



## زبان تخصصی رشته مدیریت دولتی

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## WHAT IS AN ORGANIZATION?

An **organization** is a collection of people working together to achieve a common purpose.<sup>36</sup> It is a unique social phenomenon that enables its members to perform tasks far beyond the reach of individual accomplishment. This description applies to organizations of all sizes and types, from large corporations, to the small businesses that make up the life of any community, to nonprofit organizations such as schools, government agencies, and community hospitals.

All organizations share a broad purpose—providing useful goods or services. Each one should return value to society and satisfy customers' needs in order to justify its continued existence. A clear sense of purpose that is tied to "quality products" and "customer satisfaction" is an important source of organizational strength and performance advantage. At Medtronic, a large Minnesota-based medical products company, for example, employees are noted for innovation and their commitment to a clear and singular corporate mission—helping sick people get well. The sense of common purpose centers attention and focuses their collective talents on accomplishing a compelling goal: improving the health and well-being of those who use Medtronic products.<sup>37</sup>

○ An **organization** is a collection of people working together in a division of labor to achieve a common purpose.

○ An **open system** transforms resource inputs from the environment into product outputs.

## ORGANIZATIONS AS SYSTEMS

Organizations are systems composed of interrelated parts that function together to achieve a common purpose.<sup>38</sup> They are **open systems** that interact with their environments in the continual process of transforming resource inputs into product outputs in the form of finished goods and/or services. As shown in *Figure 1.1*, the external environment is a critical element in the open-systems view of organizations. It is both a supplier of resources and the source of customers. Feedback from the environment tells an organization how well it is doing. Without customer willingness to use the organization's products, it is difficult to operate or stay in business over the long run. The recent bankruptcies of Kmart, WorldCom, and Andersen give stark testimony to this fact of the marketplace: without customers, a business can't survive.

## ORGANIZATIONAL PERFORMANCE

For an organization to perform well, resources must be well utilized and customers well served. The notion of *value creation* is very important in this context. If operations add value to the original cost of resource inputs, then (1) a business organization can earn a profit—that is, sell a product for more than the cost of making it (e.g., fast-food restaurant meals), or (2) a nonprofit organization can add wealth to society—that is, provide a public service that is worth more than its cost (e.g., fire protection in a community). Value is created when an organization's resources are utilized in the right way, at the right time, and at minimum cost to create for customers high-quality goods and services.

The best organizations utilize a variety of performance measures. On the customer side, high-performing firms measure customer satisfaction and loyalty, as well as market share. On the employee side, they measure retention, career development, job satisfaction, and task performance. A common measure of overall performance is **productivity**, the quantity and quality of work performance, relative to resources used. Productivity can be measured at the individual and group as well as organizational levels.

○ **Productivity** is the quantity and quality of work performance, with resource utilization considered.

○ **Performance effectiveness** is an output measure of task or goal accomplishment.

*Figure 1.2* links productivity with two terms commonly used in management, effectiveness and efficiency. **Performance effectiveness** is an output measure of task or goal accomplishment. If you are working in the manufacturing area of a computer firm, for example, performance effectiveness may mean that you meet a daily quantity and quality of keyboards assembled.

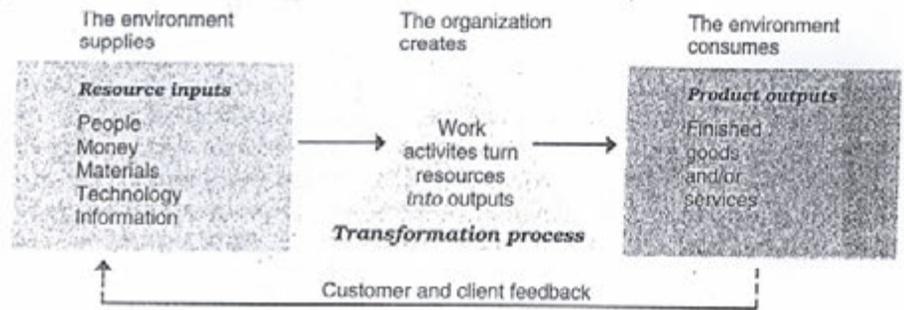


Figure 1.1 Organizations as open systems.

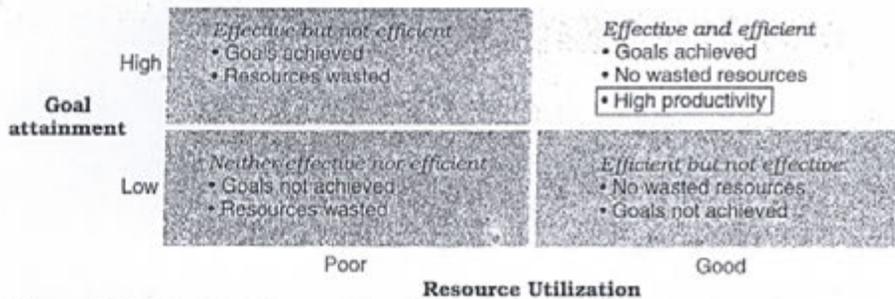


Figure 1.2 Productivity and the dimensions of organizational performance.

company as a whole to maintain its production schedule and meet customer demands for timely delivery and high-quality products.

**Performance efficiency** is a measure of the resource costs associated with goal accomplishment. Cost of labor is a common efficiency measure. Others include equipment utilization, facilities maintenance, and supplies or materials expenses. Returning to the example of computer assembly, the most efficient production is accomplished at a minimum cost in materials and labor. If you were producing fewer computer keyboards in a day than you were capable of, this amounts to inefficiency. Likewise, if you made a lot of mistakes or wasted materials in the assembly process, this is also inefficient work.

**Performance efficiency** is an input measure of resource cost associated with goal accomplishment.

## CHANGING NATURE OF ORGANIZATIONS

Change is a continuing theme of this book, and organizations are certainly undergoing dramatic changes today. Among the many trends in the new workplace, the following organizational transitions are important to your study of management:<sup>39</sup>

- *Belief in human capital:* Demands of the new economy place premiums on high-involvement and participatory work settings that rally the knowledge, experience, and commitment of all members.
- *Demise of "command-and-control":* Traditional hierarchical structures with "do as I say" bosses are proving too slow, conservative, and costly to do well in today's competitive environments.
- *Emphasis on teamwork:* Today's organizations are less vertical and more horizontal in focus; they are increasingly driven by teamwork that pools talents for creative problem solving.
- *Pre-eminence of technology:* New opportunities appear with each new development in computer and information technology; they continually change the way organizations operate and how people work.
- *Embrace of networking:* Organizations are networked for intense real-time communication and coordination, internally among parts and externally with partners, contractors, suppliers, and customers.
- *New workforce expectations:* A new generation of workers brings to the workplace less tolerance for hierarchy, more informality, and more attention to performance merit than to status and seniority.
- *Concern for work-life balance:* As society increases in complexity, workers are forcing organizations to pay more attention to balance in the often-conflicting demands of work and personal affairs.

←  
How organizations are changing

- *Focus on speed:* Everything moves fast today; in business those who get products to market first have an advantage, and in any organization work is expected to be both well done and timely.

There are many forces driving these changes in organizations. Key among them is unrelenting demand for quality products and services. Organizations that fail to listen to their customers and fail to deliver quality goods and services at reasonable prices will be left struggling in a highly competitive environment. References will be made throughout this book to the concept of **total quality management (TQM)**—managing with an organization-wide commitment to continuous improvement and meeting customer needs completely.<sup>40</sup> For the moment, the quality commitment can be recognized as a hallmark of enlightened productivity management in any organization.

○ **Total quality management (TQM)** is managing with commitment to continuous improvement, product quality, and customer satisfaction.

## MANAGERS IN THE NEW WORKPLACE

In an article entitled "Putting People First for Organizational Success," Jeffrey Pfeffer and John F. Veiga argue forcefully that organizations perform better when they treat their members better. They also point out that too many organizations fail to operate in this manner and, as a consequence, suffer performance failures. Pfeffer uses the term "toxic workplaces" to describe organizations that treat their employees mainly as costs to be reduced. True high-performing organizations are very different. They treat people as valuable strategic assets that should be carefully nurtured.<sup>42</sup>

The themes and concepts of *Management 8/e* support this view that organizations should operate with a commitment to people as their most important assets. Importantly and in the day-to-day flow of events in any workplace, those who serve in managerial roles have a special responsibility for ensuring that this commitment is fulfilled.

## WHAT IS A MANAGER?

You find them in all organizations. They work with a wide variety of job titles—team leader, department head, project manager, dean, president, administrator, and more. They always work directly with other persons who rely on them for critical support and assistance in their own jobs. We call them **managers**, people in organizations who directly support and help activate the work efforts and performance accomplishments of others.

For those serving as managers, the job is challenging and substantial. Any manager is responsible not just for his or her own work but for the overall performance accomplishments of a team, work group, department, or even organization as a whole. Research conducted by the Saratoga Institute reports that the average manager oversees the work of 10.75 other people.<sup>43</sup> Whether they are called direct reports, team members, work associates, or subordinates, these “other people” are the essential human resources whose contributions represent the real work of the organization.

Every manager’s job thus entails a key responsibility—to help other people achieve high performance. Those persons working with and reporting to managers are the critical human capital upon whose intellects and efforts the performance of any organization is ultimately built. As pointed out by management theorist Henry Mintzberg, being a manager in this sense is a most important and socially responsible job:<sup>44</sup>

*No job is more vital to our society than that of the manager. It is the manager who determines whether our social institutions serve us well or whether they squander our talents and resources. It is time to strip away the folklore about managerial work, and time to study it realistically so that we can begin the difficult task of making significant improvement in its performance.*

## LEVELS AND TYPES OF MANAGERS

The nature of managerial work is evolving as organizations change and develop with time. A *Wall Street Journal* report described the transition of managers as follows: “Not so long ago they may have supervised 10 people sitting outside their offices. Today they must win the support of scores more—employees of different backgrounds, job titles, and even cultures. These new managers are expected to be skilled at organizing complex subjects, solving problems, communicating ideas, and making swift decisions.”<sup>45</sup>

### Levels of Managers

At the highest levels of organizations, common job titles are chief executive officer (CEO), president, and vice president. These **top managers** are responsible for the performance of an organization as a whole or for one of its larger parts. They pay special attention to the external environment,

○ A **manager** is a person who supports and is responsible for the work of others.

○ **Top managers** guide the performance of the organization as a whole or of one of its major parts.

## Nine responsibilities of team leaders

1. Plan meetings and work schedules.
2. Clarify goals and tasks, and gather ideas for improvement.
3. Appraise performance and counsel team members.
4. Recommend pay increases and new assignments.
5. Recruit, train, and develop team to meet performance goals.
6. Encourage high performance and teamwork.
7. Inform team members about organizational goals and expectations.
8. Inform higher levels of team needs and accomplishments.
9. Coordinate with other teams and support the rest of the organization.

are alert to potential long-run problems and opportunities, and develop appropriate ways of dealing with them. The best top managers are future-oriented strategic thinkers who make many decisions under highly competitive and uncertain conditions. They scan the environment, create and communicate long-term vision, and ensure that strategies and objectives are consistent with the organization's purpose and mission. Before retiring as Medtronic's CEO, Bill George crafted "Vision 2010" to position the firm as a client-centered deliverer of medical services. The hours were long and the work demanding, but George also loved his job, saying: "I always dreamed . . . of being head of a major corporation where the values of the company and my own values were congruent, where a company could become kind of a symbol for others, where the product that you represent is doing good for people."<sup>46</sup>

**Middle managers** are in charge of relatively large departments or divisions consisting of several smaller work units. Examples are clinic directors in hospitals; deans in universities; and division managers, plant managers, and branch sales managers in businesses. Middle managers work with top managers and coordinate with peers to develop and implement action plans to accomplish organizational objectives. They must be team oriented and able to work well with people from all parts of an organization. An important example is the job of **project manager**, someone who coordinates complex projects with task deadlines while working with many persons within and outside the organization. At General Electric, for example, corporate troubleshooting groups solve problems and create change across divisions and geographic boundaries within the company. One cross-functional team brought together managers from marketing, human resources, and field operations to design a new compensation system.<sup>47</sup>

Even though most people enter the workforce as technical specialists, sooner or later they advance to positions of initial managerial responsibility. A first job in management typically involves serving as a **team leader** or **supervisor**—someone in charge of a small work group composed of nonmanagerial workers. Job titles for these *first-line managers* vary greatly but include such designations as department head, group leader, and unit manager. For example, the leader of an auditing team is considered a first-line manager, as is the head of an academic department in a university. *Manager's Notepad 1.2* offers advice on the performance responsibilities of team leaders and supervisors.<sup>48</sup> Such managers ensure that their work

○ **Middle managers** oversee the work of large departments or divisions.

○ **Project managers** coordinate complex projects with task deadlines.

○ **Team leaders or supervisors** report to middle managers and directly supervise nonmanagerial workers.

teams or units meet performance objectives that are consistent with higher-level organizational goals. Justine Fritz led a 12-member Medtronics team to launch a new product. "I've just never worked on anything that so visibly, so dramatically changes the quality of someone's life," she says, while noting that the demands are also great. "Some days you wake up, and if you think about all the work you have to do it's so overwhelming, you could be paralyzed." That's the challenge of managerial work at any level. Justine says: "You just have to get it done."<sup>49</sup>

## Types of Managers

In addition to serving at different levels of authority, managers work in different capacities within organizations. **Line managers** are responsible for work activities that make a direct contribution to the organization's outputs. For example, the president, retail manager, and department supervisors of a local department store all have line responsibilities. Their jobs in one way or another are directly related to the sales operations of the store. **Staff managers**, by contrast, use special technical expertise to advise and support the efforts of line workers. In a department store, the director of human resources and chief financial officer would have staff responsibilities.

In business, **functional managers** have responsibility for a single area of activity, such as finance, marketing, production, personnel, accounting, or sales. **General managers** are responsible for more complex units that include many functional areas. An example is a plant manager who oversees many separate functions, including purchasing, manufacturing, warehousing, sales, personnel, and accounting. It is common for managers working in public or nonprofit organizations to be called **administrators**. Examples include hospital administrator, public administrator, city administrator, and human-service administrator.

## MANAGERIAL PERFORMANCE

All managers help people, working individually and in groups, to achieve productivity while using their talents to accomplish organizational goals. Importantly, managers do this while being held personally "accountable" for results achieved. **Accountability** is the requirement of one person to answer to a higher authority for performance results achieved in his or her area of work responsibility. The team leader is accountable to a middle manager, the middle manager is accountable to a top manager, and even the top manager is accountable to a board of directors.

But the concept of managerial performance is multidimensional. Effective managers help others to *both* achieve high performance by working effectively and efficiently, *and* experience satisfaction in their work. This dual concern for performance and satisfaction is a central theme in the new workplace, and it runs throughout *Management 8/e*. It is represented in the concept of **quality of work life**, an indicator of the overall quality of human experiences in the workplace. A "high-QWL" workplace expresses a true respect for people at work by offering such things as fair pay, safe working conditions, opportunities to learn and use new skills, room to grow and progress in a career, protection of individual rights, and pride in the work itself and in the organization. Part of any manager's accountability is to achieve high-performance outcomes while maintaining a high-quality work life environment.<sup>50</sup> Simply put, in the new workplace, performance, satisfaction, and a high-quality work life can and should go hand in hand.

○ **Line managers** directly contribute to the production of the organization's basic goods or services.

○ **Staff managers** use special technical expertise to advise and support line workers.

○ **Functional managers** are responsible for one area of activity, such as finance, marketing, production, personnel, accounting, or sales.

○ **General managers** are responsible for complex multi-functional units.

○ An **administrator** is a manager in a public or nonprofit organization.

○ **Accountability** is the requirement to show performance results to a supervisor.

○ **Quality of work life** is the overall quality of human experiences in the workplace.

## CHANGING NATURE OF MANAGERIAL WORK

In today's organizations the words "coordinator," "coach," and "team leader" are heard as often as "supervisor" or "manager." The work managers perform is less directive and more supportive than in the past. It has to be in a world where high performance comes only to those who truly value and sustain human capital. There is little tolerance or need in today's organizations for those who simply sit back and tell others what to

do. The best managers are well informed regarding the needs of those reporting to or dependent on them. They can often be found working alongside those they supervise. They will always be found providing advice and developing the support needed for others to perform to the best of their abilities. High-performing managers are good at building working relationships with others, helping others develop their skills and performance competencies, fostering teamwork, and otherwise creating a work environment that is both performance driven and satisfying to those who do the required work.

Among the many changes taking place in managerial work, the concept of the "upside-down pyramid" is insightful. Shown in Figure 1.3, it offers an alternative and suggestive way of viewing organizations and the role played by managers within them. The operating workers are at the top of the upside-down pyramid, just below the customers and clients they serve. They are supported in their work efforts by managers located at the bottom. These managers aren't just order-givers; they are there to mobilize and deliver the support others require to best serve customer needs. Each member of the upside-down pyramid is a *value-added worker*—someone who creates eventual value for the organization's customers or clients. The whole organization is devoted to serving the customer, and this is made possible with the support of managers.

Many trends and emerging practices in organizations, such as the upside-down pyramid, require new thinking from people who serve as man-

### REALITY CHECK 1.2

Are students ready for work?

In a survey reported by *USA Today*, 66 percent of students said they were well prepared to work in diverse teams. Only 13 percent of employers agreed. Take the online "Reality Check" to further examine differences in student and employer perceptions.

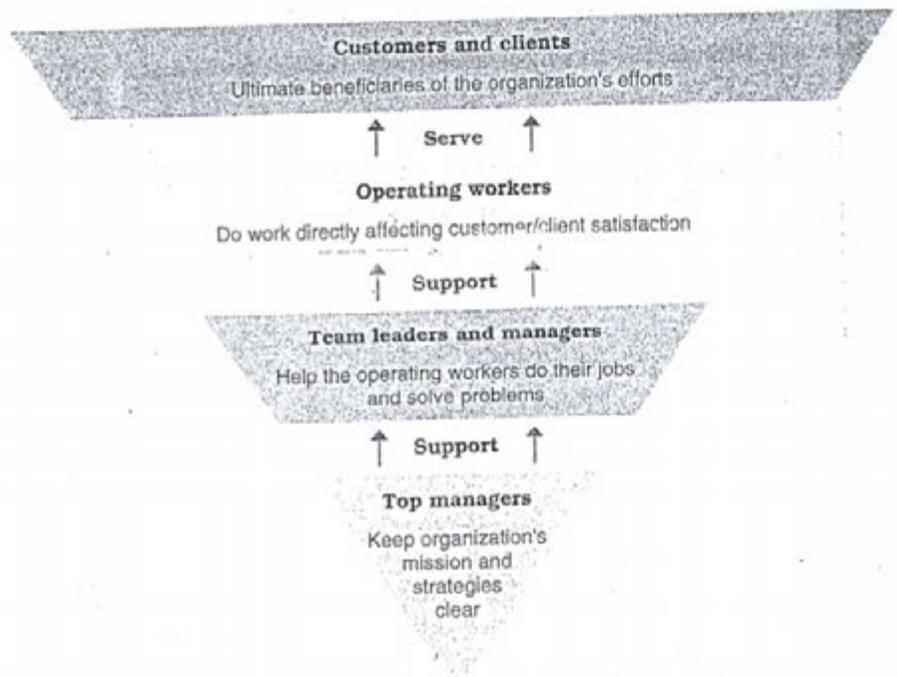


Figure 1.3 The organization viewed as an upside-down pyramid.

agers. As noted earlier, we are in a time when the best managers are known more for “helping” and “supporting” than for “directing” and “order-giving.” Even in an age of high technology and “smart” machines, the human resource is indispensable. Worker involvement and empowerment are critical building blocks of organizational success. Full human resource utilization increasingly means changing the way work gets done by pushing decision-making authority to the point where the best information and expertise exist—with the operating workers.

