, *business planning*, and *family planning* (channels of communication among the family).

Succession planning, which will be covered in detail later in this chapter, is a long process that owners usually wait too long to address. The grooming, training, and development of talent in the next generation should start early in the business. Most family businesses do not have a succession plan and this can cause problems in the future.

Lack of planning is often the fault of the founder himself. The founder may consider that the business is an extension of his life and have few outside interests, but if the remaining family members have a different view, the business may die with the founder. Family planning addresses the needs and interests of all family members involved in the business and a family council may be established to guide the communication process between family members and management.

Organizational Structure of the Family Business

Organizational structure

The way in which job tasks are formally divided, grouped, and coordinated within an organization.

In Chapter 13, we discussed the organizational structure of all types of businesses. Let's consider the family business in particular. Does the structure of family organizations differ from others? The actual structure of a family business should not be different from that of any other type of business. Similarly, the **organizational structure** of a family business describes how tasks are formally divided, grouped, and coordinated. The six elements that managers of both family and non-family businesses need to address when they design their organization's structure are *work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization.* Table 17-1 shows each of these elements as answers to an important structural question that a family business may ask.

Individual Differences Evidence relating organizational structures to employee performance and satisfaction stress that we can never generalize. Individuals differ in their needs and preferences and not everyone prefers the freedom and flexibility of organic structures. Some people are most productive and satisfied when work tasks are standardized and ambiguity is minimized, as it is in mechanistic structures. So any discussion of the effect of organizational design on employee behavior has to address individual differences.

Work specialization

The degree to which tasks in an organization are subdivided into separate jobs.

Work Specialization The term **work specialization**, or *division of labor*, describes the degree to which activities in the organization are subdivided into separate jobs. The essence of work specialization is that rather than an entire job being done by one individual, it is broken down into a number of steps, with each step being completed by a separate individual who is an expert in a particular area. *Work specialization* contributes to higher employee productivity but at the price of reduced job satisfaction. We must be aware of what motivates people: highly specialized jobs, and the security of routine. A family business will succeed when the members are allocated work according to their specialization. For instance, if a family member is appointed a managerial position even though he or she is not qualified, the consequences could be harmful for the organization.

TABLE 17-1 Key Questions and Answers for Designing the Proper Organizational Structure for a Family Business

The Key Question	The Answer Is Provided By
1. To what degree are activities subdivided into separate jobs in a family business?	Work specialization
2. On what basis will jobs be grouped together in a family business?	Departmentalization
3. To whom do individuals and groups report in a family business?	Chain of command
4. How many individuals can a manager efficiently and effectively direct in a family business?	Span of control
5. Where does decision-making authority lie in a family business?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers in a family business?	Formalization

Departmentalization

The basis by which jobs in an organization are grouped together.

Departmentalization Once you've divided jobs up through work specialization, you need to group these jobs together so that common tasks can be coordinated. The basis by which jobs are grouped together is called **departmentalization**. One of the most popular ways to group activities is by *functions*, type of *product* the organization produces, the basis of *geography*, or territory, and particular type of *customer* the organization serves. The family business can function more effectively once it determines how it should group its jobs.

Chain of command

The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Authority

The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

Unity of command

The idea that a subordinate should have only one superior to whom he or she is directly responsible.

Chain of Command The **chain of command** is a continuous line of authority that extends from the top of the organization to the lowest levels and explains who reports to whom. It answers questions for employees such as "To whom do I go if I have a problem?" and "To whom am I responsible?" The chain of command has two complementary concepts: *Authority* and *unity of command*. **Authority** is the ability to give direction and expect people to implement the decisions; it comes with a managerial position. The **unity of command** states that a person should have only one superior to whom they report. The major problem of chain of command with family businesses lies in the unity of command because if the channels of communication are not clearly determined and articulated, then overlap of authority can pose as a threat to the stability of the organization.

Span of control

The number of subordinates a manager can efficiently and effectively direct.

Span of Control How many employees can a manager efficiently and effectively direct? The answer to this question identifies the **span of control** of a manager. It's impossible to know what span of control is best for producing high performance or high satisfaction among employees. Again, the reason is probably individual differences. That is, some people like to be left alone, while others prefer the security of a boss who is quickly available at all times.

Consistent with several of the contingency theories of leadership discussed in Chapter 10, we would expect factors such as employees' experiences and abilities and the degree of structure in their tasks to explain when wide or narrow spans of control are likely to contribute to their performance and job satisfaction. The family business is no exception, and the span of control will definitely contribute to a more effective and efficient outcome.

Centralization and Decentralization In some organizations, whether family businesses or not, top managers make all the decisions and lower-level managers just carry out top management's directions. At the other extreme, there are organizations in which decision making is pushed down to the managers who are closest to the action. The former organizations are highly centralized; the latter are known to be decentralized.

Centralization

The degree to which decision making is concentrated at a single point in an organization.

We find fairly strong evidence linking **centralization** and job satisfaction. In general, organizations that are less centralized have a greater amount of autonomy. And the evidence suggests that autonomy is positively related to job satisfaction. But, again, individual differences must be addressed here. Many family businesses tend to be centralized and thus employees have less autonomy, and this can be demotivating and frustrating to many people.

Formalization

The degree to which jobs within an organization are standardized.

Formalization The degree to which jobs within the organization are standardized is known as **formalization**. If a job is highly formalized, then the employee has a minimum amount of influence over what is to be done, when it is to be done, and how it is to be done. On the other hand, where formalization is low, job behaviors are relatively nonprogrammed, and employees have a great deal of freedom to exercise discretion in their work. The family business may restrict the degree to which family members or non-family members are able to influence direction or decision making within the organization.

Picture This

As a member of a family business, you talk to your father about the channels of communication and ask about the organizational structure. It comes as a surprise to learn that there is no formal hierarchy for your business. This is frustrating because you have been experiencing problems with the director of marketing, who is also a family member. How do you resolve this issue?

The Characteristics of the Family Business

2 *Identify the characteristics of a family business.*

In a previous section, we mentioned that a family business deals with both family issues and business issues and it is this significant overlap between the family and the business that is considered to be a **major characteristic** of a family business. Other noteworthy characteristics of a family business are:[10]

Major characteristic
The significant overlap between the family and the business that is considered to be a major characteristic of a family business.

1. The family members themselves, with all they have to offer the business.
2. If the family business stops growing, then the overlap of family, management, and ownership will leave the business helpless during succession.
3. The unique competitive advantage that a family business can gain if the family members remain unified.
4. The dream of the owner to ensure the business remains in the family and a strong will to continue from one generation to another.

Because of the family presence, a family business may show a more positive and encouraging corporate culture than does a business not affiliated with a particular family. The 3 Ps (Parsimony, Personalism and Particularism) as characteristics of family businesses are more relevant than others.[11]

Parsimony
The unwillingness of a business to use its financial resources.

Personalism
A doctrine that emphasises the value of the individual person within his or her social, political or familial environment.

Particularism
Exclusive commitment to the interests of one's own group or family.

Parsimony, is relevant because family businesses have to be careful about their financial resources, as they are owned by the family. Second, **personalism** dictates that the family business does not have to account for all its decisions to external bodies, since ownership and control belong to the family members. Third, **particularism** means that the family business can set goals that are different from those of a profit-maximizing non-family business.

We will be discussing various issues related to the family business in the rest of this chapter, but what we really need to keep in mind as we proceed is that the family business has its specifications. Still, we need to remember that the organizational structure and culture of any business is determined by its framework, as we saw in Chapter 13, and the family business is no exception. We have discussed the characteristics of a family business, so let's now take a look at some specific examples of prominent family businesses in the Arab world.

Organizational Behavior in the Family Business

Now, we turn to the question of organizational behavior in family-owned versus non-family-owned businesses.

What Do You Think?

Does organizational behavior actually differ between family and non-family businesses? What are the reasons for behavioral differences?

OB in the News

The Family Business: The Foundation of Arab World Success

After the death of their father Ali Abdul Wahab Al Mutawa, in 1946, the first-born son, Abdul Aziz Ali Al Mutawa, and his brother Abdullah continued to manage the business. The company has gained widespread acknowledgement and a clean reputation through the affiliation of the family name with many prominent institutions and companies. A few of these are Kuwait Overland Transport Company, Jordan Kuwait Bank, Kuwait Chamber of Commerce and Industry, and American–Kuwaiti Friendship Association. Moreover, another brother, Faisal Ali Al Mutawa, established Bayan Investment Company, a Kuwait shareholding company, in 1997 to provide various consultancy and investment services; it was listed on the Kuwait Stock Exchange in 2003, and then in the Dubai Financial Market in 2006.

The three sons, Abdul Aziz, Abdullah, and Faisal jointly managed the business and established a trade system under the name of their father, Ali Abdulwahab Sons & Co. Faisal, who acquired a bachelor degree in Business Administration and Political Sciences from the American University of Beirut (AUB), has held different positions such as vice-president and managing director. Today, Faisal is general manager and chief executive officer, following the death of his brother Abdullah in 2006.

Today, Ali Abdulwahab Sons & Co. ranks among the top trading companies in Kuwait, dealing with a diversified range of products. It is one of the leading and most prominent Kuwaiti companies in retail and wholesale. The company has over 90 years of established experience in the marketplace and is an agent for over 40 US and European commercial brands.

What is noteworthy is that the good name of Ali Abdulwahab Sons & Co. was established not only through the company's own activities, but also through the family's involvement in various of the world's most well-known brand names, such as Procter & Gamble, Kelvinator of the US, and Bosch and Siemens of Germany. Furthermore, Ali Abdulwahab Sons & Co. owns more than 22 pharmacies and distributes pharmaceuticals to a large number of the pharmacies in Kuwait. This successful family business also possesses a significant share in the real estate residential and investment sector in Kuwait.

Source: Based on Family Business Profile: Ali Abdulwahab Sons & Co, Kuwait, June, 2010, www.zawya.com/story.cfm/sidZAWYA20100222090023?ar.

Every business depends on individuals, groups, and its structure and their impact on the effectiveness and efficiency of the organization. The family business is no exception to this definition of organizational behavior.