## THE MANAGEMENT PROCESS

The ultimate “bottom line” in every manager’s job is to succeed in helping an organization achieve high performance by best utilizing its human and material resources. If productivity in the form of high levels of performance effectiveness and efficiency is a measure of organizational success, managers are largely responsible for its achievement. It is their job to mobilize technology and talent by creating environments within which people work hard and perform to the best of their abilities.

## FUNCTIONS OF MANAGEMENT

Managers must have the capabilities to recognize performance problems and opportunities, make good decisions, and take appropriate actions. They do this through the process of **management**—planning, organizing, leading, and controlling the use of resources to accomplish performance goals. These four management functions and their interrelationships are shown in *Figure 1.4*. All managers, regardless of title, level, type, and organizational setting, are responsible for the four functions.<sup>51</sup> However, they

○ **Management** is the process of planning, organizing, leading, and controlling the use of resources to accomplish performance goals.

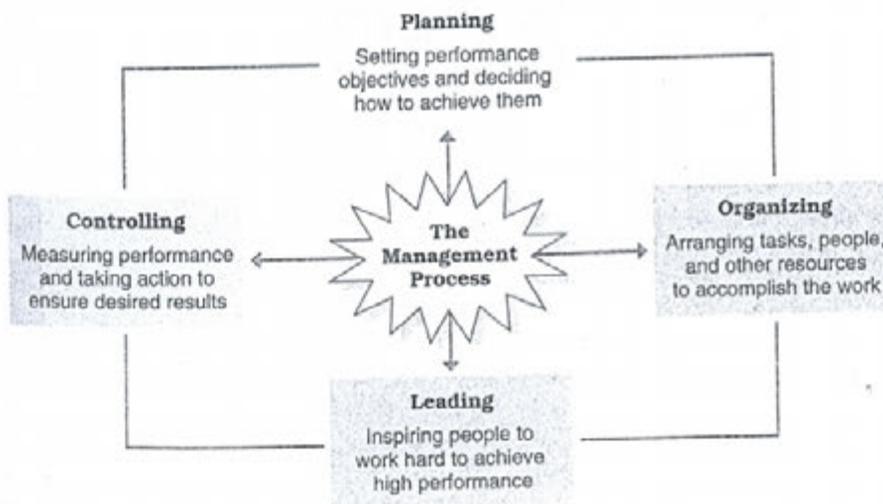


Figure 1.4 Four functions of management.

are not accomplished in linear step-by-step fashion. The reality is that all functions are continually engaged as a manager moves from task to task and opportunity to opportunity in his or her work.

### Planning

○ **Planning** is the process of setting objectives and determining what should be done to accomplish them.

In management, **planning** is the process of setting performance objectives and determining what actions should be taken to accomplish them. Through planning, a manager identifies desired results and ways to achieve them. Take, for example, an Ernst & Young initiative that was developed to better meet the needs of the firm's female professionals.<sup>52</sup> Top management grew concerned about the firm's retention rates for women and by a critical report from the research group Catalyst. Chairman Philip A. Laskawy, who personally headed Ernst & Young's Diversity Task Force, responded by setting a planning objective to reduce turnover rates for women. Rates at the time were running some 22 percent per year and costing the firm about 150 percent of each person's annual salary to hire and train new staff.

### Organizing

○ **Organizing** is the process of assigning tasks, allocating resources, and coordinating work activities.

Even the best plans will fail without strong implementation. Success begins with **organizing**, the process of assigning tasks, allocating resources, and coordinating the activities of individuals and groups to implement plans. Through organizing, manager turn plans into actions by defining jobs, assigning personnel, and supporting them with technology and other resources. At Ernst & Young, Laskawy organized to meet his planning objective by first creating a new Office of Retention and then hiring Deborah K. Holmes to head it. As retention problems were identified in various parts of the firm, Holmes convened special task forces to tackle them and recommend location-specific solutions. A Woman's Access Program was started to give women access to senior executives for mentoring and career development.

### Leading

○ **Leading** is the process of arousing enthusiasm and inspiring efforts to achieve goals.

In management, **leading** is the process of arousing people's enthusiasm to work hard and inspiring their efforts to fulfill plans and accomplish objectives. Through leading, managers build commitments to a common vision, encourage activities that support goals, and influence others to do their best work in the organization's behalf. At Ernst & Young, Deborah Holmes identified a core problem—work at the firm was extremely intense and women were often stressed because their spouses also worked. She became a champion for improved work-life balance and pursued it relentlessly. Although admitting that "there's no silver bullet" in the form of a universal solution, new initiatives from her office supported and encouraged better balance. She started "call-free holidays" where professionals did not check voice mail or e-mail on weekends and holidays. She also started a "travel sanity" program that limited staffers' travel to four days a week so that they could get home for weekends.

## Controlling

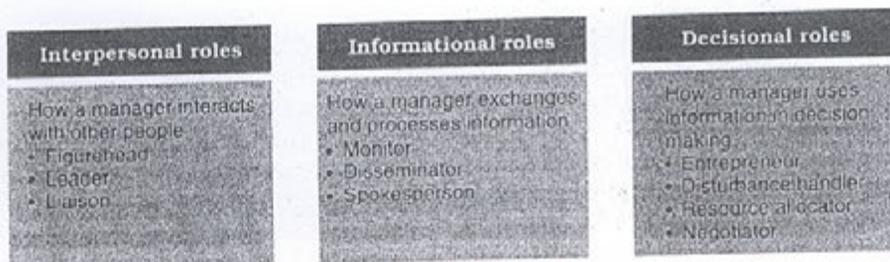
The management function of **controlling** is the process of measuring work performance, comparing results to objectives, and taking corrective action as needed. Through controlling, managers maintain active contact with people in the course of their work, gather and interpret reports on performance, and use this information to plan constructive action and change. At Ernst & Young, Laskawy and Holmes both knew what the retention rates were when they started the new program, and they were subsequently able to track improvements. Through measurement they were able to compare results with objectives, and track changes in work-life balance and retention rates. They continually adjusted the program to improve it. In today's dynamic times, such control and adjustment are indispensable. Things don't always go as anticipated and plans must be modified and redefined for future success.

○ **Controlling** is the process of measuring performance and taking action to ensure desired results.

## MANAGERIAL ACTIVITIES AND ROLES

Although the management process may seem straightforward, things are more complicated than they appear at first glance. In his classic book *The Nature of Managerial Work*, Henry Mintzberg describes the daily work of corporate chief executives as: "There was no break in the pace of activity during office hours. The mail . . . telephone calls . . . and meetings . . . accounted for almost every minute from the moment these executives entered their offices in the morning until they departed in the evenings."<sup>53</sup> Today, we would have to add ever-present e-mail to Mintzberg's list of executive preoccupations.<sup>54</sup>

In trying to systematically describe the nature of managerial work and the demands placed on those who do it, Mintzberg identified the set of 10 roles depicted in *Figure 1.5*. The roles involve managing information, people, and action. The roles are interconnected, and all managers must be prepared to perform all of them.<sup>55</sup> In Mintzberg's framework, a manager's



**Figure 1.5** Mintzberg's 10 managerial roles.

# Management Strategic

## STRATEGIC COMPETITIVENESS

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An organization with **competitive advantage** operates with an attribute or combination of attributes that allows it to outperform its rivals. At Wal-Mart, for example, one source of such an advantage is information technology that allows the retailer to quickly track sales and monitor inventories. In other industries, Dell Computer eliminates wholesale supplier markups by marketing directly to consumers; Toyota's shorter cycle times allow it to carry smaller amounts of work-in-process inventory. The goal for any organization, however, is not just to achieve competitive advantage. It is to make it sustainable, even as rivals attempt to duplicate and copy a success story. A *sustainable competitive advantage* is one that is difficult for competitors to imitate. At Wal-Mart again, the firm's use of IT is continuously improved. Competitors have trouble catching up, let alone getting ahead.

○ A **competitive advantage** comes from operating in successful ways that are difficult to imitate.

## WHAT IS STRATEGY?

A **strategy** is a comprehensive action plan that identifies long-term direction for an organization and guides resource utilization to accomplish goals with sustainable competitive advantage. It focuses attention on the competitive environment and represents a "best guess" about what must be done to ensure future success in the face of rivalry and even as conditions change. Importantly, a strategy provides the plan for allocating and using resources with consistent **strategic intent**—that is, with all organizational energies directed toward a unifying and compelling target or goal.<sup>4</sup> At Coca-Cola, for example, strategic intent has been described as "To put a Coke within 'arm's reach' of every consumer in the world." Given the focus provided by this strategic intent, we would not expect Coca-Cola to be diversifying by investing in snack foods, as does its archrival PepsiCo.

In our fast-paced world of globalization and changing technologies, the "long-term" aspect of strategy is becoming ever shorter. As it does so, the challenges to the strategist become even greater. It used to be that companies could count on traditional "build-and-sell" business models that put them in control. In the early days of the automobile industry, for example, Henry Ford once said: "The customer can have any color he wants as long as it's back." His firm, quite literally, was in the driver's seat. Today things have changed and strategy is increasingly driven by customers and flexibility. Stephen Haeckel, director of strategic studies at IBM's Advanced Business Institute, once described the shift this way: "It's a difference between a bus, which follows a set route, and a taxi, which goes where customers tell it to go."<sup>5</sup>

○ A **strategy** is a comprehensive plan guiding resource allocation to achieve long-term organization goals.

○ **Strategic intent** focuses and applies organizational energies on a unifying and compelling goal.

## STRATEGIC MANAGEMENT

In the case of Starbucks and Wal-Mart, crafting strategy may seem a deceptively simple task: find out what customers want, then provide it for them at the best prices and service. In practice, this task is made complex and risky by the forces and uncertainties of competitive environments.<sup>6</sup> Every strategist must remember that at the same time one is trying to create competitive advantage for an organization, competitors are always trying to do the same. This gives rise to demands for strategies that are

**O Strategic management** is the process of formulating and implementing strategies.

**O Above-average returns** exceed what could be earned from alternative investments of equivalent risk.

“bold,” “aggressive,” “fast-moving,” and “innovative.” But call them what you will, strategies don’t just happen. They must be created. And strategies alone don’t automatically bring success. They must be both well chosen and well implemented.

**Strategic management** is the process of formulating and implementing strategies to accomplish long-term goals and sustain competitive advantage. The essence of strategic management is looking ahead, understanding the environment and the organization, effectively positioning the organization for competitive advantage in changing times, and then achieving it.

## STRATEGIC MANAGEMENT GOALS

Michael Porter, Harvard scholar and strategy consultant, says that “sound strategy starts with having the right goal.”<sup>8</sup> He argues that the ultimate goal for any business should be superior profitability. This creates value for investors in the form of **above-average returns**, returns that exceed what an investor could earn by investing in alternative opportunities of equivalent risk.<sup>9</sup>

The ability to earn above-average returns is based in part on the competitive nature of organizational environments. Businesses compete in environments that vary in the following ways.<sup>10</sup> In a *monopoly environment*, there is only one player and no competition. This creates absolute competitive advantage that delivers sustainable and even excessive business profits. The U.S. Justice Department’s antitrust lawsuit against Microsoft Corporation argued that the firm achieved actual or close to monopoly status in respect to the market for computer operating systems. An *oligopoly environment* contains a few players who do not directly compete against one another. Firms within an oligopoly sustain long-term competitive advantages within defined market segments. In the absence of competition within these segments, they can also reap excessive business profits. This describes conditions in the breakfast cereals market, for example. The industry is dominated by large players—Kellogg’s, General Mills, and Quaker Oats—that control much of the market. It is difficult for new players to break in. From the customer’s standpoint, both monopoly and oligopoly are disadvantageous. The lack of competition may keep prices high and product/service innovations low.

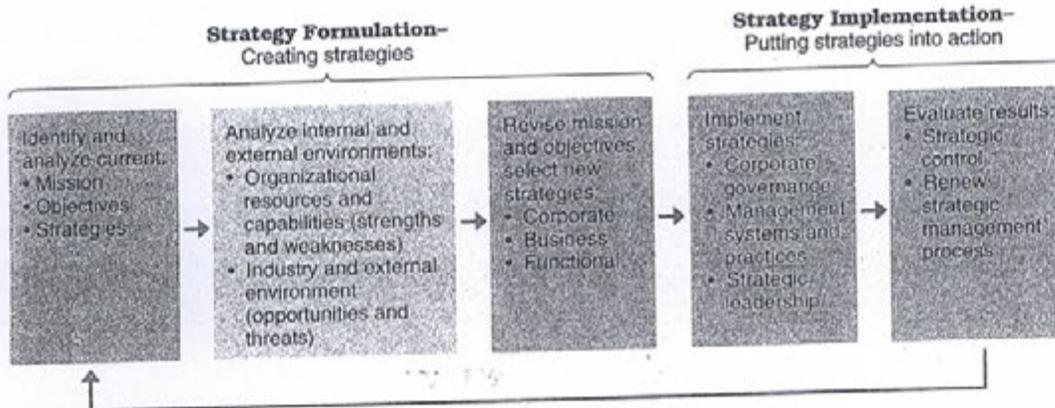
The global economy has helped to create for many businesses today an *environment of hypercompetition*.<sup>11</sup> This is an environment in which there are at least several players who directly compete with one another. An example is the fast-food industry, where McDonald’s, Burger King, Wendy’s, and many other restaurant chains all compete for largely the same customers. Because the competition is direct and intense, any competitive advantage that is realized is temporary. Successful strategies are often copied and firms must continue to find new strategies that deliver new sources of competitive advantage, even while trying to defend existing ones. McDonald’s, for example, had to mount an aggressive campaign to defend its french fries—advertised as “America’s Favorite Fries”—from a copycat attack by Burger King.<sup>12</sup> In hypercompetition, there are always some winners and losers. Business profits can be attractive but intermittent. The customer generally gains in this environment through lower prices and more product/service innovation.

# THE STRATEGIC MANAGEMENT PROCESS

Strategic management is successful when good strategies are crafted from insightful understandings of the competitive environment of the organization, and these strategies are well implemented. *Figure 9.1* describes the steps involved in fulfilling the two major responsibilities of the strategic management process—strategy formulation and strategy implementation.

The first strategic management responsibility is **strategy formulation**, the process of creating strategy. This involves assessing existing strategies, organization, and environment to develop new strategies capable of

○ **Strategy formulation** is the process of creating strategies.



**Figure 9.1** Strategy formulation and implementation in the strategic management process.

○ **Strategy implementation** is the process of putting strategies into action.

delivering future competitive advantage. Peter Drucker associates this process with a set of five strategic questions: (1) *What is our business mission?* (2) *Who are our customers?* (3) *What do our customers consider value?* (4) *What have been our results?* (5) *What is our plan?*<sup>13</sup>

The second strategic management responsibility is **strategy implementation**, the process of allocating resources and putting strategies into action. Once strategies are created, they must be successfully acted upon to achieve the desired results. As Drucker says, “The future will not just happen if one wishes hard enough. It requires decision—now. It imposes risk—now. It requires action—now. It demands allocation of resources, and above all, of human resources—now. It requires work—now.”<sup>14</sup> Every organizational and management system must be mobilized to support and reinforce the accomplishment of strategies. All resources must be well utilized to achieve maximum impact on performance. All of this, in turn, requires a commitment to the full range of strategic management tasks posed in *Manager’s Notepad 9.1*.<sup>15</sup>

## ANALYSIS OF MISSION, VALUES, AND OBJECTIVES

The strategic management process begins with a careful review and clarification of organizational mission, values, and objectives.<sup>16</sup> This sets the stage for critically assessing the organization’s resources and capabilities as well as competitive opportunities and threats in the external environment.

### Mission

○ The **mission** is the organization’s reason for existence in society.

As first discussed in Chapter 1, the **mission** or purpose of an organization may be described as its reason for existence in society. Strategy consultant Michael Hammer believes that a mission should represent what the strategy or underlying business model is trying to accomplish. He suggests asking: “What are we moving to?” “What is our dream?” “What kind of a difference do we want to make in the world?” “What do we want to be known for?”<sup>17</sup>

The best organizations have a clear sense of mission, and they utilize resources with clear strategic intent in respect to its fulfillment. At Mary Kay, Inc., for example, the firm's mission is defined as "To enrich women's lives." Starbucks's mission is to be "the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow." The mission of the American Red Cross is to "provide relief to victims of disasters and help people prevent, prepare for, and respond to emergencies."<sup>18</sup>

A good *mission statement* identifies the *domain* in which the organization intends to operate—including the *customers* it intends to serve, the *products* and/or *services* it intends to provide, and the *location* in which it intends to operate. The mission statement should also communicate the underlying philosophy that will guide employees in these operations. An important test of a mission is how well it serves the organization's **stakeholders**. You should recall that these are individuals and groups—including customers, shareholders, suppliers, creditors, community groups, and others who are directly affected by the organization and its strategic accomplishments. In the strategic management process, the stakeholder test can be done as a *strategic constituencies analysis*. Here, the specific interests of each stakeholder are assessed along with the organization's record in responding to them. *Figure 9.2* gives an example of how stakeholder interests can be reflected in the mission of a business firm.

**Stakeholders** are individuals and groups directly affected by an organization and its accomplishments.

### Core Values

Behavior in and by organizations will always be affected in part by *values*, which are broad beliefs about what is or is not appropriate. **Organizational culture** was first defined in Chapter 4 as the predominant value system of the organization as a whole.<sup>19</sup> Through organizational cultures, the values of managers and other members are shaped and pointed in common directions. In strategic management, the presence of strong core values for an organization helps build institutional identity. It gives character to an organization in the eyes of its employees and external stakeholders, and it backs up the mission statement. Shared values also help guide the behavior of organization members in meaningful and consistent ways. For example, Merck backs up its mission with a public commitment to core values that include preservation and improvement of human life, scientific excellence, ethics and integrity, and profits from work that benefits humanity.

**Organizational culture** is the predominant value system for the organization as a whole.



**Figure 9.2** How external stakeholders can be valued as strategic constituencies of organizations.

○ **Operating objectives** are specific results that organizations try to accomplish.

Operating objectives of a business

### Objectives

Whereas a mission statement sets forth an official purpose for the organization and the core values describe appropriate standards of behavior for its accomplishment, **operating objectives** direct activities toward key and specific performance results. These objectives are shorter-term targets against which actual performance results can be measured as indicators of progress and continuous improvement. According to Peter Drucker, the *operating objectives of a business* might include the following:<sup>20</sup>

- *Profitability*—producing at a net profit in business.
- *Market share*—gaining and holding a specific market share.
- *Human talent*—recruiting and maintaining a high-quality workforce.
- *Financial health*—acquiring capital; earning positive returns.
- *Cost efficiency*—using resources well to operate at low cost.
- *Product quality*—producing high-quality goods or services.
- *Innovation*—developing new products and/or processes.
- *Social responsibility*—making a positive contribution to society.

## ANALYSIS OF ORGANIZATIONAL RESOURCES AND CAPABILITIES

○ A **SWOT analysis** examines organizational strengths and weaknesses and environmental opportunities and threats.

○ A **core competency** is a special strength that gives an organization a competitive advantage.