The absence of a clear organizational structure and a board to oversee the day-to-day activities and management of the firm is likely to result in problems and ultimately affect performance. Family owners who are not involved in the running of the firm are in a position to observe the business in an objective fashion. One of the issues that they may be concerned about is whether the firm is progressing as efficiently as it would be if it had a formal organization. In short, an effective board and a logical management structure are necessary conditions for retaining family loyalty in a growing family firm and for the continued success of the firm itself.[12]

The survival of family businesses is dependent on how they manage the complex interaction of the family, the business, and individual family members as part of the family business system. Family businesses are unique. They offer a real sense of mission and legacy, while providing both flexibility and success. It follows that owners, managers, employees, and family members must learn to balance their roles, expectations, and communication channels for the 'common good' of the family and the business. However, often the balance is tough to keep and leads to obstacles to success. Finally, the family business does not stand in a category by itself. It is still an organization and must have the system, processes, and structure of an effective organization. As a result, organizational behavior in family businesses will be directed by the ways in which individuals are treated and strategy is implemented.

Family Businesses Are Dominant in the Arab World

3 *Identify the significance of the family business in the Arab world.*

We have defined the family business and looked at its characteristics, so now let's see *why* the family business is so significant in any culture, paying particular attention to Arab culture. The family is a vital part of the society and community, as explained by Geert Hofstede[13] when he talks about the cultural dimensions that influence individuals and groups. From this explanation, we can understand why the family is so important specifically in the Arab world and, as an extension, why the family business is dominant in the Arab world. Box 17-1 provides some examples of prominent family businesses across the region.

BOX 17-1

Some Examples of Family Businesses in the Arab World

Trama. Founded in 1983 by Mr. Tony E. Hanna in Lebanon, Trama's objective was to import and distribute disposable plastic articles for daily use. Within a short period, the firm had acquired a reputation in the marketplace and spread to all regions of Lebanon. Thereafter, management decided to follow a path of structured expansion to reach the KSA, UAE, and Turkey.

M. A. Kharafi & Sons. Kuwait's Nasser Al-Kharafi's family business, M. A. Kharafi & Sons, is one of the Arab world's oldest and most prominent family businesses, with interests that include hospitality, construction, manufacturing, and marketing.

The Gargash Group. Founded by Ali Gargash in the UAE, The Gargash Group is now run by his son, Anwar Muhammad Gargash. Anwar has established himself in the insurance, financial, and real estate sectors and the Group also has the dealership of Mercedes-Benz for Dubai and the northern Emirates.

Ajmal Perfumes. Abdulla A. Ajmal is Deputy-General Manager of Ajmal Perfumes in Dubai, and a third generation family member. In 1951, the Ajmal family business established itself with the ambitious vision of its founder, Ali Ajmal. Ali moved from a small Indian village to the capital Mumbai, and then sent one of his sons to the UAE where the family established what is today one of the most popular fragrance houses in the Middle East. Abdullah explains that the internationalization of their brands reflects the best of both worlds from the East and West.

The Nasser Bin Khaled Holding. The late Sheikh Nasser Bin Khaled Al Thani founded the Nasser Bin Khaled Holding over 50 years ago. Upon its establishment, the company sold and distributed reputable international brands in the Qatari market, and then went on to expand its activities to include investment, industrial, and trade sectors. Thereafter, the Nasser Bin Khaled Holding became a significant player in the rapidly developing economy of Qatar.

Anwar Gargash, shown here carrying out his duties as the UAE Minister of State for Foreign Affairs, is also a prominent scholar and businessman. He runs the family business that his father, Ali Haji Abdulla Gargash, started in 1918 and which now makes up the expansive Gargash Group. In addition to insurance, construction, real estate and hospitality operations, the Gargash empire includes Gargash Enterprises: *the* Mercedes-Benz dealership for Dubai and the northern Emirates, of which Answar Gargash is the executive director.

Any family business life cycle involves four stages: (1) creation of the business; (2) growth and development; (3) succession to the second generation; (4) ensuring of public ownership and professional management. However, while the older members of a family may be less concerned with financial needs and more interested in the family's legacy, the younger members may have no strong connection to the business other than their name, some shares and perhaps participation in a trust fund.

"Lessons learned from family businesses could prove to be very apt during this unprecedented time and non-family owned businesses could take some strategic insight from this most enduring model of family businesses," says Soha Nashaat, CEO of Barclays Wealth Middle East.[14] Family businesses are an important source of wealth, creation, and employment and the statistics show that 95 percent of businesses in Asia, the Middle East, Italy and Spain are family controlled.[15]

The Family Business in the Arab World

Most family businesses in the Arab world are not dependent on structured management systems but rather on bloodlines and trust. Accordingly, credibility and reputation is the most valuable asset that the family business can hold. The family name is an integral part of the business: even if it is sold or the name is changed to a professional name in place of the family name, the company will always be known by its family name.

One concern of the family business in the Arab world is the possibility of conflicts among family members that may threaten the stability of the business. In particular, father–son disagreements are common when the father doesn't retire even though the next generation has taken over the business.[16] The fathers usually consider themselves to be indispensible and have difficulty letting go of the reins.

The dominance of the family business in the Arab world has been identified. However, we must realize that family businesses do have advantages and disadvantages, just like any other type of business. The next sections will discuss these pros and cons.

International OB

Globalization: The Direction of Arab Family Businesses

Globalization is a great challenge; however, any well-established business should be able to overcome any challenge. "Thirty to 40 percent of family businesses in the Arab world have an international footprint or are in the process of going global." This statement was made by Dr. Hischam El Agamy, who is the founder and board member of Tharawat Family Business Forum, the Arab network for family-run and family-owned companies. This forum provides a platform for the mutual exchange of knowledge and insights on management, growth, continuity, strategy, and other business-related topics. These regional companies are well aware of the positive consequences of being affiliated with an international company, and of being located in another international destination.

A recent study by Booz & Company found that the Arab family-run business had all the requirements and specifications to effectively compete in the global economy, even though it faces many obstacles in a region where so many factors are often against progress. El Agamy insists that "There is a trend of acquiring or entering into strategic alliances." There are also opportunities available to show the potential and quality of local production. Accordingly, El Agamy continues, "The market is more open than ever before. You can't rely on your local market and be protected. Cross-border competition is there. This is a challenge and also opportunity."

In fact, family businesses in the Arab world are growing and witnessing transitions from one generation to another: new blood is entering to offer fresh ideas. Often, this results in a clash between the old school of thought and the new school. This may be inevitable, but these businesses need to be aware of the consequences and thus keep an open mind and become more innovative. It comes as no surprise, then, that so many family businesses in this part of the world show flexibility and innovation.

Family businesses also play a significant role in the US economy. According to the Family Firm Institute in Brookline, Massachusetts, family businesses contribute to 78 percent of job creation and 60 percent of national employment. In addition, about 35 percent of the Fortune 500 companies are family firms. Among the most prominent family businesses that are still controlled by their founding families are Ford, Johnson & Johnson, Marriott, Motorola, Philip Morris, and Wal-Mart. In Canada, one of the largest businesses, Cara, is a family-owned company that operates about 1,200 restaurants and employs over 39,000 people.

Nevertheless, there are risks involved, and it is these risks that should encourage these firms to make sure that all their people are in harmony and working as a team to enhance the image of the business. "They are encouraging their employees to come up with ideas and their top management is implementing the ideas to improve products, market presence, processes. There is a shift, which is also due to economic crisis. But it is a gradual shift. Family businesses are risk averse and at the same time they want to grow. So they have to balance risk and growth," says El Agamy.

Finally, it is important to note that family firms outperformed non-family firms in shareholder creation by 15 percent between January 2005 and October 2008, according to an index compiled by Credit Suisse. This enhanced performance of family businesses encouraged and attracted international shareholders, as the index used is known for its credibility worldwide.

Sources: S. Pathak, "Arab Family Businesses Go Global," *Emirates 24/7*, June 7, 2010, www.emirates247.com/eb247/economy/regional-economy/arab-family-businesses-go-global-2010-06-07-1.252487; N. Stein, "The Age of the Scion," *Fortune,* April 2001, p. 21; M. Brown, "Inside an Empire," *Canadian Business,* May–June, 2004, p. 61; and www.booz.com/media/uploads/GCC_Family_Businesses_Face_New_Challenges.pdf

Advantages of the Family Business

4 *Understand the advantages of the family business.*

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

In general, family businesses work for a number of reasons but most importantly, they add social and emotional dimensions to the art of making money. The traditional **psychological contract** between individual and organization is breaking down and the family business represents a safe place to be. We must always remember that families have their own loyalties and culture that non-family businesses usually have more difficulty in creating. Such loyalty is the emotional glue that holds the family together, no matter what comes its way, and it also develops a sense of corporate identity and commitment.

Picture This

You are part of a family business but have some personal problems with your cousin, Rabih. The chairman of one of your major competitors, Mr. Abd Al Razzak, has just finished a meeting with Rabih. As he leaves the office, you hear Razzak threatening Rabih. As a family member, how do you react?

A publicly owned business will always be thinking about the next quarterly or annual financial results to keep shareholders happy, whereas a family-controlled business will have an eye on the next generation. Additionally, the family's reputation will play an important role in the decision-making process and as a result will promote a sense of continuity through financial considerations.

The founders of the family business create organizations to fulfill their needs and desires, and establish structures and motivate employees to carry out their vision. This is also true for other types of businesses, but the founders of family businesses can focus on continuity into the coming generations. In other words, these founders have the incentive for long-term success right from setting up of the business. Nevertheless, in the case of illness or sudden death, followers may be lost and this dependency can leave the organization and the family in a weak position.[17]

In other words, family-owned firms can offer employees the communication, care, dependability, and security that are all too often missing in companies that focus day-to-day on stock prices. Other unique advantages include stability, trust, resilience, speed, and the ability to sacrifice short-term considerations for long-term benefits.[18]

Family businesses offer freedom, independence, and control in addition to many lifestyle benefits such as flexibility, prestige, community pride, and creativity. Family businesses normally allow closer interaction with management, are less bureaucratic, have a built-in trust factor with established relationships, and provide for hands-on training and early exposure of the next generation to the business.

There is no doubt that any business will contribute great effort, time and expertise to remain successful in today's turbulent environment. The family business will also operate in a similar fashion but perhaps to a higher degree, because the family name and reputation is at stake. Consequently, family businesses may think more long-term, put in longer hours, become more flexible and efficient, may focus on quality goods and services, and act more ethically.

Thus, loyalty and pride should motivate family members to persevere and overcome obstacles, and put aside their self-interest and pay attention to the common good of the business.

Disadvantages of the Family Business

5 Understand the disadvantages of the family business.

Family businesses do experience many problems that may be very intense but the hope is that family members will be able to work through them because, as the proverb goes, "blood is thicker than water." One major disadvantage relates to lines of succession: these may not benefit the organization since the different generations will have different needs and demands. In fact, while the founder may be driven to succeed, members of the next generation may simply feel trapped in the family business and may feel no commitment. In addition, those people who are not family members may not feel an emotional attachment to the company.[19]

Another problem that family businesses tend to face is the issue of change. Resistance to change is especially strong in family firms because certain family members see change as a threat to their power and security.[20] Founders may look at change as a sign of decline and death of their family business. In addition, decision making is often delayed because founders have difficulty delegating decision making to employees. Yet another obstacle is the fact that non-family members are generally not considered for top management positions, and this in turn demotivates people and decreases their loyalty and commitment, and thus affects performance and productivity.

Family businesses are often sources of difficulty when it comes to succession issues, identity development, and sibling relationships. Succession—discussed in the next section—is one of the largest challenges facing family businesses. Succession becomes an issue when the senior generation does not allow the junior generation the necessary room to grow, effectively develop, and eventually assume the leadership of the business. Often business relationships deteriorate because of lack of communication within the family and this develops into ongoing criticism, judgments, lack of support, and lack of trust.

Non-family members in managerial positions may be discouraged when they are not involved in the decision-making process and when all business-related issues are addressed by either the owner or only family members. Additionally, the concerns and interests of family members may not be aligned with those of the business and this can threaten the business. Family members should possess the qualifications, commitment, ability, and willingness to reach a balance.[21]

Family-owned businesses have a set of shared traditions and values that are rooted in the history of the firm. Family businesses can honor their traditions if they allow the business to grow, but it wouldn't be logical to let traditions block the road to progress and change. Family communication, conflict with relatives, and sibling relationships typically rank among the top ten concerns among family-owned businesses, and they should be confronted and resolved. Other keys to a successful family business include mutual respect, good role models within the family, the ability not to take business issues personally, and the patience and ability to listen to others.

Family businesses do have several advantages and disadvantages in common with non-family businesses; however, the way in which the family business is transferred to the next generation differs from non-family businesses, as we will determine in the following section.

The Succession Plan

6 *Describe the succession plan.*

As the next generation prepares itself to enter the family business, existing management has difficult decisions to make to determine who would make good leaders. Thus, the succession crisis emerges and many issues need to be considered.

Usually, only about one-third of family businesses are successfully transferred to the second generation, with about 10 to 20 percent making it to the third generation.[22] Fewer than 13 percent stay in the family for more than 60 years. At one of the Arab-German Family Business Summits that was held recently in Cairo, it was mentioned that only 6 percent of family businesses survive past the third generation.

Smooth transitions can fail for many reasons, the most common of which is that the children may not be interested in the family business. Parents just assume that they will pass it on to the children regardless of their feelings. Another reason is rivalry between the various brothers and sisters, which can destroy a family business. Finally, the founder may find it difficult to release control of the business, something that can become increasingly difficult if there are business partners.[23]

Succession
The process of transferring leadership to the next generation.

The process of transferring leadership to the next generation is known as **succession** and will only be effective if there is a plan of action.

A particular survey by PwC Belgium of more than 1,600 family business executives in 35 countries found that only 50 percent have decided who will take over the top job. Since over 80 percent of Middle Eastern companies are run by families, succession planning becomes an issue of urgency. The authors of the study commented: "One of the biggest risks facing any family-owned business is the transition from one generation to the next. Twenty-seven percent of survey respondents said they expect their business to change hands within the next five years, with 53 percent of these companies expecting the business to remain in the family. Yet 48 percent of all companies have no succession plan, a similar percentage to the last survey two years ago. Of those that do have a succession plan, only 50 percent have decided who will take over the top job."[24]

In most cultures, succession does not take place until the retirement or death of the entrepreneur, and this is still the case in most Arab world countries. However, the Eastern ideology is starting to change and become aware that children should be able to decide on their own career paths, and, most importantly, of the need to avoid any conflict among the siblings. One attorney who specializes in family businesses states, "The easiest part of a succession plan is transferring the hard assets; the most difficult part is transferring leadership and values."[25]

What Do You Think?

If you were a member of a family business, would you find it easy to talk to your father about inheritance issues?

How and When Should the Business Be Transferred?

7 *Demonstrate how the family business should be transferred.*

There are many options for transferring ownership. Ownership may be transferred to family members as a gift or it may be sold to them. Equally, it may be transferred while the entrepreneur is still living or after death. Some transfers may even be combinations of several options. Whatever the case, the decision should be made with the tax implications of the country in mind and, therefore, legal and financial advice is essential.

Many family-owned companies in the GCC were founded in the mid-twentieth century and accordingly they are now between their second and third generation of family control. Of course, these firms are governed by a patriarch who is not easily going to give up control of the company he founded and built up. In addition, tradition dictates that transfer of responsibility follows a set pattern—for example, to the oldest son—even though other siblings may be more capable of carrying out the duties.[26]

Sometimes what happens is that the business is divided among the siblings to ensure that everyone has some level of authority, as was shown in the opening case about the Habtoor family. However, the problem here is that certain members may feel that they have been treated unfairly and this will have negative effects on management, and may threaten the stability of both the company and the family. As Ahmed Youssef, a partner at Booz & Company, says: "The solution is to establish clear lines between governance of the family and management of the business . . . It's crucial that the company recruits managers from outside the family, ensuring that responsibility for its future goes to those most qualified, not merely those best positioned because of their family ties."[27]

It is evident that a major source of conflict for family businesses in the Arab world is the issue of succession and ownership because it creates misunderstandings among family members. Family business planning advisors stress the need to address the issue of succession planning and resolve any problems with parents, siblings, uncles and cousins in a friendly manner.

Nasser Saidi, chief economist of the Dubai International Financial Centre, listed five major challenges with regard to succession planning in the GCC[28]. These can be summarized as follows:

1. Difficulties of bringing the younger generation into the business.
2. Controlling the crisis of succession planning.
3. Addressing the issue of dilution in big families.
4. How to face up to the crisis of competition, with the opening of markets and having more players, both regional and global.
5. Businesses facing pressure amid the latest economic crises.

Many family businesses don't survive very long, with only 5 percent surviving into the fourth generation. Only around 15 percent survive into the third generation. Saidi says the reasons for this are: the inherent structural issues of informal management structures; ineffective oversight and control mechanism; and non-alignment of incentives among family members—all of which result in conflict and lack of discipline.

Family Business Continuity

Business continuity

The ability of a business to continue during and after a setback.

When a business continues even after the founders have gone, this is known as **business continuity**. In fact, in a family business, continuity is maintained only if the family and the business stay together for many generations. Earlier, we spoke about the set of values and goals that family businesses establish; it is these values and goals that should be preserved.

There are several aspects that can be used to focus on continuity; at least one of the following should be maintained to ensure business continuity:[29]

1. *Strategy*: continuing the value proposition of the business.
2. *Ownership and/or governance*: preserving the memory, legacy, or the founder's and/or leader's wishes about the family and the business.

The Tharawat Family Business Forum is a non-profit organization that manages a network of family-owned enterprises in the MENA region; it has made an effort to strengthen connections between family businesses and advocate their interests in the business world at large. Founded in 2006 by Dr. Hischam El Agamy along with several Arab family businesses, it provides a platform for the exchange of knowledge and insights on management, growth, continuity, strategy, and other family business-related topics.

3. *Family leadership of the business*: keeping the business in the family and maybe with certain family members.
4. *Family cohesion*: using the business as a vehicle for cohesion; that is, family first.
5. *The business culture*: preserving the values set by the founder, leader, or family. These values include approaches used with employees, suppliers, customers, community, and other stakeholders.
6. *Mission*: conserving the mission; why the business performs such activities.
7. *Independence*: exercising independent judgment. This cannot be achieved unless the business remains in the hands of the same family.

Continuity is not the objective but the result of retaining the original spirit of the organization.

The Future of the Family Business

8 *Determine the future of the family businesses.*

Family businesses will continue to play a great role in world economies into the next century. They will become more recognized as business organizations, and be studied and written about in increasing depth. Schools and colleges will recognize the family business as a career option of choice and provide direction and resources for students to pursue opportunities there.

To pursue those opportunities, family businesses should prepare themselves for the future in a better fashion because certain statistics lead to concern:[30]

- 62 percent haven't prepared for the possible sickness or death of a key manager or stakeholder.
- 56 percent haven't established any procedures for purchasing the shares of incapacitated or deceased shareholders.
- 50 percent either lack the liquidity to buy out family members who want to dispose of their stakes in the business, or haven't considered the possibility.

- 37 percent don't know how much domestic capital gains tax they or their companies might be liable for, while 58 percent don't know the international implications.

Over 50 percent of the leaders of family businesses in the United States think their businesses will be owned and managed by two or more of their children, so the future looks bright. Even in Eastern Europe entrepreneurs are emerging and rekindling family businesses from years ago. They are starting family businesses for the next generation, and others are using family support systems to launch new enterprises. In Italy, family businesses are so common that the Chamber of Commerce tracks each family member and their position in the firm, along with the traditional business information that is regularly collected. Asians have a legacy of passing on their family traditions in business and of all working together with a central business focus. The next century will bring more research on how ethnicity affects families in business.

Global Implications

9 *Understand family business in a global context.*

Some significant global data, such as the fact that family businesses create an estimated 70 to 90 percent of global GDP annually, can clarify matters more. The majority (two-thirds) of family business owners in a Barclays/Economist poll want to ensure a livelihood for their dependents by running the business.[31] In addition, the environment for innovation in family businesses improves when more generations of the owning family are actively involved in it.