The strategic management process always involves careful analysis of organizational resources and capabilities. This can be approached by a technique known as **SWOT analysis**: the internal analysis of organizational Strengths and Weaknesses as well as the external analysis of environmental Opportunities and Threats.

As shown in Figure 9.3, a SWOT analysis begins with a systematic evaluation of the organization's resources and capabilities. A major goal is to identify **core competencies** in the form of special strengths that the organization has or does exceptionally well in comparison with competitors.

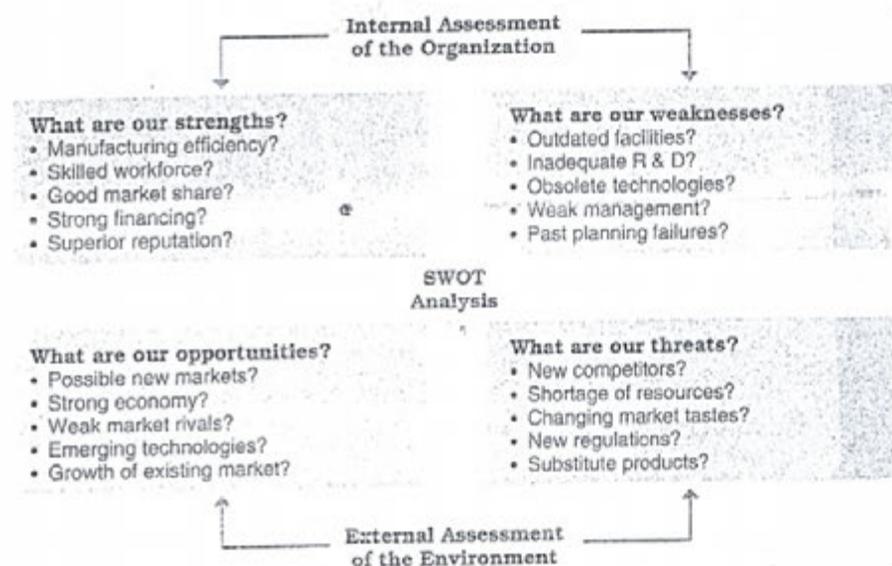


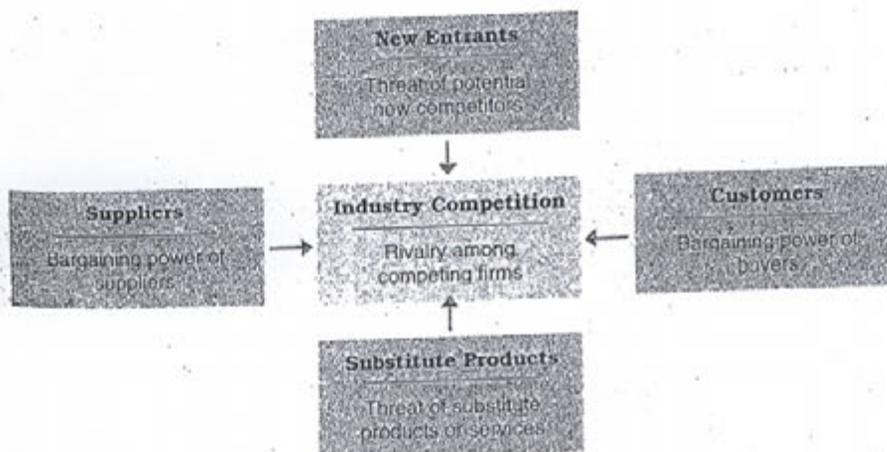
Figure 9.3 SWOT analysis of strengths, weaknesses, opportunities, and threats.

They are capabilities that by virtue of being rare, costly to imitate, and nonsubstitutable, become viable sources of competitive advantage.<sup>21</sup> Core competencies may be found in special knowledge or expertise, superior technologies, efficient manufacturing technologies, or unique product distribution systems, among many other possibilities. But always, and as with the notion of strategy itself, they must be viewed relative to the competition. Organizations need core competencies that do important things better than the competition and that are very difficult for competitors to duplicate. Organizational weaknesses, of course, are the other side of the picture. They must also be identified to gain a realistic perspective on the formulation of strategies. The goal in strategy formulation is to create strategies that leverage core competencies for competitive advantage by building upon organizational strengths and minimizing the impact of weaknesses.

## ANALYSIS OF INDUSTRY AND ENVIRONMENT

A SWOT analysis is not complete until opportunities and threats in the external environment are also analyzed. They can be found among *macroenvironment* factors such as technology, government, social structures, population demographics, the global economy, and the natural environment. They can also include developments in the *industry environment* of resource suppliers, competitors, and customers. As shown in the Figure 9.3, opportunities may exist as possible new markets, a strong economy, weaknesses in competitors, and emerging technologies. Weaknesses may be identified in such things as the emergence of new competitors, resource scarcities, changing customer tastes, and new government regulations, among other possibilities.

Scholar and consultant Michael Porter believes that the critical issue in respect to the external environment is how it impacts competition within the industry. He offers the five forces model shown in Figure 9.4 as a way of adding sophistication to a strategic analysis of the environment.<sup>22</sup> His framework for competitive industry analysis directs attention toward understanding the following forces:



**Figure 9.4** Porter's model of five strategic forces affecting industry competition.

Source: Developed from Michael E. Porter, *Competitive Strategy* (New York: Free Press, 1980).

Porter's five competitive forces

1. *Industry competitors*—intensity of rivalry among firms in the industry.
2. *New entrants*—threats of new competitors entering the market.
3. *Suppliers*—bargaining power of suppliers.
4. *Customers*—bargaining power of buyers.
5. *Substitutes*—threats of substitute products or services.

From Porter's perspective, the foundations for any successful strategy rest with a clear understanding of these competitive environmental forces. He calls this the "industry structure." The strategic management challenge is to position an organization strategically within its industry, taking into account the implications of forces that make it more or less attractive. In general, an *unattractive industry* is one in which rivalry among competitors is intense, substantial threats exist in the form of possible new entrants and substitute products, and suppliers and buyers are very powerful in bargaining over such things as prices and quality. An *attractive industry*, by contrast, has less existing competition, few threats from new entrants or substitutes, and low bargaining power among suppliers and buyers. By systematically analyzing industry attractiveness in respect to the five forces, Porter believes that strategies can be chosen to give the organization a competitive advantage relative to its rivals.

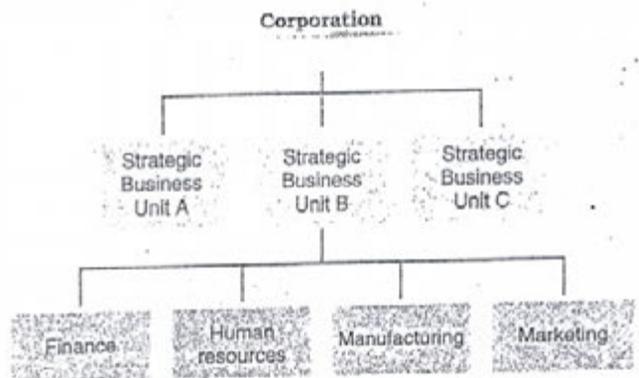
## STRATEGIES USED BY ORGANIZATIONS

The strategic management process encompasses the three levels of strategy shown in *Figure 9.5*. Strategies are formulated and implemented at the organizational or corporate level, business level, and functional level. All should be integrated in means-end fashion to accomplish objectives and create sustainable competitive advantage.

**Corporate strategy**  
What businesses are we in?

**Business strategy**  
How do we compete in each of our major businesses?

**Functional strategy**  
How do we best support each of our business strategies?



**Figure 9.5** Three levels of strategy in organizations—corporate, business, and functional strategies.

## LEVELS OF STRATEGY

The level of **corporate strategy** directs the organization as a whole toward sustainable competitive advantage. For a business it describes the scope of operations by answering the following *strategic question*: "In what industries and markets should we compete?" The purpose of corporate strategy is to set direction and guide resource allocations for the entire enterprise. In large, complex organizations, corporate strategy identifies how the company intends to compete across multiple industries and markets. At GE, for example, the firm pursues global business interests in aircraft engines, appliances, capital services, lighting, medical systems, broadcasting, plastics, and power systems, among others. Typical strategic decisions at the corporate level relate to the allocation of resources for acquisitions, new business development, divestitures, and the like across this business portfolio.

**Business strategy** is the strategy for a single business unit or product line. It describes strategic intent to compete within a specific industry or market. Large *conglomerates* like General Electric are composed of many businesses, with many differences among them in product lines and even industries. The term **strategic business unit (SBU)** is often used to describe a single business firm or a component that operates with a major business line within a larger enterprise. The selection of strategy at the business level involves answering the *strategic question*: "How are we going to compete for customers in this industry and market?" Typical business strategy decisions include choices about product/service mix, facilities locations, new technologies, and the like. In single-business enterprises, business strategy is the corporate strategy.

**Functional strategy** guides the use of organizational resources to implement business strategy. This level of strategy focuses on activities within a specific functional area of operations. Figure 9.5, the standard business functions of marketing, manufacturing, finance, and human resources, illustrates this level of strategy. The *strategic question* to be answered in selecting functional strategies is: "How can we best utilize resources to implement our business strategy?" Answers to this question typically involve the choice of management practices within each function that improves operating efficiency, product or service quality, customer service, or innovativeness.

○ A **corporate strategy** sets long-term direction for the total enterprise.

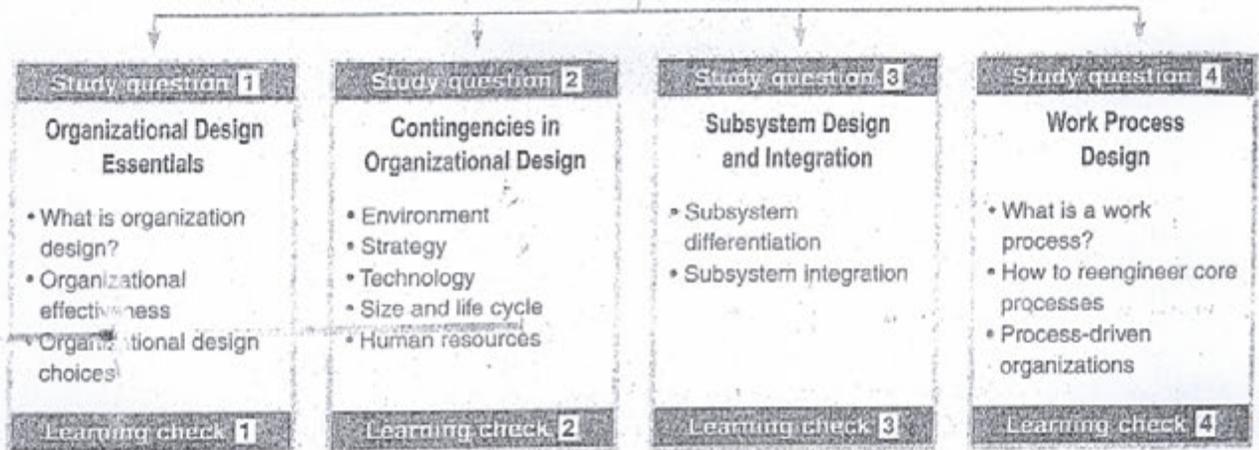
○ A **business strategy** identifies how a division or strategic business unit will compete in its product or service domain.

○ An **SBU** is a major business area that operates with some autonomy.

○ A **functional strategy** guides activities within one specific area of operations.

# Organization Design And Work Processes

## ORGANIZATION DESIGN AND WORK PROCESSES



If you are in London, don't be surprised to find that St. Luke's isn't a church, it's an advertising agency. But it's also a unique one. Every employee is a part owner; a six-member board elected by staff members governs the company. Everyone's name is listed on the stationery—from the creative director to receptionist. The culture is informal, permeated by creativity. Workspaces are designed with common areas to maximize interaction and connectivity. Everyone focuses on great service to customers. One member of the firm describes working there as like "the difference between going to grade school and going to the university. At school the bell goes 'ding' and tells you what to do. We have no bell. Like the university, as long as you create great stuff, we don't care how you do it." You can expect this configuration—small in size and locally focused—to make St. Luke's quick, nimble, and creative.<sup>2</sup>

Now travel to Switzerland and visit the headquarters of Nestlé.<sup>3</sup> The global food giant has a product mix of beverages, ice cream, prepared foods, chocolates, pet care, and pharmaceuticals. It sells around the world—33 percent in the Americas, 32 percent in Europe, 17 percent in Asia and Africa, and 18 percent elsewhere. A stark contrast to St. Luke's in size and global reach, Nestlé might be described as one of the world's greatest organization design challenges. CEO Peter Brabeck, a 35-year career veteran of the firm, recently reorganized in an attempt to boost profits

and improve focus in its worldwide operations. In the past the firm was decentralized into national companies. The new structure reconfigures them into three world regions, with the goal of gaining more cooperation and greater efficiencies. A corporate IT initiative supports the new structure, linking employees worldwide in a knowledge management and information system. In Nestlé's competitive environment, just as with St. Luke's, success depends on the ability to continuously achieve integration, empowerment, and flexibility.

Organizations everywhere are adjusting to best meet new competitive demands. Changing times require flexible and well-integrated organizations that can deliver high-quality products and services while still innovating for sustained future performance. Traditional structures are being flattened, networks are being developed, IT is being utilized, and decision making is being moved to the points where knowledge exists. The goals are clear: improved teamwork, more creativity, shorter product development cycles, better customer service, and higher performance overall. Yet organizations still face widely varying problems and opportunities. There is no one best way to structure and manage them. The key to success is finding the best design to master the unique situational needs and challenges for each organization.<sup>4</sup>

## ORGANIZATIONAL DESIGN ESSENTIALS

Just as organizations vary in size and type, so too do the variety of problems and opportunities they face. This is why they use the different types of structures described in Chapter 10—from the traditional functional, divisional, and matrix structures, to the team and network structures, and even beyond to the boundaryless organization. It is why they change structures to try to best fit the demands of new circumstances in a dynamic environment. And it is why we see more and more organizations trying to operate in ways that improve problem solving and flexibility—more sharing of tasks, reduced emphasis on hierarchy, greater emphasis on lateral communication, more teamwork, and more decentralization of decision making and empowerment.

### WHAT IS ORGANIZATIONAL DESIGN?

**Organizational design** is the process of choosing and implementing structures that best arrange resources to accomplish the organization's mission and objectives.<sup>5</sup> Because every organization faces its own set of unique problems and opportunities, the best design at any moment is the one that achieves a good match between structure and situation. As shown in *Figure 11.1*, this includes taking into consideration the implications of environment, strategies, people, technology, and size.<sup>6</sup> The process of organizational design is thus a problem-solving activity, one that should be approached in a contingency fashion that takes all of these factors into account. There is no universal design that applies in all circumstances. The goal is to achieve a best fit among structure and the unique situation faced by each organization.

### ORGANIZATIONAL EFFECTIVENESS

The ultimate goal of organizational design should be to achieve **organizational effectiveness**—sustainable high performance in using resources to accomplish mission and objectives. Theorists view and analyze organi-

o **Organizational design** is the process of creating structures that accomplish mission and objectives.

o **Organizational effectiveness** is sustainable high performance in accomplishing mission and objectives.



**Figure 11.1** A framework for organizational design—aligning structures with situational contingencies.

zational effectiveness from different perspectives.<sup>7</sup> The *systems resource approach* looks at the input side and defines effectiveness in terms of success in acquiring needed resources from the organization's environment. The *internal process approach* looks at the transformation process and examines how efficiently resources are utilized to produce goods and/or services. The *goal approach* looks at the output side to measure achievement of key operating objectives. And the *strategic constituencies approach* looks to the environment to analyze the impact of the organization on key stakeholders and their interests. Although they point in different directions, each of these approaches offers a framework for assessing how well an actual or proposed design is working.

Organizational effectiveness can also be evaluated according to specific criteria that set important performance benchmarks over time.<sup>8</sup> In the short run, the criteria focus on performance effectiveness in goal accomplishment and performance efficiency in resource utilization, as well as stakeholder satisfactions—including customers, employees, owners, and society at large. In the medium term two more criteria become important: adaptability in the face of changing environments, and development of people and systems to meet new challenges. And in the long run, the effectiveness criterion is survival under conditions of uncertainty.

Any organizational design should advance organizational effectiveness. Although there is no one universal design that applies in all circumstances, this does not mean that a given design—one in use or proposed—shouldn't be rigorously evaluated. In fact, quite the opposite applies. A design is choice, and that choice can be for the better or for the worse. Managers as decision makers need to make good organizational design choices; they need to make them with the goal of organizational effectiveness always in mind; and they need to make them with the assistance of an analytical framework that helps them sort through the many design alternatives that exist. In organization theory, these alternatives are broadly framed in the distinction between bureaucratic designs at one extreme and adaptive designs at the other.

## ORGANIZATIONAL DESIGN CHOICES

As first introduced in the discussion on historical foundations of management in Chapter 2, a **bureaucracy** is a form of organization based on logic,

○ A **bureaucracy** emphasizes formal authority, order, fairness, and efficiency.

order, and the legitimate use of formal authority. Its distinguishing features include a clear-cut division of labor, strict hierarchy of authority, formal rules and procedures, and promotion based on competency. According to sociologist Max Weber, bureaucracies were supposed to be orderly, fair, and highly efficient.<sup>10</sup> In short, they were a model form of organization. Yet if you use the term "bureaucracy" today, it may well be interpreted with a negative connotation. If you call someone a "bureaucrat," it may well be considered an insult. Instead of operating efficiency, the bureaucracies that we know are often associated with "red tape"; instead of being orderly and fair, they are often seen as cumbersome and impersonal to the point of insensitivity to customer or client needs. And the bureaucrats? Don't we assume that they work only according to rules, diligently following procedures and avoiding any opportunities to take initiative or demonstrate creativity?

Research recognizes that there are limits to bureaucracy, particularly in their tendencies to become unwieldy and rigid.<sup>11</sup> Instead of viewing all bureaucratic structures as inevitably flawed, however, management theory asks the contingency questions: (1) When is a bureaucratic form a good choice for an organization? (2) What alternatives exist when it is not a good choice?

Pioneering research conducted in England during the early 1960s by Tom Burns and George Stalker helps answer these questions.<sup>12</sup> After investigating 20 manufacturing firms, they concluded that two quite different organizational forms could be successful, depending on the nature of a firm's external environment. A more bureaucratic form, which Burns and Stalker called *mechanistic*, thrived when the environment was stable. But it experienced difficulty when the environment was rapidly changing and uncertain. In these dynamic situations, a much less bureaucratic form, called *organic*, performed best. *Figure 11.2* portrays these two approaches as opposite extremes on a continuum of organizational design alternatives.