Many small- and medium-sized family companies have trouble fully participating in global markets, due to the lack of necessary resources, other personal factors, and because of political influences. Thus, internationalization becomes more likely when younger family members are involved in managing the company. Family businesses in developing countries are often owned by foreign minorities—known as middleman minorities—and tend to be the dominant force in those economies.

In 2010, the Dubai International Financial Centre (DIFC) hosted a seminar to discuss how family businesses can sustain and enhance their growth in the current economic environment. Abdulla Mohammed Al Awar, CEO of DIFC, said: "Family businesses constitute the heart of the region's economy. To help family businesses negotiate today's economic challenges and take better advantage of new business opportunities, DIFC has created a platform for families to establish dedicated Family Offices. We have created specific regulations to enable family businesses to set up holding companies at DIFC for managing their private wealth. Such resources are critical to family-run institutions in negotiating the critical challenges they face in sustaining and growing their business in today's economic environment."

Source: Press Release by Dubai International Financial Centre Authority, April 2010, http://www.ameinfo.com/229467.html

In the light of globalization, we need to enhance and clarify the image of the family business to get rid of any queries that may arise and misunderstandings that may lead to conflicts for which there are no solutions.

Summary and Implications for Managers

The theme of this chapter has been family businesses and their significance in the Arab world. It is not practical to think that the children will automatically want to become part of the business, so failure of the business in the future cannot be ruled out. The reasons for the possible failure must be addressed to avoid them. Reasons include lack of business knowledge, skills, and commitment on the part of successor generations, lack of planning for succession, and family problems that may impact business operations. It takes the right ingredients and the appropriate combination of entrepreneurial spirit and family unity, and the result can be a powerful family force.

The issue of trust is very important in a family business for it reflects the reputation and credibility of the company's name. These are usually an extension of the founder's belief patterns and values. In particular, we must note that the family business deals with both the family-related issues and the business-related issues, and the overlap of these issues can cause conflict if structure is not clear and channels of communication identified.

If we create a family-business-friendly environment, then all members—family and non-family—of the organization will become committed to the mission. The firm's survival is a major matter that must be addressed by facilitating transfer through a well-structured succession plan. Individuals must learn how to place the interests of the company ahead of their own personal interests.

Final statistics that can sum up the family business in the Arab world are:[32]

1. Around 75 percent of the Middle East's private economy is controlled by 5,000 high-net-worth families, with their companies creating 70 percent of the region's employment.
2. Family businesses control over 90 percent of commercial activity.
3. In the region, it is estimated that family businesses worth more than US$1 trillion will be handed down to the next generation within the next five to ten years.
4. With charity being a requirement of Islam, business families in the Muslim-Arab world have begun to structure their charitable endeavors to improve their support of the poor.
5. All but about 2 percent of Gulf companies are family controlled. Largely because owners have a variety of religious affiliations, management styles differ widely among the various businesses. The array of Islam's sectarian groups means that owners adopt different management styles, from authoritarian to consultative.

Point / Counterpoint

IS STRUCTURE NEEDED?

Any type of organization requires structure; the family business is no exception. Many family businesses in the region have informal channels of communication. However, these informal structures can be damaging to the business. Employees feel they are scapegoats because any conflict among family members is taken out on them. There will also be an overlap of authority because every person will want to give 'orders.' Clearly then, the chain of disagreements will continue and ultimately the business will suffer.

With formal structure, though, not all family members may be involved in problem solving and decision making. Because there may be many generations within the business, it is more fruitful to allow for informal channels of communication so that all members can offer suggestions.

Informal structure allows more flexibility and freedom of speech and this can help managers to interact more openly and without restrictions.

Questions for Review

1 What are the three stages that a family business experiences?

2 What are the characteristics of a family business?

3 Why are family businesses significant in the Arab world?

4 What are the advantages of a family business?

5 What are the disadvantages of a family business?

6 How can the succession of a family business be as smooth as possible?

7 What are issues to consider when transferring a family business?

8 How do you see the future of family businesses in the Arab world?

Discussion Exercise

What would be the advantages and disadvantages of growing up in a family in which one parent owns a business and the other parent works as an employee in another firm? On the other hand, what would be the advantages and disadvantages of having both parents working in the family business? Discuss.

Ethical Considerations

Muneer Abdul Hakim continued in his father's footsteps and ran the successful family bakery. Muneer and Haifa had only one child, Nawal. Unfortunately, Muneer passed away, and Haifa, a devoted wife and mother, carried on with the family business. Nawal was only seven when her father died, and spent all her time at the bakery, cleaning tables, taking orders, and working at the counter and interacting with customers. As a result, she became very involved and attached to the bakery.

When it was time, Nawal went away to college to study restaurant management because she had great ambitions of expanding the business and introducing innovative ideas when she came back home. Meanwhile, Haifa remarried, and her new husband had two teenaged daughters: Lubna and Rabihya. Since the girls were still at school and she needed help, Haifa encouraged them to work in the business part time.

It followed that Nawal became very concerned about this situation; she now had stepsisters. The ownership of the bakery was now an issue, and similarly, Nawal was worried that if she took a job after graduation, her mother might think that she was no longer interested in the family business. So when Nawal came home between semesters, she spoke to her mother about the future of the business. It came as a surprise when her mother's response was, "I'm only 44 years old and I'm not going to retire for a long time. Don't worry about anything."

Discuss the ethical implications of Nawal's situation. Do you think Nawal has reason to be worried? Explain.

Critical Analysis

FROM LONDON TO LEBANON

In June 2009, whilst on a trip to the UK, business partners Bassam Michel Sleiman and Jean Johnston came up with the concept of bringing the 'London Taxi' to Lebanon. They established contact with the London Taxi Company in Coventry, UK, and prepared a business plan explaining their concept. To their delight, three months later contracts were signed and, at last, an idea became reality.

"The venture meant much effort and sacrifice, especially as we wanted to remain a family-run business, eventually leading to a franchise system with acknowledged standards. It is well known that a family business is one of the hardest to achieve and with our family this was to prove even harder, as no one had any experience in the taxi business. However, we took this venture as a challenge and decided that the sky was the limit.

Preparations for acquiring the first ten taxis started in earnest. We assessed our family and delegated to them certain jobs, since our work commitments obliged us to be abroad. Accordingly, Michel Sleiman, Bassam's father, was asked to oversee all the work; Elie Sleiman, a cousin, had the responsibility of finding a location for the showroom; and Bassam's sister, Nelly Sleiman, was asked to recruit people with a commercial/marketing background, who believed in what we were doing. The design of the showroom was a mixture of everyone's ideas as we had to take into account a garage that would not only service the taxis but also bring other business in by servicing other cars. We needed builders, electricians, plumbers, equipment, drivers, and operators, and so we used friends of friends to help build our showroom.

Looking back it seemed so simple, but in reality our troubles were just beginning. It seemed everyone had a cousin, uncle, or brother-in-law that needed a job, and how could we please everyone from the family? More importantly, how do we not upset anyone in the family? So we took a stand and set out the criteria that all drivers had to speak English, be smart in appearance, and above all believe in the ethos of the 'London driver'. This was a safe haven for us where family was concerned, as we made sure everyone knew what was expected and that we could not employ anyone who did not meet these criteria. The plan worked, although we still had family commitments which we kept by employing family members whenever we could.

Everything was now ready for the big launch of 'National New Dawn: London Taxi'—now generally known as 'London Taxi'. Our marketing manager, Rabih Dib, is a true believer in the concept and set about arranging interviews with television stations and newspapers, as well as preparing a marketing campaign that had the London Taxi on display in key locations around Lebanon. Soon everyone was talking about London Taxi.

Today, after two years, we are still growing. Yes, the old cliché about working with family is correct, but nonetheless we have decided to pass the chain of command to our elder sister, Gisele Sleiman. Although Gisele has no previous experience, she has proved without any shadow of a doubt that if you believe in something, the strength to move it forward comes from within and the strength of the whole family wanting it to succeed carries you onward and upward. In time, London Taxi will become an icon of Lebanon."

Questions

1. With reference to the concepts discussed in this chapter, discuss the challenge that the Sleiman family faced.
2. What advantages and disadvantages of family business are apparent from this case?
3. What advice would you give the Sleiman family for continued success?

Source: Case study contributed by Bassem M. Sleiman, National New Dawn: London Taxi.

Research Exercise

Visit a family business in your area and do some research, and ask about the structure at that organization. Collect more information about the channels of communication and the challenges that the family members are facing, and how they try to overcome them. Share your findings with the class, and comment.

Glossary

Ability | القدرة
An individual's capacity to perform the various tasks in a job.

Absenteeism | ظاهرة الغياب
The failure to report to work.

Accommodating | الملاءمة / التلاؤم / التراضي المتبادل
The willingness of one party in a conflict to place the opponent's interests above his or her own.

Acculturation | التبادل الثقافي / الامتزاج الثقافي
Adaptation and integration into another culture.

Action research | البحث المقترن بالإصلاح
A change process based on systematic collection of data and then selection of a change action based on what the analyzed data indicate.

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

Affect | عاطفة / وجدان
A broad range of feelings that people experience.

Affect intensity | الشدة الوجدانية / العاطفية
Individual differences in the strength with which individuals experience their emotions.

Affective commitment | الالتزام الوجداني / العاطفي
An emotional attachment to an organization and a belief in its values.

Affective component | المكون الوجداني / العاطفي
The emotional or feeling segment of an attitude.

Affective events theory (AET) | نظرية الأحداث الوجدانية
A model that suggests that workplace events cause emotional reactions on the part of employees, which then influence workplace attitudes and behaviors.

Agreeableness | المقبولية
A personality dimension that describes someone who is good natured, cooperative, and trusting.

Anchoring bias | التحيز الراسخ
A tendency to fixate on initial information, from which one then fails to adequately adjust for subsequent information.

Anthropology | الأنثروبولوجيا / علم الإنسان
The study of societies to learn about human beings and their activities.

Appreciative inquiry (AI) | التقصي الإيجابي
An approach that seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance.

Arbitrator | المحكّم / الوسيط
A third party to a negotiation who has the authority to dictate an agreement.

Assessment centers | مراكز التقييم
Places where job candidates are evaluated as they go through one to several days of exercises that simulate real problems they would confront on the job.

Attitudes | الاتجاهات
Evaluative statements or judgments concerning objects, people, or events.

Attribution theory | نظرية النسيبة / العزو
An attempt to determine whether an individual's behavior is internally or externally caused.

Attribution theory of leadership | نظرية النسيبة / العزو للقيادة
A leadership theory that says that leadership is merely an attribution that people make about other individuals.

Authentic leaders | قادة يتميزون بالأصالة
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 | السلطة
The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

Autonomy | الاستقلالية
The degree to which a job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out.

Availability bias | التحيز للموجود
The tendency for people to base their judgments on information that is readily available to them.

Avoiding | التحاشي
The desire to withdraw from or suppress a conflict.

Behavioral component | المكون السلوكي
An intention to behave in a certain way toward someone or something.

Behavioral theories of leadership | النظريات السلوكية للقيادة
Theories proposing that specific behaviors differentiate leaders from nonleaders.

Behaviorally anchored rating scales (BARS) | مقياس التدرج البياني السلوكي
Scales that combine major elements from the critical incident and graphic rating scale approaches: the appraiser rates the employees based on items along a continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits.

Behaviorism | المذهب السلوكي
A theory that argues that behavior follows stimuli in a relatively unthinking manner.

Big Five model | نموذج العوامل الخمسة الكبرى
A personality assessment model that taps five basic dimensions.

Biographical characteristics | السمات الشخصية
Personal characteristics—such as age, gender, race, and length of tenure—that are objective and easily obtained from personnel records.

Bonus | المنحة / المكافأة
A pay plan that rewards employees for recent performance rather than historical performance.

Boundaryless organization | مؤسسة بلا حدود
An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.

Bounded rationality | الرشد المحدود
A process of making decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

Brainstorming | العصف الذهني
An idea-generation process that specifically encourages any and all alternatives while withholding any criticism of those alternatives.

Bureaucracy | البيروقراطية
A structure with highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

Business continuity | استمرارية الأعمال
The ability of a business to continue during and after a setback.

Centralization | المركزية
The degree to which decision making is concentrated at a single point in an organization.

Chain of command | تسلسل الأوامر
The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Challenge stressors | ضغوط المهام
Stressors associated with workload, pressure to complete tasks, and time urgency.

Change | التغيير
Making things different.

Change agents | عوامل التغيير
People who act as catalysts and assume the responsibility for managing change activities.

Channel richness | وفرة القناة
The amount of information that can be transmitted during a communication episode.

Charismatic leadership theory | نظرية القيادة الكاريزماتية
A leadership theory that states that followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors.

Classical conditioning | الإشراط الكلاسيكي
A type of conditioning in which an individual responds to some stimulus that would not ordinarily produce such a response.

Coercive power | قوة الإكراه
A power base that is dependent on fear.

Cognitive component | المكون المعرفي / الإدراكي
The opinion or belief segment of an attitude.

Cognitive dissonance | التنافر المعرفي
Any incompatibility between two or more attitudes or between behavior and attitudes.

Cognitive evaluation theory | نظرية التقييم المعرفي
A theory that states that allocating extrinsic rewards for behavior that had been previously intrinsically rewarding tends to decrease the overall level of motivation.

Cognitive resource theory | نظرية الموارد المعرفية
A theory of leadership that states that stress unfavorably affects a situation and that intelligence and experience can reduce the influence of stress on the leader.

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

Collaborating | متعاون / مشترك
A situation in which the parties to a conflict each desire to satisfy fully the concerns of all parties.

Collectivism | الجماعية
A national culture attribute that describes a tight social framework in which people expect others in groups of which they are a part to look after them and protect them.

Command group | مجموعة الأوامر
A group composed of the individuals who report directly to a given manager.

Communication | الاتصال
The transfer and understanding of meaning through verbal and nonverbal messages.

Communication apprehension | مخاوف الاتصالات
Undue tension and anxiety about oral communication, written communication, or both.

Communication process | عملية الاتصال
The steps between a source and a receiver that result in the transfer and understanding of meaning.

Competing | متنافس / منافس
A desire to satisfy one's interests, regardless of the impact on the other party to the conflict.

Compromising | وسيطي
A situation in which each party to a conflict is willing to give up something.

Conceptual skills | المهارات الفكرية
The mental ability to analyze and diagnose complex situations.

Conciliator | موفق / مُصالِح / وسيط
A trusted third party who provides an informal communication link between the negotiator and the opponent.

Confirmation bias | الميل للتأكد
The tendency to seek out information that reaffirms past choices and to discount information that contradicts past judgments.

Conflict | النزاع
A process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something that the first party cares about.

Conflict management | إدارة النزاعات
The use of resolution and stimulation techniques to achieve the desired level of conflict.

Conflict process | عملية النزاع
A process that has five stages: potential opposition or incompatibility, cognition and personalization, intentions, behavior, and outcomes.

Conformity | المطابقة / التماثل
The adjustment of one's behavior to align with the norms of the group.

Conscientiousness | الضميرية
A personality dimension that describes someone who is responsible, dependable, persistent, and organized.

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

Consultant | مستشار
An impartial third party, skilled in conflict management, who attempts to facilitate creative problem solving through communication and analysis.

Contingency variables | متغيرات التصادف
Situational factors: variables that moderate the relationship between two or more other variables.

Continuance commitment | الانتماء الاستمراري
The perceived economic value of remaining with an organization compared with leaving it.

Continuous reinforcement | التعزيز المستمر
Reinforcing a desired behavior each time it is demonstrated.

Contrast effects | تأثيرات المغايرة
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.

Controlling | مراقب
Monitoring activities to ensure that they are being accomplished as planned and correcting any significant deviations.

Core self-evaluation | التقييم الجوهري للذات
The degree to which an individual likes or dislikes himself or herself, whether the person sees himself or herself as capable and effective, and whether the person feels in control of his or her environment or powerless over the environment.

Core values | القيم الجوهرية / الأساسية
The primary or dominant values that are accepted throughout the organization.

Corporate culture | الثقافة المشتركة
The internal culture that determines the atmosphere and work environment of an organization.

Cost-minimization strategy | استراتيجية تقليص التكاليف
A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

Creativity | الإبداع
The ability to produce novel and useful ideas.

Critical incidents | الأحداث الحرجة / الخطرة
A way of evaluating the behaviors that are key in making the difference between executing a job effectively and executing it ineffectively.

Cross-cultural training (CCT) | تدريب التواصل بين الثقافات
Training given so that employees can communicate and interact more successfully with different cultures.

Cross-functional teams | الفرق متعددة الوظائف
Employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task.

Cultural synergy | التآزر الثقافي
Increased effectiveness within an organization or environment as a result of combining the perceptions, knowledge, and practices of people from different cultures.

Culture | الثقافة
The values, beliefs, behavior and customs of a particular group of people.

Decisions | قرارات
Choices made from among two or more alternatives.

Deep acting | التصرف الوجداني / العميق
Trying to modify one's true inner feelings based on display rules.

Defensive behaviors | التصرفات / السلوكيات الدفاعية
Reactive and protective behaviors to avoid action, blame, or change.

Demands | المطالب / الاحتياجات
Responsibilities, pressures, obligations, and even uncertainties that individuals face in the workplace.

Departmentalization | التقسيم الإداري
The basis by which jobs in an organization are grouped together.

Dependency | الاعتماد / التبعية
B's relationship to A when A possesses something that B requires.

Dependent variable | متغير تابع
A response that is affected by an independent variable.

Deterrence-based trust | الثقة القائمة على الردع
Trust based on fear of reprisal if the trust is violated.

Deviant workplace behavior | السلوك المنحرف بمكان العمل
Voluntary behavior that violates significant organizational norms and, in so doing, threatens the wellbeing of the organization or its members. Also called antisocial behavior or workplace incivility.

Displayed emotions | الانفعالات البادية / الظاهرة
Emotions that are organizationally required and considered appropriate in a given job.

Distributive bargaining | مساومة التوزيع
Negotiation that seeks to divide up a fixed amount of resources; a win–lose situation.

Distributive justice | عدالة التوزيع
Perceived fairness of the amount and allocation of rewards among individuals.

Diversity | التنوع
The differences that people bring to an organization or group.

Dominant culture | الثقافة المسيطرة
A culture that expresses the core values that are shared by a majority of the organization's members.

Double-loop learning | التعلم ثنائي الحلقة
A process of correcting errors by modifying the organization's objectives, policies, and standard routines.

Driving forces | القوى الدافعة
Forces that direct behavior away from the status quo.

Dysfunctional conflict | الصراع الغير وظيفي
Conflict that hinders group performance.

Effectiveness | التأثير / الفاعلية
Achievement of goals.

Efficiency | الكفاية / القدرة
The ratio of effective output to the input required to achieve it.

Electronic meeting | اجتماع إلكتروني
A meeting in which members interact on computers, allowing for anonymity of comments and aggregation of votes.

Emotional contagion | العدوى العاطفية
The process by which people's emotions are caused by the emotions of others.

Emotional dissonance | التنافر العاطفي
Inconsistencies between the emotions people feel and the emotions they project.

Emotional intelligence (EI) | الذكاء العاطفي
The ability to detect and to manage emotional cues and information.

Emotional labor | الجهد العاطفي
A situation in which an employee expresses organizationally desired emotions during interpersonal transactions at work.

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

Emotions | الانفعالات
Intense feelings that are directed at someone or something.

Employee engagement | إدماج الموظفين
An individual's involvement with, satisfaction with, and enthusiasm for the work he or she does.

Employee involvement | إشراك الموظفين
A participative process that uses the input of employees and is intended to increase employee commitment to an organization's success.

Employee stock ownership plan (ESOP) | برنامج مشاركة الموظفين في ملكية الشركة
A company-established benefits plan in which employees acquire stock, often at below-market prices, as part of their benefits.

Employee-oriented leader | القائد المتعاطف مع الموظفين
A leader who emphasizes interpersonal relations, takes a personal interest in the needs of employees, and accepts individual differences among members.

Encounter stage | مرحلة المواجهة
The stage in the socialization process in which a new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge.