### Mechanistic Designs

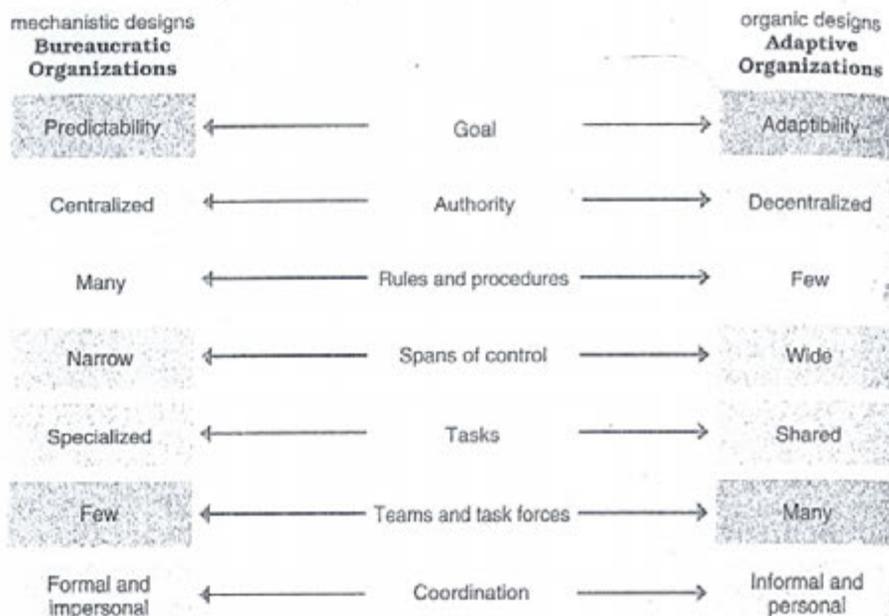
Organizations with more **mechanistic designs** are highly bureaucratic in nature. As shown in the figure, they typically operate with more central-

## REALITY CHECK 11.1

### Reasons for unscheduled absences

People can't contribute if they don't come to work. A survey of absence patterns experienced by 305 employers by CCH International showed that absences due to work stress increased 14 percent in a five-year period. Take the online "Reality Check" to learn more about absence patterns in the workforce.

○ A **mechanistic design** is centralized with many rules and procedures, a clear-cut division of labor, narrow spans of control, and formal coordination.



**Figure 11.2** A continuum of organizational design alternatives: from bureaucratic to adaptive organizations.

ized authority, many rules and procedures, a precise division of labor, narrow spans of control, and formal means of coordination. Mechanistic designs are described as "tight" structures of the traditional vertical or pyramid form.<sup>13</sup> For a good example, visit your local fast-food restaurant. A relatively small operation, each store operates quite like others in the franchise chain and according to rules established by the corporate management. You will notice that service personnel work in orderly and disciplined ways, guided by training, rules and procedures, and close supervision by crew leaders who work alongside them. Even their appearances are carefully regulated, with everyone working in a standardized uniform. These restaurants perform well as they repetitively deliver items that are part of their standard menus. You quickly encounter the limits, however, if you try to order something not on the menu. The chains also encounter difficulty when consumer tastes change or take on regional preferences that are different from what the corporate menu provides. Adjustments to the system take a long time.

The limits of mechanistic designs and their tight vertical structures are especially apparent in organizations that must operate in dynamic, often uncertain, environments. It's hard, for example, to find a technology company, consumer products firm, financial services business, or dot.com retailer that isn't making continual adjustments in operations and organizational design. Things keep changing on them, and organizational effectiveness depends on being able to change with the times. Mechanistic designs find this hard to do.

#### Organic Designs

Dee Hock, the founder of Visa International, says: "We can't run 21st-century society with 17th-century notions of organization."<sup>14</sup> Harvard scholar and consultant Rosabeth Moss Kanter notes that the ability to respond quickly to shifting environmental challenges often distinguishes successful organizations from less successful ones. Specifically, Kanter states,

*The organizations now emerging as successful will be, above all, flexible; they will need to be able to bring particular resources together quickly, on the basis of short-term recognition of new requirements and the necessary capacities to deal with them . . . The balance between static plans—which appears to reduce the need for effective reaction—and structural flexibility needs to shift toward the latter.<sup>15</sup>*

The trend is toward **organic designs**, as portrayed in Figure 11.2, having more decentralized authority, fewer rules and procedures, less precise division of labor, wider spans of control, and more personal means of coordination. These create more **adaptive organizations** that operate with horizontal structures and with cultures that encourage worker empowerment and teamwork. They are described as relatively loose systems in which a lot of work gets done through informal structures and networks of interpersonal contacts.<sup>16</sup> Organic designs work well for organizations facing dynamic environments that demand flexibility in dealing with changing conditions. They are also increasingly popular in the new workplace, where the demands of total quality management and competitive advantage place more emphasis on internal teamwork and responsiveness to customers.

Above all, adaptive organizations are built upon a foundation of trust that people will do the right things on their own initiative. They move organizational design in the direction of what some might call *self-organization*, where the focus is on freeing otherwise capable people from unnecessarily centralized control and restrictions. Moving toward the adaptive form means letting workers take over production scheduling and problem solving; it means letting workers set up their own control systems; it means letting workers use their ideas to improve customer service. In the ultimately adaptive organizations, it means that members are given the freedom to do what they can do best—get the job done. This helps create what has been described in earlier chapters as a **learning organization**, one designed for continuous adaptation through problem solving, innovation, and learning.<sup>17</sup>

○ An **organic design** is decentralized with fewer rules and procedures, open divisions of labor, wide spans of control, and more personal coordination.

○ An **adaptive organization** operates with a minimum of bureaucratic features and encourages worker empowerment and teamwork.

○ A **learning organization** is designed for continuous adaptation through problem solving, innovation, and learning.

## CONTINGENCIES IN ORGANIZATIONAL DESIGN

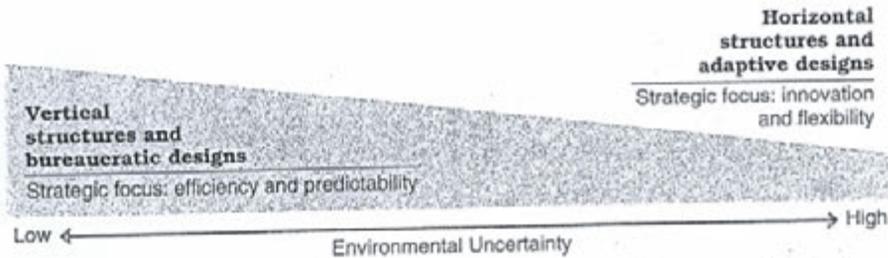
Good organizational design decisions should result in supportive structures that satisfy situational demands and advance organizational effectiveness. This is true contingency thinking. Among the contingency factors in the organizational design checklist featured in *Manager's Notepad 11.1* are the environment, strategy, technology, size and life cycle, and human resources.

### ENVIRONMENT

The organization's external environment and the degree of uncertainty it offers are of undeniable importance in organizational design.<sup>19</sup> A *certain environment* is composed of relatively stable and predictable elements. As a result, an organization can succeed with relatively few changes in the goods or services produced or in the manner of production over time. Bureaucratic organizations and mechanistic designs are quite adequate under such conditions. An *uncertain environment* will have more dynamic and less predictable elements. Changes occur frequently and may catch decision makers by surprise. As a result, organizations must be flexible and responsive over relatively short time horizons. This requires more adaptive organizations and organic designs. *Figure 11.3* summarizes these relationships, showing how increasing uncertainty in organizational environments calls for more horizontal and adaptive designs.

## STRATEGY

The nature of organizational strategies and objectives are important design contingencies. Research on these contingency relationships is often traced to the pioneering work of Alfred Chandler Jr., who analyzed the histories of DuPont, General Motors, Sears, and Standard Oil of New Jersey.<sup>20</sup> Chandler's conclusion that "structure follows strategy" is a key element of



**Figure 11.3** Environmental uncertainty and the performance of vertical and horizontal designs.

organizational design. An organization's structure must support its strategy if the desired results are to be achieved.<sup>21</sup>

When strategy is stability oriented, the choice of organizational design is based on the premise that little significant change will be occurring in the external environment. This means that plans can be set and operations programmed to be routinely implemented. To best support this strategic approach, the organization should be structured to operate in well-defined and predictable ways. This is most characteristic of bureaucratic organizations that use more mechanistic design alternatives.

When strategy is growth oriented and when strategy is likely to change frequently, the situation as a whole becomes more complex, fluid, and uncertain. Operating objectives are likely to include the need for innovation and flexible responses to changing competition in the environment. Operations and plans are likely to have short life spans and require frequent and even continuous modification over time. The most appropriate structure is one that allows for internal flexibility and freedom to create new ways of doing things. This is most characteristic of the empowerment found in adaptive organizations using more organic design alternatives.

## TECHNOLOGY

**Technology** is the combination of knowledge, skills, equipment, computers, and work methods used to transform resource inputs into organizational outputs. It is the way tasks are accomplished using tools, machines, techniques, and human know-how. The availability of appropriate technology is a cornerstone of productivity, and the nature of the core technologies in use must be considered in organizational design.

In the early 1960s, Joan Woodward conducted a study of technology and structure in over 100 English manufacturing firms. She classified core *manufacturing technology* into three categories.<sup>22</sup> In **small-batch production**, such as a racing bicycle shop, a variety of custom products are tailor-made to order. Each item or batch of items is made somewhat differently to fit customer specifications. The equipment used may not be elaborate, but a high level of worker skill is often needed. In **mass production**, the organization produces a large number of uniform products in an assembly-line system. Workers are highly dependent on one another, as the product passes

○ **Technology** includes equipment, knowledge, and work methods that transform inputs into outputs.

○ **Small-batch production** manufactures a variety of products crafted to fit customer specifications.

○ **Mass production** manufactures a large number of uniform products with an assembly-line system.

○ In **continuous-process production** raw materials are continuously transformed by an automated system.

from stage to stage until completion. Equipment may be sophisticated, and workers often follow detailed instructions while performing simplified jobs. Organizations using **continuous-process production** are highly automated. They produce a few products by continuously feeding raw materials—such as liquids, solids, and gases—through a highly automated production system with largely computerized controls. Such systems are

equipment intensive, but can often be operated by a relatively small labor force. Classic examples are automated chemical plants, steel mills, oil refineries, and power plants.

Woodward found that the right combination of structure and technology was critical to organizational success. The best small-batch and continuous-process plants in her study had more flexible organic structures; the best mass-production operations had more rigid mechanistic structures. The implications of this research have become known as the *technological imperative*: technology is a major influence on organizational structure.

The importance of technology for organizational design applies in services as well as manufacturing, although the core *service technologies* are slightly different.<sup>23</sup> In health care, education, and related services, an **intensive technology** focuses the efforts of many people with special expertise on the needs of patients or clients. In banks, real estate firms, insurance companies, employment agencies, and others like them, a **mediating technology** links together parties seeking a mutually beneficial exchange of values—typically a buyer and seller. Finally, a **long-linked technology** can function like mass production, where a client is passed from point to point for various aspects of service delivery.

## PERSONAL MANAGEMENT

It is easy to make decisions when you have perfect information. But in the new world of work, you will often face unstructured problems and have to make decisions with incomplete information under uncertain conditions. Depending on your **TOLERANCE FOR AMBIGUITY**, you may be comfortable or uncomfortable dealing with these new realities. It takes personal flexibility and lots of confidence to cope well with unpredictability. Some people have a hard time dealing with the unfamiliar. They prefer to work with directions that minimize ambiguity and provide clear decision-making rules; they like the structure of mechanistic organizations with bureaucratic features. Other people are willing and able to perform in less-structured settings that give them lots of flexibility in responding to changing situations; they like the freedom of organic organizations designed for adaptation. You must find a good fit between your personal preferences and the nature of the organizations in which you choose to work. To achieve this fit, you have to both know yourself and be able to read organizational cultures and structures. And whatever your tolerance for ambiguity may be, the best time to explore these issues of person-organization fit is now, before you take your first or next job.

Complete Self-Assessments #16—**Turbulence Tolerance Test**, and #17—**Organizational Design Preferences**, from the Management Learning Workbook.

→  
Stages in the organizational life cycle

have more difficulty adapting to changing environments. It is especially important to understand the design implications of the **organizational life cycle**, or the evolution of an organization over time through different stages of growth. The *stages in the organizational life cycle* can be described as:

1. *Birth stage*—when the organization is founded by an entrepreneur.
2. *Youth stage*—when the organization starts to grow rapidly.

## SIZE AND LIFE CYCLE

Typically measured by number of employees, *organizational size* is another contingency factor in organizational design.<sup>25</sup> Although research indicates that larger organizations tend to have more mechanistic structures than smaller ones, it is also clear that this is not always best for them.<sup>26</sup> In fact, a perplexing managerial concern is that organizations tend to become more bureaucratic as they grow in size and consequently

3. *Midlife stage*—when the organization has grown large with success.
4. *Maturity stage*—when the organization stabilizes at a large size.<sup>27</sup>

In its *birth stage* the founder usually runs the organization. It stays relatively small, and the structure is quite simple. The organization starts to grow rapidly during the *youth stage*, and management responsibilities extend among more people. Here, the simple structure begins to exhibit the stresses of change. An organization in the *midlife stage* is even larger, with a more complex and increasingly formal structure. More levels appear in the chain of command, and the founder may have difficulty remaining in control. In the *maturity stage*, the organization stabilizes in size, typically with a mechanistic structure. It runs the risk of becoming complacent and slow in competitive markets. Bureaucratic tendencies toward stability may lead an organization at this stage toward decline. Steps must be taken to counteract these tendencies and provide for needed creativity and innovation.

One way of coping with the disadvantages of bigness is *downsizing*, that is, taking actions to reduce the scope of operations and number of employees. This response is often used when top management is challenged to reduce costs quickly and increase productivity.<sup>28</sup> But, perhaps more significantly, good managers in many organizations find unique ways to overcome the disadvantages of large size before the crisis of downsizing hits. They are creative in fostering **intrapreneurship**, described in Chapter 6 as the pursuit of entrepreneurial behavior by individuals and subunits within large organizations.<sup>29</sup> They also find ways for smaller entrepreneurial units to operate with freedom and autonomy within the larger organizational framework. **Simultaneous systems**, for example, are organizations that utilize both mechanistic and organic designs to meet the need for production efficiency and continued innovation. This “loose-tight” concept in organizational design is depicted in *Figure 11.4*.

○ **Intensive technology** focuses the efforts and talents of many people to serve clients.

○ **Mediating technology** links together people in a beneficial exchange of values.

○ In **long-linked technology** a client moves from point to point during service delivery.

○ In the **organizational life cycle** an organization passes through different stages from birth to maturity.

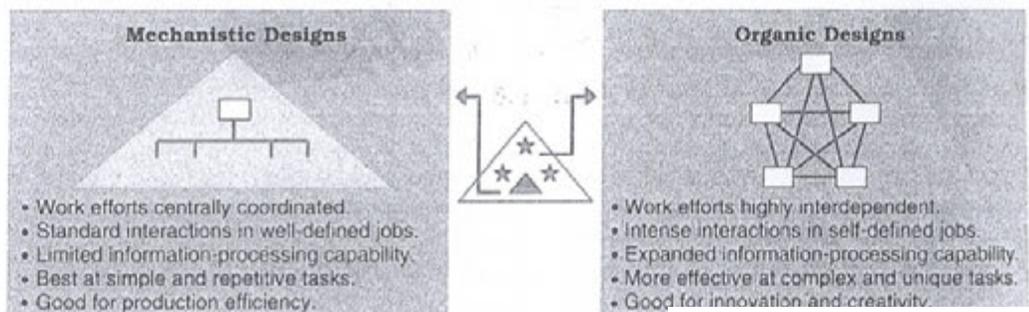
○ **Intrapreneurship** is entrepreneurial behavior by individuals and subunits within large organizations.

○ In **simultaneous systems** mechanistic and organic designs operate together in an organization.

## HUMAN RESOURCES

Another contingency factor in organizational design is people—the human resources that staff the organization for action. A good organizational design provides people with the supporting structures they need to achieve both high performance and satisfaction in their work. Modern management theory views people–structure relationships in a contingency fashion. The prevailing argument is that there should be a good “fit” between organizational structures and the human resources.<sup>31</sup>

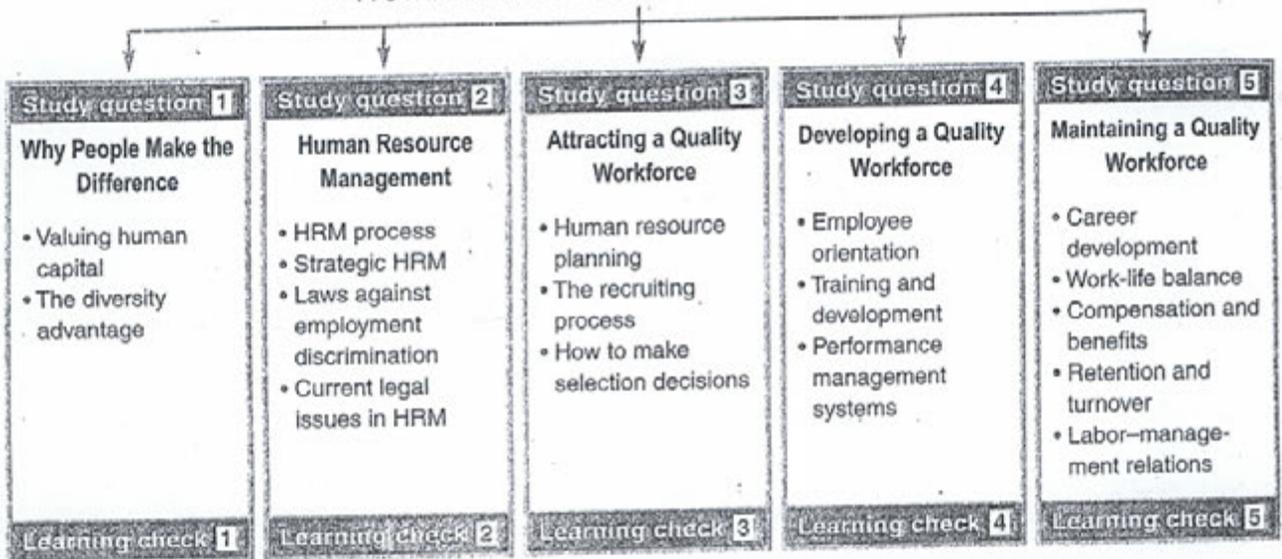
An important human resource issue in organizational design is skill. Any design should allow the expertise and talents of organizational members to be unlocked and utilized to the fullest. Especially in the age of information and knowledge workers, high-involvement organic designs with their emphasis on empowerment are crucial. When IBM purchased the software firm Lotus, for example, the intention was to turn it into a building block for the firm’s networking business. But Lotus was small, and IBM was huge. The whole thing had to be carefully handled or IBM might lose many of the talented people who created the popular LotusNotes and related products. The solution was to adapt the design to fit the people. IBM gave Lotus the space it needed to retain the characteristics of a creative software house. Said the firm’s head of software at the time: “You have to keep the people, so you have to ask yourself why it is they like working there.”<sup>32</sup>



**Figure 11.4** Simultaneous “loose-tight” properties of support efficiency and innovation.

# Human Resource And Management

# HUMAN RESOURCE MANAGEMENT



○ The **social contract** reflects expectations in the employee-employer relationship.

**T**oday, perhaps more than ever before, the pressures of global competition and social change are influencing not just the organizations in which we work but the very nature of employment itself. In his book *The Future of Success*, Robert Reich calls this "the age of the terrific deal."<sup>2</sup> He also describes a shift away from a system in which people work loyally as traditional "employees" for "employers" who provide them career-long job and employment security.<sup>3</sup> In the emerging system we become sellers of our services (talents) to those buyers (employers) who are willing to pay for them. Those who do "buy" are looking for the very best people, whose capabilities and motivations match the demands of high-performance organizations. Reich is talking about changes to the **social contract**, or expectations of the employee-employer relationship. As today's organizations reconfigure around networks, teams, projects, flexibility, speed, and efficiency, the social contract is changing. For the individual, this means an emphasis on skills, responsibility, continuous learning, and mobility. For the organization, it means providing development opportunities, challenging work assignments, the best in resource support, and incentive compensation.<sup>4</sup>

All of this, of course, affects your future career. "Create a brand called 'You,'" "Build a portfolio of skills," "Protect your mobility," "Take charge of your destiny," "Add value to your organization" advise the career gurus.<sup>5</sup> The advice is on target, but the really tough question is: "Are you ready?" Test yourself by asking and answering these *career readiness questions*: Who am I? What do I want? What have I done? What do I know? What can I do? Why should someone hire me?