Entrepreneurial stage | مرحلة المبادرة والتأسيس
The first stage in the evolution of the family business, whereby development is driven by personal and family goals.

Environment | البيئة
Institutions or forces outside an organization that potentially affect the organization's performance.

Equity theory | نظرية العدالة
A theory that says that individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities.

ERG theory | نظرية إي آر جي (الوجود – الارتباط – النمو)
A theory that posits three groups of core needs: existence, relatedness, and growth.

Escalation of commitment | تصعيد الانتماء
An increased commitment to a previous decision in spite of negative information.

Esprit de corps | التضامن / روح الجماعة
Teamspirit among colleagues or coworkers.

Ethical dilemmas | المعضلات الأخلاقية
Situations in which individuals are required to define right and wrong conduct.

Evidence-based management (EBM) | الإدارة المبنية على البراهين
Basing managerial decisions on the best available scientific evidence.

Evolutionary psychology | علم النفس التطوري / الارتقائي
An area of inquiry which argues that we must experience the emotions we do because they serve a purpose.

Exit | المغادرة / الرحيل / الخروج
Dissatisfaction expressed through behavior directed toward leaving the organization.

Expatriates | المغتربون
People who live outside of their native country.

Expectancy theory | نظرية التوقع
A theory that says that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.

Expert power | تأثير قائم على الخبرة
Influence based on special skills or knowledge.

Extraversion | الانبساط النفسي
A personality dimension describing someone who is sociable, gregarious, and assertive.

Family business | الشركات العائلية
A complex dual system that is made up of the family and the business.

Feedback | التغذية الراجعة
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 his or her performance.

Felt conflict | صراع محسوس / مُدرك
Emotional involvement in a conflict that creates anxiety, tenseness, frustration, or hostility.

Felt emotions | انفعالات محسوسة / مدركة
An individual's actual emotions.

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

Fiedler contingency model | نموذج فيدلر للظرفية / الموقفية / الاحتمالية
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 | تصفية / ترشيح
A sender's manipulation of information so that it will be seen more favorably by the receiver.

Five-stage group-development model | نموذج المراحل الخمس لتطوير الجماعة
The five distinct stages groups go through: forming, storming, norming, performing, and adjourning.

Fixed pie | الكمية الثابتة
The belief that there is only a set amount of goods or services to be divided up between the parties.

Fixed-interval schedule | جدول الفترة الثابتة
Spacing rewards at uniform time intervals.

Fixed-ratio schedule | جدول النسبة المتغيرة
Initiating rewards after a fixed or constant number of responses.

Flexible benefits | مزايا مرنة
A benefits plan that allows each employee to put together a benefits package individually tailored to his or her own needs and situation.

Flextime | ساعات العمل المرنة
Flexible work hours.

Foreign labor | العمالة الأجنبية
Work carried out by people who are nationals of a foreign country.

Formal channels | قنوات رسمية
Communication channels established by an organization to transmit messages related to the professional activities of members.

Formal group | جماعة رسمية
A designated work group defined by an organization's structure.

Formalization | إضفاء الطابع الرسمي
The degree to which jobs within an organization are standardized.

Forming stage | مرحلة التكوين
The first stage in group development, characterized by much uncertainty.

Framing | تأطير
A way of using language to manage meaning.

Friendship group | جماعة الصداقة
People brought together because they share one or more common characteristics.

Functional conflict | صراع وظيفي
Conflict that supports the goals of the group and improves its performance.

Fundamental attribution error | خطأ العزو الأساسي
The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgments about the behavior of others.

Gainsharing | المشاركة في الأرباح
A formula-based group incentive plan.

Glass ceiling | حاجز الترقي
An unacknowledged barrier that prevents women and minorities from advancing to higher levels in their profession.

Goal-setting theory | نظرية وضع الأهداف
A theory that says that specific and difficult goals, with feedback, lead to higher performance.

Grapevine | شبكة اتصال المنظمة
An organization's informal communication network.

Graphic rating scales | طريقة التدرج البياني
An evaluation method in which the evaluator rates performance factors on an incremental scale.

Gross Domestic Profit (GDP) | إجمالي الناتج المحلي
The market value of all the goods and services produced within a country's borders within a given period of time.

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

Group order ranking | تصنيف ترتيب الجماعة
An evaluation method that places employees into a particular classification, such as quartiles.

Groupshift | انجراف المجموعة
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 toward either conservatism or greater risk.

Groupthink | التفكير الجماعي
A phenomenon in which the norm for consensus overrides the realistic appraisal of alternative courses of action.

Halo effect | خطأ الهالة / حالة الابتهار
The tendency to draw a general impression about an individual on the basis of a single characteristic.

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

Hierarchy of needs theory | نظرية هرم الاحتياجات الإنسانية
A hierarchy of five needs—physiological, safety, social, esteem, and self-actualization—in which, as each need is substantially satisfied, the next need becomes dominant.

High-context cultures | الثقافات عالية السياق
Cultures that rely heavily on nonverbal and subtle situational cues in communication.

Higher-order needs | الحاجات العليا
Needs that are satisfied internally, such as social, esteem, and self-actualization needs.

Hindrance stressors | الضغوط المعوقة
Stressors that keep you from reaching your goals (red tape, office politics, confusion over job responsibilities).

Hindsight bias | تحيز الإدراك المتأخر
The tendency to believe falsely, after an outcome of an event is actually known, that one would have accurately predicted that outcome.

Human relations view of conflict | وجهة نظر العلاقات التقليدية للصراع
The belief that conflict is a natural and inevitable outcome in any group.

Human skills | المهارات البشرية
The ability to work with, understand, and motivate other people, both individually and in groups.

Hygiene factors | عوامل الصحة
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 | أبطال الأفكار
Individuals who take an innovation and actively and enthusiastically promote the idea, build support, overcome resistance, and ensure that the idea is implemented.

Identification-based trust | الثقة القائمة على المطابقة / التماثل
Trust based on a mutual understanding of each other's intentions and appreciation of each other's wants and desires.

Illegitimate political behavior | السلوك السياسي غير الشرعي
Extreme political behavior that violates the implied rules of the game.

Imitation strategy | استراتيجية التقليد / المحاكاة
A strategy that seeks to move into new products or new markets only after their viability has already been proven.

Impression management (IM) | إدارة الانطباعات
The process by which individuals attempt to control the impression others form of them.

Independent variable | متغير مستقل
The presumed cause of some change in a dependent variable.

Individual ranking | التصنيف الفردي
An evaluation method that rank-orders employees from best to worst.

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

Informal channels | قنوات غير رسمية
Communication channels that are created spontaneously and that emerge as responses to individual choices.

Informal group | جماعة غير رسمية
A group that is neither formally structured nor organizationally determined; such a group appears in response to the need for social contact.

Information overload | الإغراق المعلوماتي
A condition in which information inflow exceeds an individual's processing capacity.

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

Innovation | الابتكار / الاستحداث
A new idea applied to initiating or improving a product, process, or service.

Innovation strategy | استراتيجية الابتكار / الاستحداث
A strategy that emphasizes the introduction of major new products and services.

Institutionalization | وضع الأنظمة / التكوين النظامي
A condition that occurs when an organization takes on a life of its own, apart from any of its members, and acquires immortality.

Instrumental values | القيم الأدائية
Preferable modes of behavior or means of achieving one's terminal values.

Integration | التكامل
The process of uniting different groups or parts of an organization to form a larger group or whole, in order to create better workplaces, products and services.

Integrative bargaining | المساومة التكاملية
Negotiation that seeks one or more settlements that can create a win–win solution.

Intellectual abilities | القدرات العقلية
The capacity to do mental activities—thinking, reasoning, and problem solving.

Intentions | النوايا
Decisions to act in a given way.

Interacting groups | جماعات متفاعلة
Typical groups in which members interact with each other face-to-face.

Interactional justice | عدالة تفاعلية
The perceived degree to which an individual is treated with dignity, concern, and respect.

Interactionist view of conflict | وجهة النظر التفاعلية للصراع
The belief that conflict is not only a positive force in a group but that it is also an absolute necessity for a group to perform effectively.

Interest group | جماعة أصحاب المصلحة
People working together to attain a specific objective with which each is concerned.

Intergroup development | التطور بين الجماعات
OD efforts to change the attitudes, stereotypes, and perceptions that groups have of each other.

Intermittent reinforcement | التعزيز المتقطع
Reinforcing a desired behavior often enough to make the behavior worth repeating, but not every time it is demonstrated.

Intuition | الحدس
A gut feeling not necessarily supported by research.

Intuitive decision making | اتخاذ القرار الحدسي
An unconscious process created out of distilled experience.

Job characteristics model (JCM) | نموذج خصائص العمل
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 | تصميم العمل
The way the elements in a job are organized.

Job enlargement | التوسع الوظيفي
Increasing the number and variety of tasks that an individual performs. Job enlargement results in jobs with more diversity.

Job enrichment | إثراء العمل
The vertical expansion of jobs, which increases the degree to which the worker controls the planning, execution, and evaluation of the work.

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

Job rotation | التنقلات الوظيفية
The periodic shifting of an employee from one task to another.

Job satisfaction | الرضا و الاشباع الوظيفي
A positive feeling about one's job resulting from an evaluation of its characteristics.

Job sharing | مشاركة العمل
An arrangement that allows two or more individuals to split a traditional 40-hour-a-week job.

Knowledge management (KM)
The process of organizing and distributing an organization's collective wisdom so the right information gets to the right people in the right time.

Knowledge-based trust | الثقة القائمة على المعرفة
Trust based on behavioral predictability that comes from a history of interaction.

Leader–member exchange (LMX) theory | نظرية علاقة الفرد- برئيسه
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 | العلاقات بين الفرد- ورئيسه
The degree of confidence, trust, and respect subordinates have in their leader.

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

Leadership | القيادة
The ability to influence a group toward the achievement of a vision or set of goals.

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

Learning | التعلم
A relatively permanent change in behavior that occurs as a result of experience.

Learning organization | المنظمة المتعلمة / التعلمية
An organization that has developed the continuous capacity to adapt and change.

Least preferred coworker (LPC) questionnaire | استبيان زمالة العمل الأقل تفضيلا
An instrument that purports to measure whether a person is task or relationship oriented.