## WHY PEOPLE MAKE THE DIFFERENCE

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People have to be a top priority in any organization with high-performance aspirations. Testimonials like these say it all: "People are our most important asset"; "It's *people* who make the difference"; "It's the *people* who determine whether our company thrives or languishes." Found on websites, in annual reports, and in executive speeches, they communicate respect for people and the talents they bring to organizations.

## VALUING HUMAN CAPITAL

A strong foundation of **human capital**—the economic value of people with job-relevant abilities, knowledge, experience, ideas, energies, and commitments—is essential to any organization's long-term performance success. Consider the strategic leadership implications of these comments made by Jeffrey Pfeffer in his book *The Human Equation: Building Profits by Putting People First*.<sup>6</sup>

*The key to managing people in ways that lead to profit, productivity, innovation, and real organizational learning ultimately lies in how you think about your organization and its people. . . . When you look at your people, do you see costs to be reduced? . . . Or, when you look at your people do you see intelligent, motivated, trustworthy individuals—the most critical and valuable strategic assets your organization can have?*

In an Academy of Management Executive article entitled "Putting People First for Organizational Success," Jeffrey Pfeffer and John F. Veiga state: "There is a substantial and rapidly expanding body of evidence . . . that speaks to the strong connection between how firms manage their people and the economic results achieved."<sup>7</sup> They forcefully argue that organizations perform better when they treat their members better. The management practices associated with successful organizations are employment security, decentralization, use of teams, good compensation, extensive training, and information sharing.<sup>8</sup> James Baron and David Kreps also highlight the primacy of people in their book *Strategic Human Resources: Frameworks for General Managers*.<sup>9</sup> Stating that "human resources are key to organizational success or failure," they summarize empirical research showing a relationship between positive human resource policies and higher organizational performance.

**Human capital** is the economic value of people with job-relevant abilities, knowledge, ideas, energies, and commitments.

### REALITY CHECK 12.1

**Graduating students' expectations for work**  
A WetFeet.Com study of some 1600 undergraduate and graduate students shows men expecting almost \$7,000 per year more in salary than women. Take the online "Reality Check" to learn more about gender differences in work expectations.

## THE DIVERSITY ADVANTAGE

The best employers and the best managers know that to succeed in today's challenging times they must place a primacy on people.<sup>10</sup> This means valuing diversity and being fully inclusive of all people with the talent and desire to do good work. Job-relevant talent is not restricted because of anyone's race, gender, religion, marital or parental status, sexual orientation, ethnicity, or other diversity characteristics. And anytime these characteristics interfere with finding, hiring, and utilizing the best employees, the loss will be someone else's gain.

Respect for people in all of their diversity is a major theme in the book *Proversity: Getting Past Face Value and Finding the Soul of People*, by author and consultant Lawrence Otis Graham.<sup>11</sup> He suggests that managers committed to building high-performance work environments should take a simple test. The question is: Which of the following qualities would you look for in anyone who works for you—work ethic, ambition and energy, knowledge, creativity, motivation, sincerity, outlook, collegiality and collaborativeness, curiosity, judgment and maturity, and integrity? In answering, you most likely selected all of these qualities, or at least you should have. The next test question is: "Where can you find people with these workplace qualities?" The correct answer is "everywhere."<sup>12</sup>

Diversity consultant and author R. Roosevelt Thomas puts the challenge this way: "Managers must find ways to get the highest level of contribution from their workers. And they will not be able to do that unless they are aware of the many ways that their understanding of diversity relates to how well, or how poorly, people contribute." Thomas goes further to identify what he calls the *diversity rationale* that must drive organizations today:

*To thrive in an increasingly unfriendly marketplace, companies must make it a priority to create the kind of environment that will attract the best new talent and will make it possible for employees to make their fullest contributions.*<sup>13</sup>

## HUMAN RESOURCE MANAGEMENT

A marketing manager at Ideo, a Palo Alto-based industrial design firm, once said: "If you hire the right people . . . if you've got the right fit . . . then everything will take care of itself."<sup>14</sup> It really isn't quite that simple, but one fact of management remains very clear: If an organization doesn't have the right people available to do the required work, it has very little chance of long-term success.

○ **Human resource management** is the process of attracting, developing, and maintaining a high-quality workforce.

### HUMAN RESOURCE MANAGEMENT PROCESS

The process of **human resource management**, or HRM, involves attracting, developing, and maintaining a talented and energetic workforce. The basic goal of human resource management is to build organizational per-

formance capacity by raising human capital, to ensure that highly capable and enthusiastic people are always available. The three major responsibilities of human resource management are:

1. *Attracting a quality workforce*—involves human resource planning, employee recruitment and selection.
2. *Developing a quality workforce*—involves employee orientation, training and development, and performance appraisal.
3. *Maintaining a quality workforce*—involves career development, work-life balance, compensation and benefits, retention and turnover, and labor-management relations.

The area of human resource management provides many career opportunities. HRM departments are common in most organizations. HRM specialists are increasingly important in an environment complicated by legal issues, labor shortages, economic turmoil, changing corporate strategies, changing personal values, new expectations, and more. As outsourcing of professional services becomes more popular, a growing number of firms provide specialized HRM services such as recruiting, compensation, outplacement, and the like. The Society for Human Resource Management, or SHRM, is a professional organization dedicated to keeping its membership up to date in all aspects of HRM and its complex legal environment.

## STRATEGIC HUMAN RESOURCE MANAGEMENT

All organizations at all times need to have the right people available to do the work required to achieve and sustain competitive advantage. Today, this challenge is increasingly addressed by making the human resources function an integral component of strategic management. **Strategic human resource management** mobilizes human capital through the HRM process to best implement organizational strategies.<sup>15</sup> One indicator that the HRM process is truly strategic to the organization is when the HRM function is headed by a senior executive reporting directly to the chief executive officer. When Robert Nardelli took over as new CEO of Home Depot, for example, the first person he hired into the senior executive suite was Denis Donovan, who became the firm's executive vice president for human resources. Donovan says: "CEOs and boards of directors are learning that human resources can be one of your biggest game-changers in terms of competitive advantage."<sup>16</sup> The strategic importance of HRM has been further accentuated by the spate of corporate ethics scandals. "It was a failure of people and that isn't lost on those in the executive suite," says Susan Meisinger, president of the Society for Human Resource Development.<sup>17</sup>

←  
The human resource management process

## PERSONAL MANAGEMENT

**PROFESSIONALISM!** What does this term mean? If you are in human resource management, the code of ethics of the Society for Human Resource Management offers a framework for consideration.<sup>18</sup> SHRM defines "Professional Responsibility" as:

- adding value to your organization
- contributing to its ethical success
- serving as a leadership role model for ethical conduct
- accepting personal responsibility for one's decisions and actions
- promoting fairness and justice in the workplace
- being truthful in communications
- protecting the rights of individuals
- striving to meet high standards of competence
- strengthening one's competencies continually

Although for human resource professionals, these guidelines are a good starting point for anyone who wants to meet high standards of professionalism at work. What about you? How well do you score? Would you add anything to make this list more meaningful to your career?

○ **Strategic human resource management** mobilizes human capital to implement organizational strategies.

## LAWS AGAINST EMPLOYMENT DISCRIMINATION

○ **Discrimination** occurs when someone is denied a job or job assignment for reasons not job relevant.

○ **Equal employment opportunity** is the right to employment and advancement without regard to race, sex, religion, color, or national origin.

○ **Affirmative action** is an effort to give preference in employment to women and minority group members.

**Discrimination** in employment occurs when someone is denied a job or a job assignment for reasons that are not job relevant. A sample of major U.S. laws prohibiting job discrimination is provided in *Figure 12.1*. An important cornerstone of this legal protection is *Title VII of the Civil Rights Act of 1964*, as amended by the *Equal Employment Opportunity Act of 1972* and the *Civil Rights Act (EEOA) of 1991*. These acts provide for **equal employment opportunity (EEO)**—the right to employment without regard to race, color, national origin, religion, gender, age, or physical and mental ability. The intent is to ensure all citizens the right to gain and keep employment based only on their ability to do the job and their performance once on the job. EEO is federally enforced by the Equal Employment Opportunity Commission (EEOC), which has the power to file civil lawsuits against organizations that do not provide timely resolution of any discrimination charges lodged against them. These laws generally apply to all public and private organizations employing 15 or more people.

Under Title VII, organizations are expected to show **affirmative action** in setting goals and having plans to ensure equal employment opportunity for members of *protected groups*, those historically underrepresented in the workforce. The purpose of *affirmative action plans* is to ensure that women and minorities are represented in the workforce in proportion to their labor market availability.<sup>19</sup> The pros and cons of affirmative action are debated at both the federal and state levels. Criticisms tend to focus on the use of group membership (e.g., female or minority status) as a criterion in employment decisions.<sup>20</sup> The issues raised include claims of *reverse discrimination* by members of majority

Equal Pay Act of 1963	Requires equal pay for men and women performing equal work in an organization.
Title VII of the Civil Rights Act of 1964 (as amended)	Prohibits discrimination in employment based on race, color, religion, sex, or national origin.
Age Discrimination in Employment Act of 1967	Prohibits discrimination against persons over 40; restricts mandatory retirement.
Occupational Health and Safety Act of 1970	Establishes mandatory health and safety standards in workplaces.
Pregnancy Discrimination Act of 1978	Prohibits employment discrimination against pregnant workers.
Americans with Disabilities Act of 1990	Prohibits discrimination against a qualified individual on the basis of disability.
Civil Rights Act of 1991	Reaffirms Title VII of the 1964 Civil Rights Act; reinstates burden of proof by employer, and allows for punitive and compensatory damages.
Family and Medical Leave Act of 1993	Allows employees up to 12 weeks of unpaid leave with job guarantees for childbirth, adoption, or family illness.

**Figure 12.1** A sample of U.S. laws against employment discrimination.

populations. White males, for example, may claim that preferential treatment given to minorities in a particular situation interferes with their individual rights.

As a general rule EEO legal protections do not restrict an employer's right to establish **bona fide occupational qualifications**. These are criteria for employment that can be clearly justified as being related to a person's capacity to perform a job. The use of bona fide occupational qualifications based on race and color is not allowed under any circumstances; those based on sex, religion, and age are very difficult to support.<sup>21</sup> Legal protection against employment discrimination is extensive. Listed below are four examples and brief summaries of their supporting laws.

- *Disabilities*: The *Americans with Disabilities Act of 1990* prevents discrimination against people with disabilities. The law forces employers to focus on abilities and what a person can do.
- *Age*: The *Age Discrimination in Employment Act of 1967 as amended in 1978 and 1986* protects workers against mandatory retirement ages. Age discrimination occurs when a qualified individual is adversely affected by a job action that replaces him or her with a younger worker.
- *Pregnancy*: The *Pregnancy Discrimination Act of 1978* protects female workers from discrimination because of pregnancy. A pregnant employee is protected against termination or adverse job action because of the pregnancy, and is entitled to reasonable time off work.
- *Family matters*: The *Family and Medical Leave Act of 1993* protects workers who take unpaid leaves for family matters from losing their jobs or employment status. Workers are allowed up to 12 weeks' leave for childbirth, adoption, personal illness, or illness of a family member.

○ **Bona fide occupational qualifications** are employment criterians justified by capacity to perform a job.

← U.S. laws protecting against job discrimination

## CURRENT LEGAL ISSUES IN HUMAN RESOURCE MANAGEMENT

All aspects of human resource management must be accomplished within the legal framework. Failure to do so is not only unjustified in a free society, it can also be a very expensive mistake resulting in fines and penalties. As a reminder, *Manager's Notepad 12.1* identifies questions that are considered illegal—or at least inappropriate—for an interviewer to ask during a job interview.<sup>22</sup> Of course, the American legal and regulatory environment is constantly changing. A committed manager or human resource professional should always stay informed on the following and other issues of legal and ethical consequence.<sup>23</sup>

**Sexual harassment** occurs when a person experiences conduct or language of a sexual nature that affects their employment situation. According to the EEOC, sexual harassment is behavior that creates a hostile work environment, interferes with their ability to do a job, or interferes with their promotion potential. Organizations should have clear sexual harassment policies in place along with fair and equitable procedures for implementing them.

The *Equal Pay Act of 1963* provides that men and women in the same organization should be paid equally for doing equal work in terms of required skills, responsibilities, and working conditions. But a linger-

○ **Sexual harassment** is behavior of a sexual nature that affects a person's employment situation.

○ **Comparable worth** holds that persons performing jobs of similar importance should be paid at comparable levels.

○ **Independent contractors** are hired on temporary contracts and are not part of the organization's permanent workforce.

○ **Workplace privacy** is the right to privacy while at work.

ing issue involving gender disparities in pay involves **comparable worth**, the notion that persons performing jobs of similar importance should be paid at comparable levels. Why should a long-distance truck driver, for example, be paid more than an elementary teacher in a public school? Does it make any difference that the former is a traditionally male occupation and the latter a traditionally female occupation? Advocates of comparable worth argue that such historical disparities are due to gender bias. They would like to have the issue legally resolved.

The legal status and employee entitlements of *part-time workers* and **independent contractors** are also being debated. In today's era of downsizing, outsourcing, and projects, more and more persons are hired as temporary workers who work under contract to an organization and do not become part of its permanent workforce. They work only "as needed." But, a problem occurs when they are engaged regularly by the same organization and become what many now call *permatemps*. Even though regularly employed they work without benefits such as health insurance and pension eligibilities. A number of legal cases are now before the courts seeking to make such independent contractors eligible for benefits.

**Workplace privacy** is the right of individuals to privacy on the job.<sup>24</sup> It is quite acceptable for employers to monitor the work performance and behavior of their employees. But employer practices can become invasive and cross legal and ethical lines, especially with the capabilities of information technology. Computers can easily monitor e-mails and Internet searches to track personal and unauthorized usage; they can identify who is called by telephone and how long conversations last; they can document work performance moment to moment; and they can easily do more. All of this information, furthermore, can be stored in vast databases that make it available to others, even without the individual's permission. The legal status of such IT surveillance is being debated. Until things are cleared up, one consultant recommends the best approach for everyone is: "Assume you have no privacy at work."<sup>25</sup>

# ATTRACTING A QUALITY WORKFORCE

The first responsibility of human resource management is to attract to the organization a high-quality workforce. An advertisement once run by the Motorola Corporation clearly identifies the goal of this aspect of HRM: "Productivity is learning how to hire the person who is right for the job." To attract the right people to its workforce, an organization must first know exactly what it is looking for—it must have a clear understanding of the jobs to be done and the talents required to do them well. Then it must have the systems in place to excel at employee recruitment and selection.

## HUMAN RESOURCE PLANNING

**Human resource planning** is the process of analyzing an organization's human resource needs and determining how to best fill them. Effective and strategic human resource planning ensures that the best people are always in place when needed by the organization. The major elements in this process are shown in *Figure 12.2*.

Strategic human resource planning begins with a review of organizational mission, objectives, and strategies. This establishes a frame of reference for forecasting human resource needs and labor supplies. Ultimately, the planning process should help managers identify staffing requirements, assess the existing workforce, and determine what additions and/or replacements are required to meet future needs. GE Medical Systems uses a multigenerational staffing plan. For every new product plan there is a human resource plan associated with it—one that covers all generations of the product's anticipated life.<sup>26</sup>

The foundations for human resource planning are set by **job analysis**—the orderly study of job facts to determine just what is done, when, where, how, why, and by whom in existing or potential new jobs.<sup>27</sup> The job analysis provides useful information that can then be used to write and/or update **job descriptions**. These are written statements of job duties and responsibilities. The information in a job analysis can also be used to create **job specifications**. These are lists of the qualifications—such as education, prior experience, and skill requirements—needed by any person hired for or placed in a given job.

○ **Human resource planning** analyzes staffing needs and identifies actions to fill those needs.

○ **Job analysis** studies exactly what is done in a job, and why.

○ A **job description** details the duties and responsibilities of a job holder.

○ A **job specification** lists the qualifications required of a job holder.

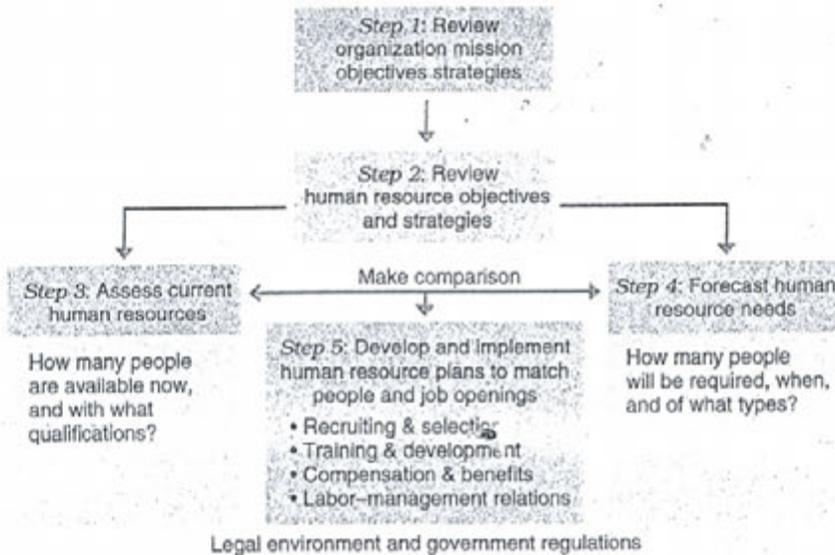


Figure 12.2 Steps in strategic human resource planning.

## THE RECRUITING PROCESS

○ **Recruitment** is a set of activities designed to attract a qualified pool of job applicants.

**Recruitment** is a set of activities designed to attract a *qualified* pool of job applicants to an organization. Emphasis on the word "qualified" is important. Effective recruiting should bring employment opportunities to the attention of people whose abilities and skills meet job specifications. The three steps in a typical recruitment process are (1) advertisement of a job vacancy, (2) preliminary contact with potential job candidates, and (3) initial screening to create a pool of qualified applicants. In collegiate recruiting, for example, advertising is done by the firm posting short job descriptions in print or online through campus placement centers. Preliminary contact involves a short 20- to 30-minute interview, during which the candidate presents a résumé and briefly explains his or her job qualifications. Successful candidates at this stage are usually invited for further interviews during a formal visit to the organization.

### External and Internal Recruitment

The collegiate recruiting example is one of *external recruitment* in which job candidates are sought from outside the hiring organization. Websites like HotJobs.com and Monster.com, newspapers, employment agencies, colleges, technical training centers, personal contacts, walk-ins, employee referrals, and even persons in competing organizations are all sources of external recruits. Labor markets and recruiting are increasingly global in the new economy. When Nokia, the Finnish mobile-phone maker, needed high-tech talent, it posted all job openings on a website and received thousands of résumés from all over the world. The head of Nokia's recruiting strategy said: "There are no geographical boundaries anymore."<sup>28</sup>

*Internal recruitment* seeks applicants from inside the organization. Most organizations have a procedure for announcing vacancies through newsletters, electronic bulletin boards, and the like. They also rely on managers to recommend subordinates as candidates for advancement. Internal recruitment creates opportunities for long-term career paths. Consider the story of Robert Goizueta. As CEO of Coca-Cola when he died, Goizueta owned over \$1 billion of the company's stock. He made his way to the top over a 43-year career in the firm, an example of how loyalty and hard work can pay off.<sup>29</sup>

Both recruitment strategies offer potential advantages and disadvantages. External recruiting brings in outsiders with fresh perspectives. It also provides access to specialized expertise or work experience not otherwise available from insiders. Internal recruitment is usually less expensive. It also deals with persons whose performance records are well established. A history of serious internal recruitment also builds employees' loyalty and motivation, showing that one can advance by working hard and doing well when given responsibility.

## Realistic Job Previews

In what may be called *traditional recruitment*, the emphasis is on selling the organization to job applicants. The emphasis is on the most positive features of the job and organization. Bias may even occur as the best features are exaggerated while negative features are avoided or even concealed. This form of recruitment may create unrealistic expectations that cause costly turnover when new hires become disillusioned and quit. The individual suffers a career disruption; the employer suffers lost productivity and the added costs of recruiting again.

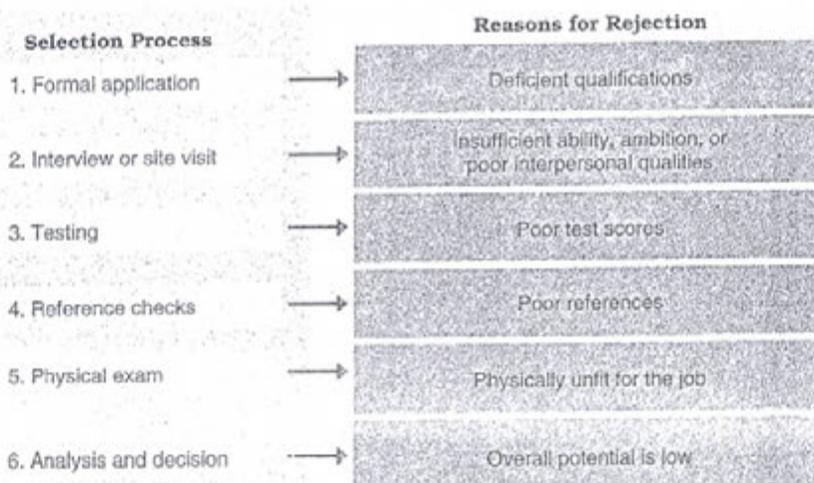
The alternative is to provide **realistic job previews** that give the candidate all pertinent information about the job and organization without distortion and before the job is accepted.<sup>30</sup> Instead of "selling" only positive features, this approach tries to be open and balanced in describing the job and organization. Both favorable and unfavorable aspects are covered. The interviewer in a realistic job preview might use phrases such as: "Of course, there are some downsides. . . ." "Things don't always go the way we hope. . . ." "Something that you will want to be prepared for is. . . ." "We have found that some new hires had difficulty with. . . ." This type of conversation helps the candidate establish "realistic" job expectations and better prepare for the inevitable "ups and downs" of a new job. Higher levels of early job satisfaction and less inclination to leave prematurely are among the expected benefits.

○ **Realistic job previews** provide job candidates with all pertinent information about a job and organization.

## HOW TO MAKE SELECTION DECISIONS

The process of **selection** involves choosing from a pool of applicants the person or persons who offer the greatest performance potential. Steps in a typical selection process are shown in *Figure 12.3*. They are (1) completion of a formal application form, (2) interviewing, (3) testing, (4) reference checks, (5) physical examination, and (6) final analysis and decision to hire or reject. The best employers exercise extreme care in making selection decisions, seeking the best fit between individual and organization.

○ **Selection** is choosing who to hire from a pool of qualified job applicants.



**Figure 12.3** Steps in the selection process: the case of a rejected job applicant.

## Application Forms

The application form declares the individual as a formal candidate for a job. It documents the applicant's personal history and qualifications. The personal résumé is often included with the job application. This important document should accurately summarize an applicant's special qualifications. As a job applicant, you should exercise great care in preparing your résumé for job searches. See the Student Portfolio section in the end-of-text Management Learning Workbook for advice. As a recruiter, you should also learn how to screen applications and résumés for insights that can help you make good selection decisions.

## Interviews

Interviews are times in the selection process when both the job applicant and potential employer can learn a lot about one another. However, they can be difficult for both parties. Sometimes interviewers ask the wrong things, sometimes they talk too much, sometimes the wrong people do the interviewing, sometimes their personal biases prevent an applicant's capabilities from being fully considered. Interviewees fail, too. They may be unprepared; they may be poor communicators; they may lack interpersonal skills. An increasingly common and challenging interview setting for job applicants is highlighted in *Manager's Notepad 12.2*—the telephone interview.

## Employment Tests

Testing is often used in the screening of job applicants. Some of the common employment tests are designed to identify intelligence, aptitudes, personality, and interests. Whenever tests are used, the goal should be to gather information that will help predict the applicant's eventual performance success. Like any selection device, tests should meet the criteria of

reliability and validity. **Reliability** means that the device is consistent in measurement; it returns the same results time after time. **Validity** means that there is a demonstrable relationship between a person's score or rating on a selection device and his or her eventual job performance. In simple terms, validity means that a good test score really does predict good performance.

New developments in testing extend the process into actual demonstrations of job-relevant skills and personal characteristics. An **assessment center** evaluates a person's potential by observing his or her performance in experiential activities designed to simulate daily work. A related approach is **work sampling**, which asks applicants to work on actual job tasks while being graded by observers on their performance. When Mercedes opened its new plant in Alabama, it set up job-specific exercises to determine who had the best of the required skills and attitudes.<sup>31</sup> One was a tire-changing test, with color-coded bolts and a set of instructions. As Charlene Paige took the test, she went slowly and carefully followed directions; two men with her changed the tires really fast. Charlene got the job and soon worked into a team leader position.<sup>32</sup>

○ **Reliability** means a selection device gives consistent results over repeated measures.

○ **Validity** means scores on a selection device have demonstrated links with future job performance.

○ An **assessment center** examines how job candidates handle simulated work situations.

○ In **work sampling** applicants are evaluated while performing actual work tasks.

### Reference and Background Checks

Reference checks are inquiries to previous employers, academic advisors, coworkers, and/or acquaintances regarding the qualifications, experience, and past work records of a job applicant. Although they may be biased if friends are prearranged "to say the right things if called," reference checks are important. The Society for Human Resources Management estimates that 25 percent of job applications and résumés contain errors.<sup>34</sup> Reference checks can better inform the potential em-

ployer. They can also help add credibility to the candidate if they back up what is said in an application.

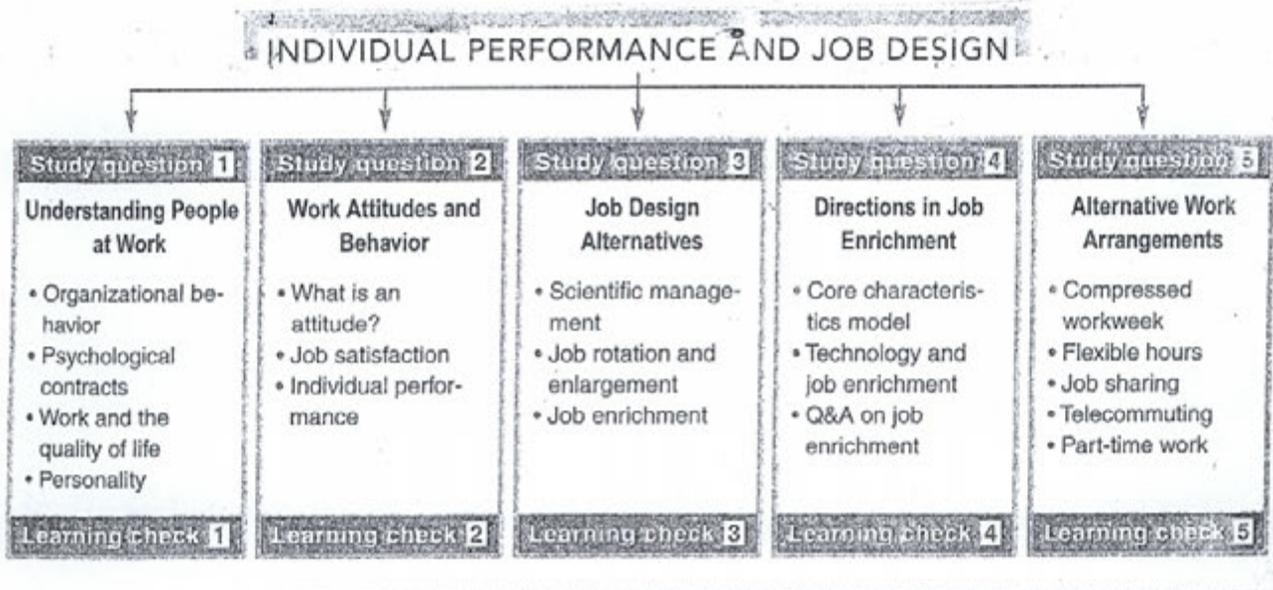
### Physical Examinations

Many organizations ask job applicants to take a physical examination. This health check helps ensure that the person is physically capable of fulfilling job requirements. It may also be used as a basis for enrolling the applicant in health-related fringe benefits such as life, health, and disability insurance programs. A controversial development is drug testing, used for pre-employment health screening and even as a basis for continued employment at some organizations.

### Final Decisions to Hire or Reject

The best selection decisions are most likely to be those involving extensive consultation among an applicant, future manager, or team leader and coworkers, as well as the human resource staff. Importantly, the emphasis in selection should be comprehensive and should focus on the person's capacity to perform well. Just as a "good fit" can produce long-term advantage, a "bad fit" can be the source of many long-term problems.

# Individual Behavior And Performance



**F**or managers in organizations of all types and sizes a critical pathway toward performance improvement is better mobilizing and unlocking the great potential of human talent.<sup>2</sup> The ideal situation is a loyal and talented workforce that is committed to organizational goals and highly motivated to work hard in their behalf. But saying this is one thing; achieving it is quite another. Even in the best of circumstances the management of human resources is a challenging task. In order for human capital to have an impact on organizational performance, it must be supported, nurtured, and allowed to work to its best advantage. All too often it is not, observe scholars Jeffrey Pfeffer and Charles O'Reilly. They believe that too many organizations underperform because they operate with great untapped "hidden value" in human resources; they fail to take full advantage of the talent they already have available.<sup>3</sup> They criticize organizations "with smart, motivated, hard-working, decent people who nevertheless don't perform very well because the company doesn't let them shine and doesn't really capitalize on their talent and motivation." O'Reilly and Pfeffer also praise true high-performance organizations as ones able to "produce extraordinary results from almost everybody."

## UNDERSTANDING PEOPLE AT WORK

What do you think about when you see or hear the word "work"? Is it a "turn-on" or a "turn-off"? When Dolly Parton sang "Working 9 to 5; what a way to make a living," she reminded us of an unfortunate reality—that work is not a positive experience for everyone. But isn't this a shame? Some years ago, Karen Nussbaum founded an organization called "9 to 5" and devoted to improving women's salaries and promotion opportunities in the workplace.<sup>4</sup> She started the business after leaving her job as a secretary at Harvard University. Describing what she calls "the incident that put her over the edge," Nussbaum says, "One day . . . I was sitting at my desk at lunchtime, when most of the professors were out. A student walked into the office and looked me dead in the eye and said, 'Isn't *anyone* here?'"<sup>4</sup> Nussbaum founded 9 to 5 to support her personal commitment to "remake the system so that it does not produce these individuals."

Although expressed in different ways and through different media, Parton and Nussbaum direct our attention toward an unfortunate fact of life in the modern workplace—some people, too many people, work under conditions that fail to provide them with respect and satisfaction. A central premise of *Management 8/e* is that it doesn't have to be this way. People at work can both achieve high performance and experience job satisfaction. When managers value people and create jobs and high-quality work environments that respect people's needs and potential, everyone gains.

## ORGANIZATIONAL BEHAVIOR

The present and following chapters on individuals, groups, and interpersonal dynamics will draw upon concepts and insights from **organizational behavior**, the study of individuals and groups in organizations. Called "OB" for short, it is an applied scientific discipline that seeks both to explain human behavior in organizations and to make practical suggestions for influencing it. Research in OB addresses such outcome or dependent variables as individual and team performance, job satisfaction, group morale, absenteeism, turnover, organizational citizenship, organizational commitment, and other matters of individual, organizational, and social consequence. The foundations of OB as a scientific discipline are as follows:<sup>5</sup>

1. *An interdisciplinary body of knowledge*—OB draws insights from the social sciences and related areas.
2. *Use of scientific methods*—The knowledge base of OB is created by scientific methods using rigorous concepts and disciplined analysis.
3. *Focus on practical applications*—OB strives to make a positive difference by improving the performance of organizations and their members.
4. *Contingency thinking*—OB respects individual differences, seeking the best fits between management practices and situational complexities.

○ **Organizational behavior** is the study of individuals and groups in organizations.

← Major foundations of organizational behavior

One of the important contingency issues in OB is the notion of *person-job fit*, finding a good match of individual interests and capabilities with job characteristics. For example, Rich De Vault, a manager at Stryker Instruments, noticed that an employee's interpersonal talents weren't being well utilized. After DeVault moved him to another job that required good human relations skills, the employee saved Stryker \$1 million in outsourcing fees. Says DeVault: "The look on his face when he's working is different—he's much more absorbed in what he's doing. His new position allows him to use his talents by coordinating a number of in-house and subcontractor resources. His enthusiasm stepped up as well as his impact."<sup>6</sup>

## PSYCHOLOGICAL CONTRACTS

The effective management of person-job fit begins with the nature of the employment relationship itself. Work should provide a mutual and positive exchange of value between people and organizations. This sense of mutual benefit is reflected in the **psychological contract**, or set of expectations held by the individual about what will be given and received in the employment relationship.<sup>7</sup> The ideal work situation is one in which the exchange of values in the psychological contract is considered fair. When the psychological contract is unbalanced or broken, however, morale problems easily develop. This problem surfaced in Japan where workers historically enjoyed high job security and, in return, put in long work hours at great personal sacrifice. But when the Japanese economy experienced difficulty and companies cut back on job protections, worker morale declined. The psychological contract shared between workers and employers had been damaged.<sup>8</sup>

Figure 15.1 shows that a healthy psychological contract offers a balance between individual contributions made to the organization and inducements received in return. *Contributions* are work activities, such as effort, time, creativity, and loyalty, that make the individual a valuable human resource. *Inducements* are things the organization gives to the individual in exchange for these contributions. Typical inducements in-

○ A **psychological contract** is the set of individual expectations about the employment relationship.

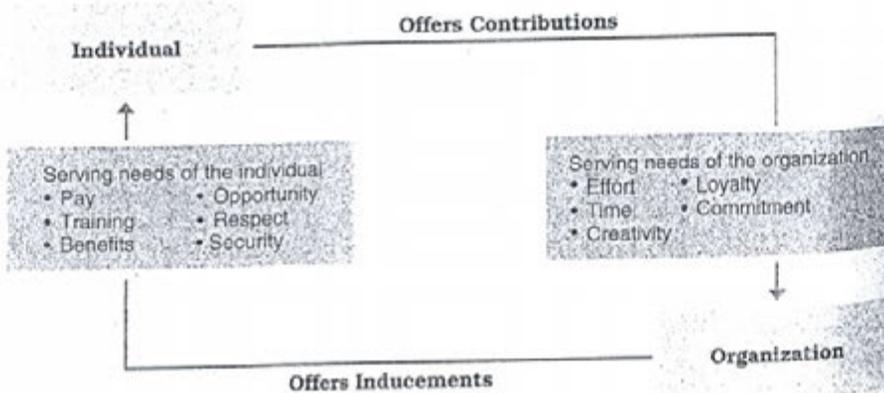


Figure 15.1 Components in the psychological contract.

clude pay, fringe benefits, training, opportunities for personal growth and advancement, and job security. Such inducements should be valued by employees and should make it worthwhile for them to work hard for the organization.

## WORK AND THE QUALITY OF LIFE

The term "quality of work life" (QWL) was first used in Chapter 1 to describe the overall quality of human experiences in the workplace. Most people spend many hours a week, and many years of their lives, at work. What happens to them at work, how they are treated, and what their work is like are influences on their overall quality of life.<sup>9</sup> Our experiences at work can and often do spill over to affect our nonwork activities and lives, just as our nonwork experiences sometimes affect our attitudes and performance at work.

Anyone who serves as a manager must accept that the job carries a high level of social responsibility. Poor management practices can diminish a person's overall quality of life, not just the quality of work life; good management, by contrast, has the potential to enhance both. If you think this is an overstatement, consider a steel worker's compelling words once shared with the noted author Studs Terkel:<sup>10</sup>

*When I come home, know what I do for the first twenty minutes? Fake it. I put on a smile. I got a kid three years old. Sometimes she says, "Daddy, where've you been?" I say, "Work." I could have told her I'd been in Disneyland. What's work to a three-year-old kid? If I feel bad, I can't take it out on the kid. Kids are born innocent of everything but birth. You can't take it out on your wife either. That is why you go to a tavern. You want to release it there rather than do it at home. What does an actor do when he's got a bad movie? I got a bad movie every day.*

Today's managers are expected to help create work environments within which people have positive experiences while performing to high levels of expectation. The themes of this chapter all relate in one way or another to this goal.

## PERSONALITY TRAITS

"Of course he's a bad fit for the job; with a personality like that, he doesn't work well with others." "Put Shoshanna on the project; her personality is perfect for the intensity that we expect from the team." These are examples of everyday conversations about people at work, with the key word being **personality**—the combination or overall profile of characteristics that makes one person unique from every other. Individual personalities and variations among them are important managerial considerations in any work setting. It is common and helpful in this regard to understand what psychologists call the *Big Five personality traits*.<sup>11</sup>

- **Extroversion**—The degree to which someone is outgoing, sociable, and assertive. An extrovert is comfortable and confident in interpersonal relationships; an introvert is more withdrawn and reserved.
- **Agreeableness**—The degree to which someone is good-natured, cooperative, and trusting. An agreeable person gets along well with

○ **Personality** is the profile of characteristics making a person unique from others.

← Big Five personality traits

○ **Extroversion** is being outgoing, sociable, and assertive.

○ **Agreeableness** is being good-natured, cooperative, and trusting.

○ **Conscientiousness** is being responsible, dependable, and careful.

○ **Emotional stability** is being relaxed, secure, and unworried.

○ **Openness** is being curious, receptive to new ideas, and imaginative.

○ **Locus of control** is the extent to which one believes that what happens is within one's control.

others; a disagreeable person is a source of conflict and discomfort for others.

- **Conscientiousness**—The degree to which someone is responsible, dependable, and careful. A conscientious person focuses on what can be accomplished and meets commitments; a person who lacks conscientiousness is careless, often trying to do too much and failing, or doing little.
- **Emotional stability**—The degree to which someone is relaxed, secure, and unworried. A person who is emotionally stable is calm and confident; a person lacking in emotional stability is anxious, nervous, and tense.
- **Openness**—The degree to which someone is curious, open to new ideas, and imaginative. An open person is broad-minded, receptive to new things, open to change; a person who lacks openness is narrow-minded, has few interests, and is resistant to change.

You can easily spot these personality traits in people with whom you work, study, and socialize. But don't forget that they also apply to you; others have impressions of your personality on these very same dimensions. In the social context of the workplace, managers must be able to understand and respond to these personality differences when making job assignments, building teams, and otherwise engaging in the daily give-and-take of work. Psychologists also use the Big Five to steer people in the direction of career choices that provide the best personality-job fits.