Legitimate political behavior | السلوك السياسي الشرعي
Normal everyday politics.

Legitimate power | القوة المشروعة / الشرعية
The power a person receives as a result of his or her position in the formal hierarchy of an organization.

Level-5 leaders | قادة المستوى الخامس
Leaders who are fiercely ambitious and driven but whose ambition is directed toward their company rather than themselves.

Long-term orientation | التوجيه طويل المدى
A national culture attribute that emphasizes the future, thrift, and persistence.

Low-context cultures | ثقافات السياق المنخفض
Cultures that rely heavily on words to convey meaning in communication.

Lower-order needs | الحاجات الدنيا
Needs that are satisfied externally, such as physiological and safety needs.

Loyalty | الولاء
Dissatisfaction expressed by passively waiting for conditions to improve.

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

Major characteristic | ميزة / صفة / سمة رئيسية
The significant overlap between the family and the business that is considered to be a major characteristic of a family business.

Management by objectives (MBO) | الإدارة بالأهداف
A program that encompasses specific goals, participatively set, for an explicit time period, with feedback on goal progress.

Manager | مدير
An individual who achieves goals through other people.

Managerial grid | الشبكة الإدارية
A nine-by-nine matrix outlining 81 different leadership styles.

Managerial stage | المرحلة الإدارية
The second stage in the evolution of the family business, whereby development requires expertise, financial discipline, structure, and accountability.

Masculinity | الرجولة
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 characterized by assertiveness and materialism.

Matrix structure | الهيكل المصفوفي
A structure that creates dual lines of authority and combines functional and product departmentalization.

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

Mechanistic model | النموذج الآلي
A structure characterized by extensive departmentalization, high formalization, a limited information network, and centralization.

Mediator | الوسيط
A neutral third party who facilitates a negotiated solution by using reasoning, persuasion, and suggestions for alternatives.

Mental models | النماذج العقلية
Team members' knowledge and beliefs about how the work gets done by the team.

Mentor | مرشد
A senior employee who sponsors and supports a less-experienced employee, called a protégé.

Merit-based pay plan | برنامج الأجور على أساس الاستحقاق / الجدارة
A pay plan based on performance appraisal ratings.

Metamorphosis stage | مرحلة التحول الشكلي / البنيوي
The stage in the socialization process in which a new employee changes and adjusts to the job, work group, and organization.

Model | نموذج
A simplified representation of some real-world phenomenon.

Moods | الأمزجة
Feelings that tend to be less intense than emotions and that lack a contextual stimulus.

Motivating potential score (MPS) | درجة الدافعية الكامنة
A predictive index that suggests the motivating potential in a job.

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

Movement | حركة
A change process that transforms the organization from the status quo to a desired end state.

Multi-team systems | نظم الفرق المتعددة
Systems in which different teams need to coordinate their efforts to produce a desired outcome.

Myers-Briggs Type Indicator (MBTI) | مؤشر مايرز بريدج للأنماط
A personality test that taps four characteristics and classifies people into 1 of 16 personality types.

Narcissism | النرجسية
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) | الحاجة للإنجاز
The drive to excel, to achieve in relation to a set of standards, and to strive to succeed.

Need for affiliation (nAff) | الحاجة للانتماء
The desire for friendly and close interpersonal relationships.

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

Negative affect | عاطفة سلبية
A mood dimension that consists of emotions such as nervousness, stress, and anxiety at the high end, and relaxation, tranquility, and poise at the low end.

Neglect | إهمال
Dissatisfaction expressed through allowing conditions to worsen.

Negotiation | المفاوضة
Interaction between two or more parties for the purpose of reaching a mutually beneficial agreement.

Nepotism | محاباة الأقارب
The showing of favoritism in business toward relatives and friends, based upon that relationship, rather than on an objective evaluation of ability, merit or suitability.

Nominal group technique | أسلوب الجماعات الأسمية
A group decision-making method in which individual members meet face-to-face to pool their judgments in a systematic but independent fashion.

Non-family business | الشركات اللاعائلية
A business system that is usually governed by contract.

Normative commitment | الانتماء المعياري
An obligation to remain with an organization for moral or ethical reasons.

Norming stage | مرحلة وضع القواعد / المعايير
The third stage in group development, characterized by close relationships and cohesiveness.

Norms | قواعد / معايير
Acceptable standards of behavior within a group that are shared by the group's members.

OB Mod (organizational behavior modification) | (تعديل السلوك التنظيمي) OB Mod
The application of reinforcement concepts to individuals in the work setting.

Openness to experience | الانفتاح على الخبرة
A personality dimension that characterizes someone in terms of imagination, sensitivity, and curiosity.

Operant conditioning | الإشراط الإجرائي / الكلاسيكي
A type of conditioning in which desired voluntary behavior leads to a reward or prevents a punishment.

Organic model | نموذج التنظيم العضوي
A structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.

Organization | التنظيم / المنظمة
A consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals.

Organizational behavior (OB) | السلوك التنظيمي
A field of study that investigates the impact that individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness.

Organizational citizenship behavior (OCB) | سلوك المواطنة التنظيمى
Discretionary behavior that is not part of an employee's formal job requirements but that nevertheless promotes the effective functioning of the organization.

Organizational commitment | الانتماء التنظيمي
The degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization.

Organizational culture | الثقافة التنظيمية
A system of shared meaning held by members that distinguishes the organization from other organizations.

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

Organizational development (OD) | التطوير التنظيمي
A collection of planned change interventions, built on humanistic-democratic values, that seeks to improve organizational effectiveness and employee wellbeing.

Organizational justice | العدالة التنظيمية
An overall perception of what is fair in the workplace, composed of distributive, procedural, and interactional justice.

Organizational structure | الهيكل التنظيمي
The way in which job tasks are formally divided, grouped, and coordinated within an organization.

Organizing | تنظيم
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.

Parsimony | البخل / القصد
The unwillingness of a business to use its financial resources.

Participative management | الإدارة المشارِكة
A process in which subordinates share a significant degree of decision-making power with their immediate superiors.

Particularism | الانصرافية
Exclusive commitment to the interests of one's own group or family.

Path-goal theory | نظرية مسار الوصول إلى الهدف
A theory that states that it is the leader's job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure that their goals are compatible with the overall objectives of the group or organization.

Perceived conflict | الصراع المُدرك
Awareness by one or more parties of the existence of conditions that create opportunities for conflict to arise.

Perceived organizational support | الدعم التنظيمي المُدرك
The degree to which employees believe an organization values their contribution and cares about their wellbeing.

Perception | الإدراك
A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

Performing stage | مرحلة الأداء
The fourth stage in group development, during which the group is fully functional.

Personalism | الشخصانية
A doctrine that emphasizes the value of the individual person within his or her social, political or familial environment.

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

Personality traits | صفات الشخصية
Enduring characteristics that describe an individual's behavior.

Personality–job fit theory | نظرية توافق الوظيفة حسب الشخصية
A theory that identifies six personality types and proposes that the fit between personality type and occupational environment determines satisfaction and turnover.

Physical abilities | القدرات البدنية
The capacity to do tasks that demand stamina, dexterity, strength, and similar characteristics.

Piece-rate pay plan | برنامج دفع الأجر حسب القطعة
A pay plan in which workers are paid a fixed sum for each unit of production completed.

Planned change | التغيير المخطط
Change activities that are intentional and goal oriented.

Planning | التخطيط
A process that includes defining goals, establishing strategy, and developing plans to coordinate activities.

Political behavior | السلوك السياسي
Activities that are not required as part of a person's formal role in the organization but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization.

Political skill | المهارة السياسية
The ability to influence others in such a way as to enhance one's objectives.

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

Positive affect | عاطفة إيجابية
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 organizational culture | الثقافة التنظيمية الإيجابية
A culture that emphasizes building on employee strengths, rewards more than punishes, and emphasizes individual vitality and growth.

Positive organizational scholarship | المنح التنظيمية الإيجابية
An area of OB research that concerns how organizations develop human strength, foster vitality and resilience, and unlock potential.

Positivity offset | بدل الإيجابية
The tendency of most individuals to experience a mildly positive mood at zero input (when nothing in particular is going on).

Power | سلطة / قوة / تأثير
A capacity that A has to influence the behavior of B so that B acts in accordance with A's wishes.

Power distance | مسافة السلطة / القوة
A national culture attribute that describes the extent to which a society accepts that power in institutions and organizations is distributed unequally.

Power tactics | طرق القوة
Ways in which individuals translate power bases into specific actions.

Prearrival stage | مرحلة ما قبل الوصول
The period of learning in the socialization process that occurs before a new employee joins the organization.

Proactive personality | الشخصية الاستباقية / الفاعلة
People who identify opportunities, show initiative, take action, and persevere until meaningful change occurs.

Problem | مشكلة
A discrepancy between the current state of affairs and some desired state.

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

Procedural justice | عدالة الإجراءات
The perceived fairness of the process used to determine the distribution of rewards.

Process conflict | صراع العمليات
Conflict over how work gets done.

Process consultation (PC) | مؤتمر / اجتماع العمليات
A meeting in which a consultant assists a client in understanding process events with which he or she must deal and identifying processes that need improvement.

Production-oriented leader | القائد ذو التوجه الإنتاجي
A leader who emphasizes technical or task aspects of the job.

Productivity | الإنتاجية
A performance measure that includes effectiveness and efficiency.

Professional stage | المرحلة المهنية / الاحترافية
The third stage in the evolution of the family business, whereby development is driven by what is best for the business.

Profiling | تنميط
A form of stereotyping in which a group of individuals is singled out—typically on the basis of race or ethnicity—for intensive inquiry, scrutiny, or investigation.

Profit-sharing plan | برنامج المشاركة في الأرباح
An organization-wide program that distributes compensation based on some established formula designed around a company's profitability.

Psychological contract | العقد النفسي
An unwritten agreement that sets out what management expects from an employee and vice versa.

Psychological empowerment | التمكين النفسي
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 | علم النفس
The science that seeks to measure, explain, and sometimes change the behavior of humans and other animals.

Punctuated-equilibrium model | نموذج التوازن المتقطع
A set of phases that temporary groups go through that involves transitions between inertia and activity.

Quality circle | لجنة دائرة النوعية
A work group of 8–10 employees and supervisors who have a shared area of responsibility and who meet once a week to discuss quality problems.

Randomness error | خطأ العشوائية
The tendency of individuals to believe that they can predict the outcome of random events.

Rational | منطقي / عقلاني
Characterized by making consistent, value-maximizing choices within specified constraints.

Rational decision-making model | نموذج اتخاذ القرار المنطقي
A decision-making model that describes how individuals should behave in order to maximize some outcome.

Recruitment | الاستقطاب
Locating, identifying, and attracting capable applicants.

Reference groups | الجماعات المرجعية
Important groups to which individuals belong or hope to belong and with whose norms individuals are likely to conform.

Referent power | قوة الاعجاب
Influence based on possession by an individual of desirable resources or personal traits.

Reflexivity | الانعكاسية
A team characteristic of reflecting on and adjusting the master plan when necessary.

Refreezing | عدم التجدد
Stabilizing a change intervention by balancing driving and restraining forces.

Reinforcement theory | نظرية التعزيز
A theory that says that behavior is a function of its consequences.

Relationship conflict | صراع العلاقات
Conflict based on interpersonal relationships.

Representative participation | المشاركة التمثيلية
A system in which workers participate in organizational decision making through a small group of representative employees.

Resources | الموارد
Things within an individual's control that can be used to resolve demands.

Restraining forces | القوى المعيقة
Forces that hinder movement from the existing equilibrium.

Reward power | التأثير بالمكافأة
Compliance achieved based on the ability to distribute rewards that others view as valuable.

Rituals | الطقوس
Repetitive sequences of activities that express and reinforce the key values of the organization, which goals are most important, which people are important, and which are expendable.

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

Role conflict | صراع الأدوار
A situation in which an individual is confronted by divergent role expectations.

Role expectations | توقعات أداء الأدوار
How others believe a person should act in a given situation.

Role identity | هوية الأدوار
Certain attitudes and behaviors consistent with a role.

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

Selective perception | الإدراك الإنتقائي
The tendency to selectively interpret what one sees on the basis of one's interests, background, experience, and attitudes.

Self-actualization | تحقيق الذات
The drive to become what a person is capable of becoming.

Self-efficacy | الكفاءة الذاتية
An individual's belief that he or she is capable of performing a task.

Self-fulfilling prophecy | التوجه نحو إشباع الذات
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.

Self-leadership | القيادة الذاتية
A set of processes through which individuals control their own behavior.

Self-managed work teams | فرق العمل ذاتية الإدارة
Groups of 10 to 15 people who take on responsibilities of their former supervisors.

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

Self-serving bias | التحيز للذات
The tendency for individuals to attribute their own successes to internal factors and put the blame for failures on external factors.

Sensitivity training | تدريب الحساسية
Training groups that seek to change behavior through unstructured group interaction.

Sexual harassment | التحرش الجنسي
Any unwanted activity of a sexual nature that affects an individual's employment and creates a hostile work environment.

Shaping behavior | تشكيل السلوك
Systematically reinforcing each successive step that moves an individual closer to the desired response.

Short-term orientation | التوجيه قصير المدى
A national culture attribute that emphasizes the past and present, respect for tradition, and fulfillment of social obligations.

Simple structure | الهيكل البسيط
A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

Single-loop learning | التعلم أحادي الحلقة
A process of correcting errors using past routines and present policies.

Situational leadership theory (SLT) | نظرية القيادة الموقفية
A contingency theory that focuses on followers' readiness.

Skill variety | تنوع المهارات
The degree to which a job requires a variety of different activities.

Skill-based pay | الأجر حسب المهارة
A pay plan that sets pay levels on the basis of how many skills employees have or how many jobs they can do.

Social loafing | التبطل الاجتماعي
The tendency for individuals to expend less effort when working collectively than when working individually.

Social psychology | علم النفس الاجتماعي
An area of psychology that blends concepts from psychology and sociology and that focuses on the influence of people on one another.

Socialization | الاندماج في المجتمع
A process that adapts employees to the organization's culture.

Socialized charismatic leadership | القيادة الكاريزماتية الاجتماعية
A leadership concept that states that leaders convey values that are other-centered versus self-centered and who role model ethical conduct.

Social-learning theory | نظرية التعلم الاجتماعي
The view that people can learn through observation and direct experience.

Sociology | علم الاجتماع
The study of people in relation to their social environment or culture.

Span of control | نطاق السيطرة والتحكم
The number of subordinates a manager can efficiently and effectively direct.

Status | مكانة / حالة / وضع
A socially defined position or rank given to groups or group members by others.

Status characteristics theory | نظرية خصائص المكانة
A theory that states that differences in status characteristics create status hierarchies within groups.

Stereotyping | التنميط / الصورة النمطية
Judging someone on the basis of one's perception of the group to which that person belongs.

Storming stage | مرحلة العصف / الصراع
The second stage in group development, characterized by intragroup conflict.

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

Strong culture | الثقافة القوية
A culture in which the core values are intensely held and widely shared.

Subcultures | الثقافات الفرعية
Minicultures within an organization, typically defined by department designations and geographical separation.

Succession | التعاقب / الخلافة
The process of transferring leadership to the next generation.

Surface acting | التصرف السطحي
Hiding one's inner feelings and forgoing emotional expressions in response to display rules.

Survey feedback | التغذية الراجعة للاستبيان
The use of questionnaires to identify discrepancies among member perceptions; discussion follows, and remedies are suggested.

Systematic study | دراسة منهجية
Looking at relationships, attempting to attribute causes and effects, and drawing conclusions based on scientific evidence.

Task conflict | صراع المهام
Conflict over content and goals of the work.

Task group | جماعة المهام
People working together to complete a job task.

Task identity | هوية المهام
The degree to which a job requires completion of a whole and identifiable piece of work.

Task significance | مغزى المهام
The degree to which a job has a substantial impact on the lives or work of other people.

Task structure | هيكل المهام
The degree to which job assignments are procedurized.

Team building | بناء الفريق / المجموعة
High interaction among team members to increase trust and openness.

Technical skills | مهارات تقنية / فنية
The ability to apply specialized knowledge or expertise.

Technology | التقنية
The way in which an organization transfers its inputs into outputs.

Telecommuting | العمل عن بعد
Working from home at least two days a week on a computer that is linked to the employee's office.

Terminal values | القيم النهائية
Desirable end-states of existence; the goals a person would like to achieve during his or her lifetime.

Theory X | نظرية إكس
The assumption that employees dislike work, are lazy, dislike responsibility, and must be coerced to perform.

Theory Y | نظرية واي
The assumption that employees like work, are creative, seek responsibility, and can exercise self-direction.

Three-component model of creativity | نموذج المكونات الثلاثة للإبداع
The proposition that individual creativity requires expertise, creative-thinking skills, and intrinsic task motivation.

Traditional view of conflict | وجهة النظر التقليدية للصراع
The belief that all conflict is harmful and must be avoided.

Trait theories of leadership | نظريات السمات للقيادة
Theories that consider personal qualities and characteristics that differentiate leaders from nonleaders.

Transactional leaders | القادة الإجرائيون
Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

Transformational leaders | القادة التحويليون
Leaders who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers.

Trust | الثقة
A positive expectation that another will not act opportunistically.

Turnover | معدل دوران العمل
Voluntary and involuntary permanent withdrawal from an organization.

Two-factor theory | نظرية العاملين / العامل الثنائي
A theory that relates intrinsic factors to job satisfaction and associates extrinsic factors with dissatisfaction. Also called motivation-hygiene theory.

Type A personality | شخصية من النوع (أ)
Aggressive involvement in a chronic, incessant struggle to achieve more and more in less and less time and, if necessary, against the opposing efforts of other things or other people.

Type B personality | الشخصية نوع (ب)
Rarely harried by the desire to obtain a wildly increasing number of things or participate in an endless growing series of events in an ever decreasing amount of time.

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

Unfreezing | عدم التوقف / التجدد
Changing to overcome the pressures of both individual resistance and group conformity.

Unity of command | وحدة الأمر
The idea that a subordinate should have only one superior to whom he or she is directly responsible.

Utilitarianism | مذهب المنفعة
A system in which decisions are made to provide the greatest good for the greatest number.

Value system | نظام القيمة
A hierarchy based on a ranking of an individual's values in terms of their intensity.

Values | القيم
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-interval schedule | جدول الفترة الزمنية المتغيرة
Distributing rewards in time so that reinforcements are unpredictable.

Variable-pay program | برنامج الأجور المتغيرة
A pay plan that bases a portion of an employee's pay on some individual and/or organizational measure of performance.

Variable-ratio schedule | جدول النسبة المتغيرة
Varying the reward relative to the behavior of the individual.

Virtual organization | المنظمة الافتراضية
A small, core organization that outsources major business functions.

Virtual teams | الفرق الافتراضية
Teams that use computer technology to tie together physically dispersed members in order to achieve a common goal.

Vision | رؤية
A long-term strategy for attaining a goal or goals.

Vision statement | بيان الرؤية
A formal articulation of an organization's vision or mission.

Voice | حق التعبير
Dissatisfaction expressed through active and constructive attempts to improve conditions.

Web log (blog) | سجل على شبكة الانترنت (مدونة)
A website where entries are written, generally displayed in reverse chronological order, about news, events, and personal diary entries.

Wellness programs | برامج الرعاية
Organizationally supported programs that focus on the employee's total physical and mental condition.

Whistle-blowers | الواشون
Individuals who report unethical practices by their employer to outsiders.

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

Work sample test | نموذج اختبار للعمل
A test that is a miniature replica of a job that is used to evaluate the performance abilities of job candidates.

Work specialization | التخصص في العمل
The degree to which tasks in an organization are subdivided into separate jobs.

Work team | فريق العمل
A group whose individual efforts result in performance that is greater than the sum of the individual inputs.

Workforce diversity | تنوع القوى العاملة
The concept that organizations are becoming more diverse in terms of gender, age, race, ethnicity, sexual orientation, and inclusion of other groups.

Workplace spirituality | الروحانية في مكان العمل
The recognition that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.

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ISBN 978-1-4082-5965-8

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