Figure 15.2 displays the Big Five along with five other personality dimensions that can make a further difference in how people work and how well they work together in organizations.<sup>12</sup> Scholars have a strong interest in **locus of control**, recognizing that some people believe they are in control of their destinies while others believe that what happens to them is beyond their control.<sup>13</sup> "Internals" are more self-confident and accept responsibility for their own actions, while "externals" are more prone to blame others and outside forces for what happens to them. Interestingly, research suggests that internals tend to be more satisfied and less alienated from their work.

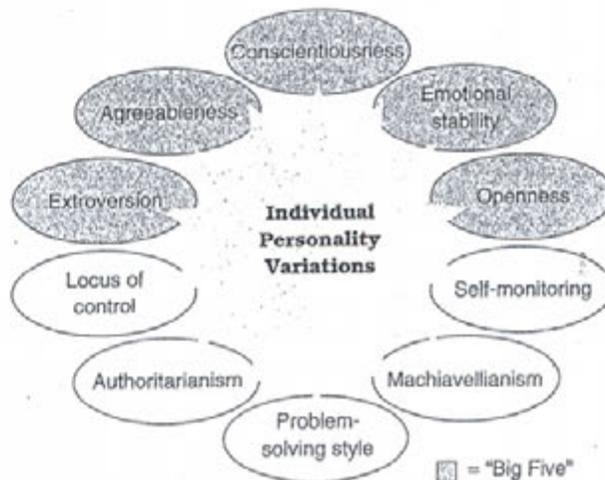


Figure 15.2 The "Big Five" and five more personality dimensions that influence human behavior at work.

**Authoritarianism** is the degree to which a person defers to authority and accepts status differences.<sup>14</sup> Someone with an authoritarian personality would tend to act rigidly and be control-oriented when in a leadership capacity; this same person would be subservient and follow the rules when in a follower capacity. The tendency of people with an authoritarian personality to obey orders can be problematic if they follow a supervisor's directives to the point of acting unethically—or even illegally.

In his 16th-century book *The Prince*, Niccolò Machiavelli gained lasting fame for giving advice on how to use power to achieve personal goals.<sup>15</sup> Machiavellianism describes the extent to which someone is emotionally detached and manipulative in using power.<sup>16</sup> A person with a "high-Mach" personality is usually viewed as exploitative and unconcerned about others, with the guiding rule being that the end justifies the means. A person with a "low-Mach" personality, by contrast, would be deferential in allowing others to exert power over them.

The psychologist Carl Jung pointed out that people display significant differences in **problem-solving styles**, or the way they gather and evaluate information for decision making.<sup>17</sup> Information is gathered by *sensation* (emphasizing details, facts, and routine) or by *intuition* (looking for the "big picture" and being willing to deal with various possibilities). Information is evaluated by *thinking* (using reason and analysis) or by *feeling* (responding to the feelings and desires of others). Because these differences are so extreme, it is not surprising that people approach their jobs in different ways and have difficulty at times working with one another. Many organizations use the Myers-Briggs Type Indicator, a 100-question survey instrument, to measure variations in problem-solving styles. Employees are trained to both understand their own problem-solving styles and to learn how to work more productively with people with different styles.

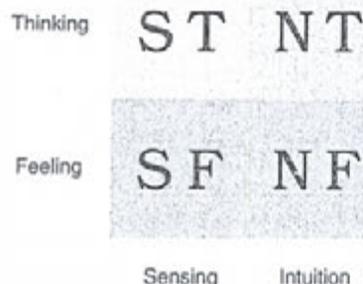
Finally, **self-monitoring** reflects the degree to which someone is able to adjust and modify behavior in response to the situation and external factors.<sup>19</sup> A person high in self-monitoring tends to be a learner, comfortable with feedback, and both willing and able to change. Because high self-monitors are flexible in changing behavior from one situation to the next, it may be hard to get a clear reading of where they stand. A person low in self-monitoring, by contrast, is predictable, tending to act consistently regardless of circumstances.

○ **Authoritarianism** is the degree to which a person tends to defer to authority.

## PERSONAL MANAGEMENT

Your **PROBLEM-SOLVING STYLE** is likely to differ from those of people you study and work with. It is important to understand your style and learn about problems that can occur as styles clash when you work with others. Which of the four master problem-solving styles shown here best describes you?<sup>18</sup>

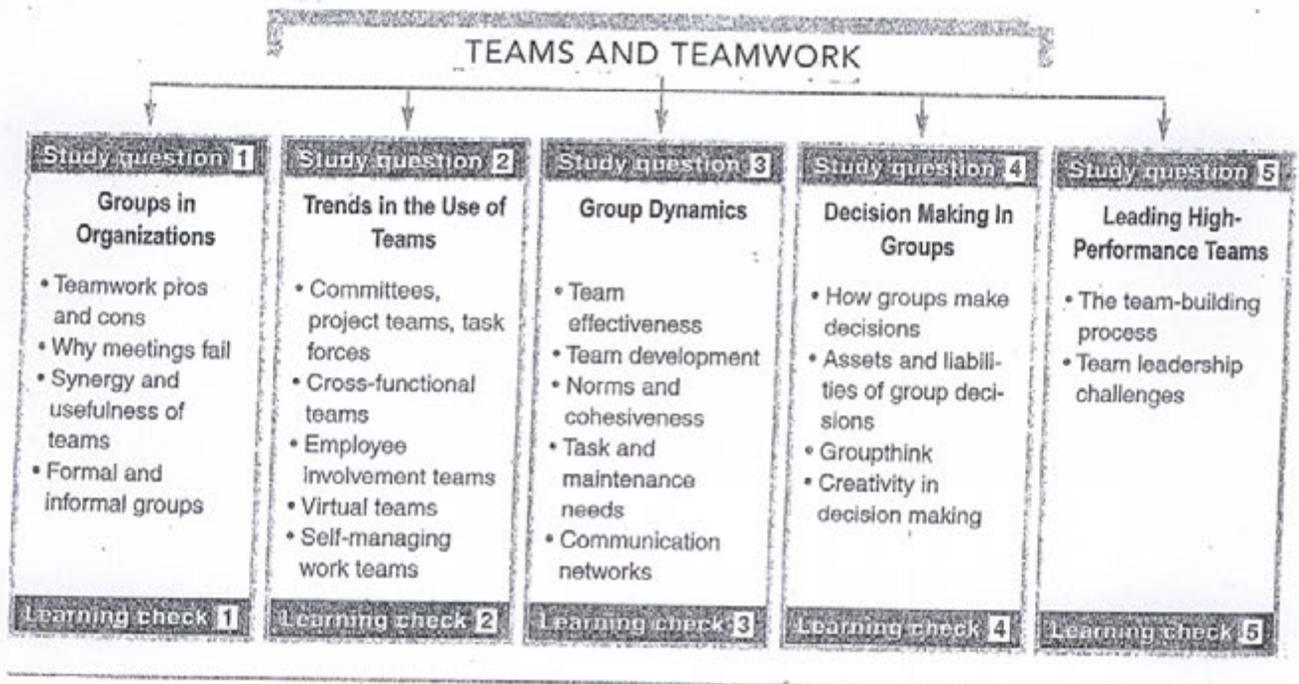
- **Sensation-Thinker:** STs take a realistic approach to problem solving, preferring "facts," clear goals, and certainty.
- **Intuitive-Thinker:** NTs are comfortable with abstraction and unstructured situations, tending to be idealistic and to avoid details.
- **Intuitive-Feeler:** NFs are insightful, like to deal with broad issues, and value flexibility and human relationships.
- **Sensation-Feeler:** SFs emphasize analysis using facts, while being open communicators and respectful of feelings and values.



Complete Self-Assessments #25—**Cognitive Style**, and #26—**Internal-External Control**, from the Management Learning Workbook.

○ **Self-monitoring** is the degree to which someone is able to adjust behavior in response to external factors.

# Teams and teamwork



*People have the need to work in teams. There is a desire to work with others and enjoy the benefits of your work and your successes together; these . . . satisfactions are as important today as they have ever been.*

Andy Grove, former Chairman of Intel, Inc.

*I learned a long time ago that in team sports or in business, a group working together can always defeat a team of individuals even if the individuals, by themselves, are better than your team . . . If you're going to empower people and you don't have teamwork, you're dead.*

John Chambers, CEO of Cisco Systems

As these opening quotes suggest, the new workplace is rich in teams and teamwork.<sup>2</sup> To build high-performance organizations driven by speed, innovation, efficiency, spontaneity, and continuous change, the great potential of teams and teamwork must be harnessed. But even as we recog-

nize that finding the best ways to utilize teams as performance resources is an important managerial task, we must also admit that it is not always easy to successfully lead through teamwork.

Just the words "group" and "team" elicit both positive and negative reactions in the minds of many people. Although it is said that "two heads are better than one," we are also warned that "too many cooks spoil the broth." The true skeptic can be heard to say: "A camel is a horse put together by a committee." Against this somewhat humorous background lies a most important point. Teams are both rich in performance potential and very complex in the way they work.<sup>3</sup> Consider, too, these realities. Many people prefer to work in teams rather than independently; over 60 percent of the average worker's time is spent in a team environment; even though most workers spend at least some time in teams, less than half receive training in group dynamics.<sup>4</sup>

## TEAMS IN ORGANIZATIONS

Most tasks in organizations are well beyond the capabilities of individuals alone. Managerial success is always earned in substantial part through success at mobilizing, leading, and supporting people as they work together in groups. The new organizational designs and cultures require it, as does any true commitment to empowerment and employee involvement.<sup>5</sup> There is no doubt that teams are indispensable to the new workplace. The question for managers, and the guiding theme of this chapter, thus becomes: How do we make sure that teams and teamwork are utilized to everyone's best advantage?

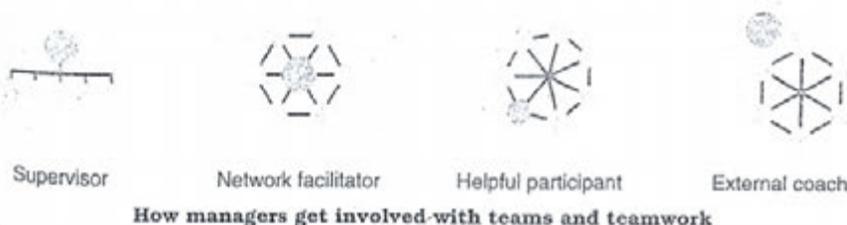
Before proceeding, let's be specific about the terminology. A **team** is a small group of people with complementary skills, who work together to accomplish shared goals while holding themselves mutually accountable for performance results.<sup>6</sup> **Teamwork** is the process of people working together to accomplish these goals.

○ A **team** is a collection of people who regularly interact to pursue common goals.

○ **Teamwork** is the process of people actively working together to accomplish common goals.

## TEAMWORK PROS AND CONS

Figure 16.1 shows four important roles that managers must perform in order to fully master the challenges of teams and teamwork. These roles, along with examples, are: (1) *supervisor*—serving as the appointed head of a formal work unit; (2) *facilitator*—serving as the peer leader and networking hub for a special task force; (3) *participant*—serving as



How managers get involved with teams and teamwork

Figure 16.1 Team and teamwork roles for managers.

o **Social loafing** is the tendency of some people to avoid responsibility by "free-riding" in groups.

a helpful contributing member of a project team; and (4) *coach*—serving as the external convenor or sponsor of a problem-solving team-staffed by others.

Experience has taught all of us that serving in these roles isn't always easy and that things don't always work out as intended. Teams and teamwork are not problem-free. For example, who hasn't encountered **social loafing**—the presence of "free-riders" who slack off because

responsibility is diffused in teams and others are present to do the work?<sup>7</sup> Things don't have to be this way. The time we spend in groups can be productive and satisfying, but to make it so we must understand the complex nature of groups and their internal dynamics.<sup>8</sup>

An important management skill is knowing *when* a team is the best choice for a task. Another is knowing *how* to work with and manage the team to best accomplish that task. Take social loafing as an example. What can a leader or other concerned team member do when someone is free-riding? It's not easy, but the problem can be addressed. Actions can be taken to make individual contributions more visible, reward individuals for their contributions, make task assignments more interesting, and keep group size small so that free-riders are more visible to peer pressure and leader evaluation.<sup>9</sup>

Other problems are also common when we work in groups and teams. Personality conflicts and individual differences in work styles can disrupt the team. Tasks are not always clear. Ambiguous agendas and/or ill-defined problems can cause teams to work too long on the wrong things. Not everyone is always ready to work. Sometimes the issue is lack of motivation, but it may also be conflicts with other work deadlines and priorities. Low enthusiasm for group work may also be caused by a lack of team organization or progress, as well as by meetings that lack purpose and members who come unprepared. These and other difficulties can easily turn the great potential of teams into frustration and failure.

## PERSONAL MANAGEMENT

No one can deny that teams are indispensable in today's organizations. And importantly, you cannot deny that a large part of your career success will depend on your skills at working in and leading teams. The question of the day is: Are you ready for truly valuable **TEAM CONTRIBUTIONS**? Consider this list of critical skills that you must have in order to contribute significantly to the success of work teams:

- Good at encouraging and motivating others.
- Good at accepting suggestions.
- Good at listening to different points of view.
- Good at communicating information and ideas.
- Good at persuasion.
- Good at conflict resolution and negotiating.
- Good at building consensus.
- Good at fulfilling commitments.

Ask yourself the tough questions. In your classes and/or at work, are you making these contributions to the teams in which you are asked to participate? Push the question even further. Ask others who know and work with you to assess your performance and contributions as a group member. What suggestions do they have for how you could improve your team contributions?

Complete Self-Assessments #27—Team Leader Skills, and Exercises #26—Lost at Sea, and #27—Work Team Dynamics, from the Management Learning Workbook.

## WHY MEETINGS FAIL

One of the best examples of group work in organizations is the ever-present meeting.<sup>10</sup> But what do you think when someone says: "Let's have a meeting." Are you ready, apprehensive, or even perturbed? Meetings are a hard fact of the workplace, especially in today's horizontal,

## Seven sins of deadly meetings

1. People arrive late, leave early, and don't take things seriously.
2. The meeting is too long, sometimes twice as long as necessary.
3. People don't stay on topic; they digress and are easily distracted.
4. The discussion lacks candor; people are unwilling to tell the truth.
5. The right information isn't available, so decisions are postponed.
6. Nothing happens when the meeting is over; no one puts decisions into action.
7. Things never get better; the same mistakes are made meeting after meeting.

flexible, and team-oriented structures. But all too often, those who must attend do not view the call to yet another meeting enthusiastically. A survey by Office Team, for example, found that 27 percent of respondents viewed meetings as their biggest time wasters, ranking ahead of unnecessary interruptions.<sup>11</sup> "We have the most ineffective meetings of any company," says a technology executive. "We just seem to meet and meet and meet and we never seem to do anything," says another in the package delivery industry. "We realize our meetings are unproductive. A consulting firm is trying to help us. But we've got a long way to go," says yet another corporate manager.<sup>12</sup>

Consider the list of typical meeting problems described in *Manager's Notepad 16.1*.<sup>13</sup> You might even be able to add to the list from personal experience in student groups and work teams. But remember, in your career it will be important for you to make the most of meetings as a leader and as a member. Meetings can and should be places where information is shared, decisions get made, and people gain understanding of one another. And this can be accomplished without "wasting" time. The material in this chapter offers a useful knowledge base about group dynamics that can be helpful in making your meetings effective. But as with all group activities in organizations, good things don't happen by chance. People have to work hard and work together to make their meetings productive and rewarding.

## SYNERGY AND THE USEFULNESS OF TEAMS

**Synergy** is the creation of a whole that is greater than the sum of its parts. Teamwork in our society makes available everything from aircraft to the Internet to music videos. It all happens because of synergy, the pooling of individual talents and efforts to create extraordinary results. Synergy occurs when a team uses its membership resources to the

o **Synergy** is the creation of a whole greater than the sum of its individual parts.

### REALITY CHECK 16.1

#### Meeting patterns around the world

Cultures vary and so do their approaches to meetings. In the United States, it is common for meetings to open informally, with a brief introduction, perhaps a cup of coffee, and even a light joke. Take the on-line "Reality Check" to learn more about meeting practices in other parts of the world.

fullest and thereby achieves through collective action far more than could otherwise be achieved. This is very good for organizations and it can also be very good for their members. Being part of a team can have a strong influence on individual attitudes and behaviors. When the experience is positive, working in and being part of a team helps satisfy important individual needs. Sometimes these are needs that may be difficult to meet in the regular work setting. Thus, in terms of both performance and satisfaction, the usefulness of teams is extensive. They offer:<sup>14</sup>

Usefulness of teams

- More resources for problem solving.
- Improved creativity and innovation.
- Improved quality of decision making.
- Greater commitments to tasks.
- Higher motivation through collective action.
- Better control and work discipline.
- More individual need satisfaction.

## FORMAL AND INFORMAL GROUPS

○ A **formal group** is officially recognized and supported by the organization.

The teams officially recognized and supported by the organization for specific purposes are **formal groups**. They are part of the formal structure and are created to fulfill a variety of essential operations. A good example is the work group consisting of a manager and subordinates, and responsible for the continuing performance of important tasks. Work groups exist in various sizes and go by different labels. They may be called *departments* (e.g., market research department), *units* (e.g., audit unit), *teams* (e.g., customer service team), or *divisions* (e.g., office products division), among other possibilities. In all cases, they are the building blocks of organization structures. Indeed, in Rensis Likert's classic view of organizations, they form an interlocking network of groups in which managers and leaders serve important "linking pin" roles.<sup>15</sup> Each manager or leader serves both as a superior in one work group and as a subordinate in the next-higher-level one.

○ An **informal group** is unofficial and emerges from relationships and shared interests among members.

**Informal groups** are also present and important in every organization. They are not recognized on organization charts and are not officially created to serve an organizational purpose. They emerge from natural or spontaneous relationships among people. Some informal groups are *interest groups* in which workers band together to pursue a common cause, such as better working conditions. Some emerge as *friendship groups* that develop for a wide variety of personal reasons, including shared nonwork interests. Others emerge as *support groups* in which the members basically help one another do their jobs.

Two points about informal groups are especially important for managers to understand. First, informal groups are not necessarily bad. Indeed, they can have a positive impact on work performance. The relationships and connections made possible by informal groups may actually help speed the workflow or allow people to "get things done" in ways not possible within the formal structure. Second, informal groups can help satisfy social needs that are otherwise thwarted or left unmet. Among other things, for example, informal groups often offer their members social satisfactions, security, support, and a sense of belonging.

## TRENDS IN THE USE OF TEAMS

The trend toward greater empowerment in organizations is associated with new developments in the use of teams.<sup>16</sup> Committees, project teams, task forces and cross-functional teams are main stream in the modern workplace. A variety of employee involvement teams, including quality circles, are also increasingly commonplace. And, developments in information technology are creating new opportunities for people to work together in computer-mediated or virtual teams.

### COMMITTEES, PROJECT TEAMS AND TASK FORCES

A **committee** brings people together outside of their daily job assignments to work in a small team for a specific purpose. The task agenda is typically narrow, focused, and ongoing. For example, organizations usually have a variety of permanent or standing committees dedicated to a wide variety of concerns—such as diversity and compensation.<sup>17</sup> Committees are led by a designated head or chairperson who is held accountable for performance results.

**Project teams** or **task forces** bring together people from various parts of an organization to work on common problems, but on a temporary rather than permanent basis. The task assignments for project teams and task forces are very specific; completion deadlines are also clearly defined; creativity and innovation are often very important once the project or task is completed and the team disbands. Project teams, for example, might be formed to develop a new product or service, redesign an office layout, or provide specialized consulting for a client.<sup>18</sup> Some guidelines for managing projects and task forces are found in *Manager's Notepad 16.2*.<sup>19</sup>

○ A **committee** is designated to work on a special task on a continuing basis.

○ A **project team** or **task force** is convened for a specific purpose and disbands when its task is completed.

### CROSS-FUNCTIONAL TEAMS

The **cross-functional team**, whose members come from different functional units, is indispensable to organizations that emphasize adaptation and horizontal integration.<sup>20</sup> Members of cross-functional teams work together on specific problems or tasks, and with the needs of the whole organization in mind. They are expected to share information, explore new ideas, seek creative solutions, and meet project deadlines. They are expected to knock down the "walls" that otherwise separate departments and people in the organization. At Tom's of Maine, for example, "Acorn Groups"—symbolizing the fruits of the stately oak tree—are used to help launch new products. They bring together members of all departments to work on new ideas from concept to finished product. The goal is to minimize problems and maximize efficiency through cross-departmental cooperation.<sup>21</sup>

○ A **cross-functional team** operates with members who come from different functional units of an organization.

## EMPLOYEE INVOLVEMENT TEAMS

○ An **employee involvement team** meets on a regular basis to help achieve continuous improvement.

○ A **quality circle** is a team of employees who meet periodically to discuss ways of improving work quality.

Another development in today's organizations is use of **employee involvement teams**. These are groups of workers who meet on a regular basis outside of their formal assignments, with the goal of applying their expertise and attention to continuous improvement. A popular form of employee involvement team is the **quality circle**, a group of workers that meets regularly to discuss and plan specific ways to improve work quality.<sup>22</sup> After receiving special training in problem solving, team processes, and quality issues, members of the quality circle try to come up with suggestions that can be implemented to raise productivity through quality improvements. Quality circles became popular in U.S. industry in part because of their place in Japanese management.

## VIRTUAL TEAMS

○ Members of a **virtual team** work together and solve problems through computer-based interactions.

A newer form of group that is increasingly common in today's organizations is the **virtual team**—sometimes called a *computer-mediated group* or *electronic group network*.<sup>23</sup> This is a team of people who work together and solve problems largely through computer-mediated rather than face-to-face interactions. First discussed in Chapter 7 on information and decision making, the use of virtual teams is changing the way many committees, task forces, and other problem-solving teams function. Working in virtual environments, team members in dispersed locations can easily address problems and seek consensus on how to best deal with them. Virtual teams operate just like other teams in respect to what gets done; how things get done, however, is different and this can be a source of both potential advantages and disadvantages.<sup>25</sup>

In terms of potential advantages, virtual teams can save time and travel expenses. They can allow members to work collectively in a time-efficient fashion, and without interpersonal difficulties that might otherwise occur—especially when the issues are controversial. A vice president for human resources at Marriott, for example, once called electronic meetings “the quietest, least stressful, most productive meetings you’ve ever had.”<sup>27</sup> Virtual teams can also be easily expanded to include additional experts as needed, and the discussions and information shared among team members can be stored on-line for continuous updating and access. When problems do occur in virtual teams, they often arise because members have difficulty establishing good working relationships. Relations among team members can become depersonalized as the lack of face-to-face interaction limits the role of emotions and nonverbal cues in the communication process.<sup>26</sup>

Following some basic guidelines can help ensure that the advantages of virtual teams outweigh their disadvantages. The critical ingredients relate to the creation of positive impressions and the development of trust among team members with limited face-to-face meeting opportunities.<sup>28</sup>

- Virtual teams should begin with social messaging that allows members to exchange information about themselves to personalize the process.
- Virtual team members should be assigned clear roles so that they can focus while working alone and also know what others are doing.
- Virtual team members must join and engage the team with positive attitudes that support a willingness to work hard to meet team goals.

## SELF-MANAGING WORK TEAMS

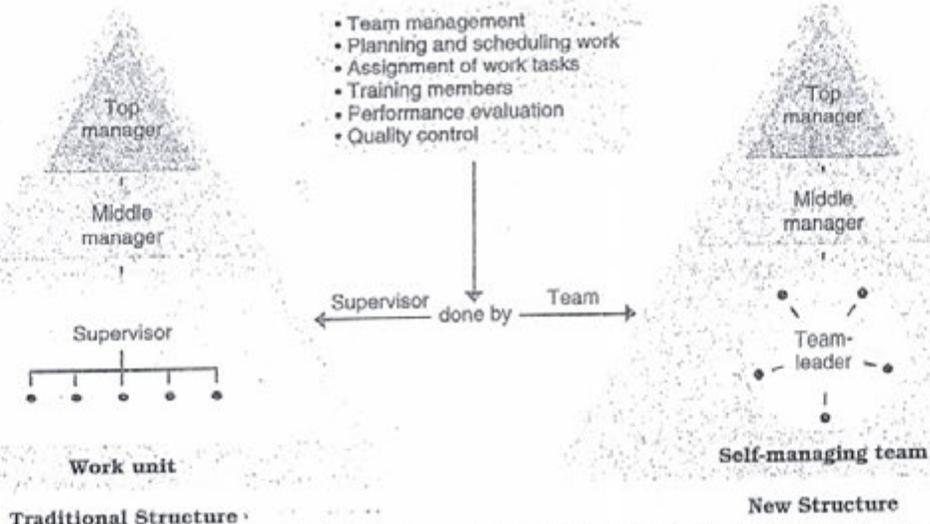
In a growing number of organizations traditional work units consisting of first-level supervisors and their immediate subordinates are disappearing. They are being replaced with **self-managing work teams**. Sometimes called *autonomous work groups*, these are teams of workers whose jobs have been redesigned to create a high degree of task interdependence and who have been given authority to make many decisions about how they go about doing the required work.<sup>29</sup>

○ Members of a **self-managing work team** have the authority to make decisions about how they share and complete their work.

Self-managing teams operate with participative decision making, shared tasks, and the responsibility for many of the managerial tasks performed by supervisors in more traditional settings. The "self-management" responsibilities include planning and scheduling work, training members in various tasks, sharing tasks, meeting performance goals, ensuring high quality, and solving day-to-day operating problems. In some settings, the team's authority may even extend to "hiring" and "firing" its members when necessary. A key feature is *multitasking*, in which team members each have the skills to perform several different jobs. As shown in *Figure 16.2*, typical characteristics of self-managing teams are as follows:

- Members are held collectively accountable for performance results.
- Members have discretion in distributing tasks within the team.
- Members have discretion in scheduling work within the team.
- Members are able to perform more than one job on the team.
- Members train one another to develop multiple job skills.
- Members evaluate one another's performance contributions.
- Members are responsible for the total quality of team products.

Within a self-managing team the emphasis is always on participation. The leader and members are expected to work together not only to do the required work but also to make the decisions that determine how it gets done. A true self-managing team emphasizes team decision making, shared tasks, high involvement, and collective responsibility for accomplished results. The expected advantages include better performance, decreased costs, and higher morale. Of course, these results are not guaranteed. Managing the transition to self-managing teams from more traditional work settings isn't always easy. The process requires leadership committed to both empowerment and a lot of support for these learning to work in new ways. As the concept of self-managing teams spreads globally, researchers are also examining the receptivity of different cultures to self-management concepts.<sup>30</sup> Such cultural dimensions as high-power distance and individualism, for example, may generate resistance that must be considered when implementing this and other team-based organizational practices.



**Figure 16.2** Organizational and management implications of self-managing work teams.

## HOW TEAMS WORK

Regardless of its form and purpose, any team must achieve three key results—perform tasks, satisfy members, and remain viable for the future.<sup>31</sup> On the *performance* side, a work group or team is expected to transform resource inputs (such as ideas, materials, and objects) into product outputs (such as a report, decision, service, or commodity) that have some value to the organization. The members of a team should also be able to experience *satisfaction* from both these performance results and their participation in the process. And, in respect to *future viability*, the team should have a social fabric and work climate that makes members willing and able to work well together in the future, again and again as needed.

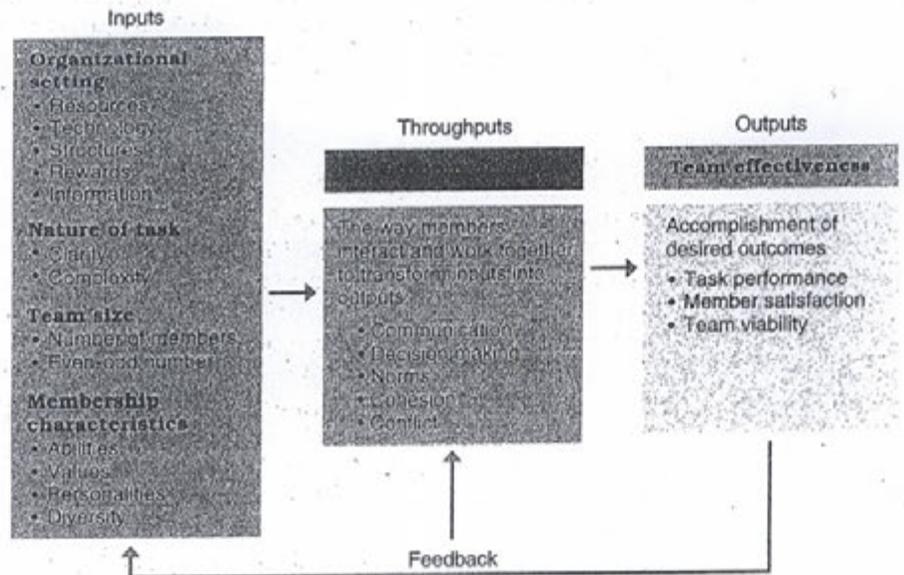
## WHAT IS AN EFFECTIVE TEAM?

An **effective team** is one that achieves and maintains high levels of task performance, member satisfaction, and viability for future action.<sup>32</sup> Figure 16.3 shows how any team can be viewed as an open system that transforms various resource inputs into these outcomes. Among the important inputs are such things as the organizational setting, the nature of the task, the team size, and the membership characteristics.<sup>33</sup> Each of these factors influences the group process and helps set the stage for the accomplishment of group outcomes.

○ An **effective team** achieves high levels of task performance, membership satisfaction, and future viability.

### Group Inputs

The *nature of the task* is always important. It affects how well a team can focus its efforts and how intense the group process needs to be to



**Figure 16.3** An open-systems model of work team effectiveness.

get the job done. Clearly defined tasks make it easier for team members to combine their work efforts. Complex tasks require more information exchange and intense interaction than do simpler tasks. The *organizational setting* can also affect how team members relate to one another and apply their skills toward task accomplishment. A key issue is the amount of support provided in terms of information, material resources, technology, organization structures, available rewards, and spatial arrangements. Increasingly, for example, organizations are being architecturally designed to directly facilitate teamwork. At SEI Investments, employees work in a large, open space without cubicles or dividers; each has a private set of office furniture and fixtures—but all on wheels; all technology easily plugs and unplugs from suspended power beams that run overhead. Project teams convene and disband as needed, and people easily meet and converse intensely with the ebb and flow of work all day.<sup>34</sup>

*Team size* affects how members work together, handle disagreements, and reach agreements. The number of potential interactions increases geometrically as teams increase in size, and communications become more congested. Teams larger than about six or seven members can be difficult to manage for the purpose of creative problem solving. When voting is required, teams with odd numbers of members help prevent "ties." In all teams, the *membership characteristics* are also important. Teams must have members with the right abilities, or skill mix, to master and perform tasks well. They must also have values and personalities that are sufficiently compatible for everyone to work well together.

○ **Group process** is the way team members work together to accomplish tasks.

### Group Process

Although having the right inputs available to a team is important, it is not a guarantee of effectiveness. **Group process** counts too. This is the

way the members of any team actually work together as they transform inputs into outputs. Also called *group dynamics*, the process aspects of any group or team include how members communicate with one another, make decisions, and handle conflicts, among other things. When the process breaks down and the internal dynamics fail in any way, team effectiveness can suffer. This *Team Effectiveness Equation* is a helpful reminder: Team effectiveness = quality of inputs + (process gains - process losses).

### Team Diversity

*Team diversity*, in the form of different values, personalities, experiences, demographics, and cultures among the membership, can present significant group process challenges. The more homogeneous the team—the more similar the members are to one another—the easier it is to manage relationships. As team diversity increases, so too does the complexity of interpersonal relationships among members. But with the complications also come special opportunities. The more heterogeneous the team—the more diversity among members—the greater the variety of available ideas, perspectives, and experiences that can add value to problem solving and task performance.

In teamwork, as with organizations at large, the diversity lesson is very clear. There is a lot to gain when membership diversity is valued and well managed. The process challenge is to maximize the advantages of team diversity while minimizing its potential disadvantages. In the international arena, for example, research indicates that culturally diverse work teams have more difficulty learning how to work well together than do culturally homogeneous teams.<sup>35</sup> They tend to struggle more in the early stages of working together. But once the process challenges are successfully mastered, the diverse teams eventually prove to be more creative than the homogeneous ones.

## STAGES OF TEAM DEVELOPMENT

A synthesis of research on small groups suggests that there are five distinct phases in the life cycle of any team:<sup>36</sup>

1. *Forming*—a stage of initial orientation and interpersonal testing.
2. *Storming*—a stage of conflict over tasks and working as a team.
3. *Norming*—a stage of consolidation around task and operating agendas.
4. *Performing*—a stage of teamwork and focused task performance.
5. *Adjourning*—a stage of task completion and disengagement.

← Stages of team development

### Forming Stage

The forming stage involves the first entry of individual members into a team. This is a stage of initial task orientation and interpersonal testing. As individuals come together for the first time or two, they ask a number of questions: "What can or does the team offer me?" "What will I be asked to contribute?" "Can my needs be met while my efforts serve the task needs of the team?"

In the forming stage, people begin to identify with other members and with the team itself. They are concerned about getting acquainted, estab-

lishing interpersonal relationships, discovering what is considered acceptable behavior, and learning how others perceive the team's task. This may also be a time when some members rely on or become temporarily dependent on another member who appears "powerful" or especially "knowledgeable." Such things as prior experience of organization philosophies, goals, and policies may also affect member relationships in new work teams. Difficulties in the forming stage tend to be greater in more culturally and demographically diverse teams.

### Storming Stage

The storming stage of team development is a period of high emotionality. Tension often emerges between members over tasks and interpersonal concerns. There may be periods of outright hostility and infighting. Coalitions or cliques may form around personalities or interests. Subteams form around areas of agreement and disagreement involving group tasks and/or the manner of operations. Conflict may develop as individuals compete to impose their preferences on others and to become influential in the group's status structure.

Important changes occur in the storming stage as task agendas become clarified and members begin to understand one another's interpersonal styles. Here attention begins to shift toward obstacles that may stand in the way of task accomplishment. Efforts are made to find ways to meet team goals while also satisfying individual needs. Failure in the storming stage can be a lasting liability, whereas success in the storming stage can set a strong foundation for later team effectiveness.

### Norming Stage

Cooperation is an important issue for teams in the norming stage. At this point, members of the team begin to become coordinated as a working unit and tend to operate with shared rules of conduct. The team feels a sense of leadership, with each member starting to play useful roles. Most interpersonal hostilities give way to a precarious balancing of forces as norming builds initial integration. Harmony is emphasized, but minority viewpoints may be discouraged.

In the norming stage, members are likely to develop initial feelings of closeness, a division of labor, and a sense of shared expectations. This helps protect the team from disintegration. Holding the team together may become even more important than successful task accomplishment.

## Performing Stage

Teams in the performing stage are more mature, organized, and well functioning. This is a stage of total integration in which team members are able to deal in creative ways with both complex tasks and any interpersonal conflicts. The team operates with a clear and stable structure, and members are motivated by team goals.

The primary challenges of teams in the performing stage are to continue refining the operations and relationships essential to working as an integrated unit. Such teams need to remain coordinated with the larger organization and adapt successfully to changing conditions over time. A team that has achieved total integration will score high on the criteria of team maturity shown in *Figure 16.4*.<sup>37</sup>

## Adjourning Stage

The final stage of team development is adjourning, when team members prepare to achieve closure and disband. Ideally, temporary committees, task forces, and project teams disband with a sense that important goals have been accomplished. This may be an emotional time, and disbandment should be managed with this possibility in mind. For members who

	Very poor			Very good	
1. Trust among members	1	2	3	4	5
2. Feedback mechanisms	1	2	3	4	5
3. Open communications	1	2	3	4	5
4. Approach to decisions	1	2	3	4	5
5. Leadership behavior	1	2	3	4	5
6. Acceptance of goals	1	2	3	4	5
7. Value diversity	1	2	3	4	5
8. Member cohesiveness	1	2	3	4	5
9. Support for each other	1	2	3	4	5
10. Performance norms	1	2	3	4	5
	Where you don't want to be			Where you do want to be	

**Figure 16.4** Criteria for assessing the maturity of a team.

have worked together intensely for a period of time, breaking up the close relationships may be painful. In all cases, the team would like to disband with members feeling they would work with one another again sometime in the future. Members should be acknowledged for their contributions and praised for the group's overall success.

# CHANGE AT WORK

## The Nature of Change

**Change** is any alteration occurring at work or in the work environment that affects the ways in which employees must act. These changes may be planned or unplanned, catastrophic or evolutionary, positive or negative, strong or weak, slow or rapid, and stimulated either internally or externally. Regardless of their source, nature, origin, pace, or strength, changes can have profound effects on their recipients.

Effects are widespread

The effects of change can be illustrated by comparing an organization to an air-filled balloon. When a finger (which represents external change in this case) is pressed against a point on the balloon (which represents the organization), the contour of the balloon visibly changes (it becomes indented) at the point of contact. Here an obvious pressure, representing change, has produced an obvious deviation at the point of pressure. What is not so obvious, however, is that the entire balloon (the rest of the organization) has also been affected and has stretched slightly. In addition, the tension against the inner surface of the balloon has increased (not, it is hoped, to the breaking point).

Human and technical problem

As shown by this illustration, a safe generalization is that *the whole organization tends to be affected by change in any part of it*. The molecules of air in the balloon represent a firm's employees. It is apparent that those at the spot of pressure must make drastic adjustments. Though the change did not make direct contact with the employees (molecules), it has affected them indirectly. Though none is fired (i.e., leaves the balloon), the employees are displaced and must adjust to a new location in the balloon. This comparison illustrates an additional generalization: *Change is a human as well as a technical problem*.

The comparison using a balloon may be carried further. Repeated pressure at a certain point may weaken the balloon until it breaks. So it is with an organization. Changes may lead to pressures and conflicts that eventually cause a breakdown somewhere in the organization. An example is an employee who becomes dissatisfied and resigns.

Admittedly, the balloon analogy is rough. An employing institution is not a balloon; a person is not a molecule; and people are not as free and flexible as air molecules in a balloon. What has been illustrated is a condition of molecular equilibrium. Organizations, too, tend to achieve an **equilibrium** in their social structure—a state of relative balance between opposing forces. This equilibrium is established when people develop a relatively stable set of relations with their environment. They learn how to deal with one another, how to perform their jobs, and what to expect next. Equilibrium exists; employees are adjusted. When change comes along, it requires them to make new adjustments as the organization seeks a new equilibrium. When employees are unable to make adequate adjustments, the organization is in a state of unbalance, or disequilibrium. At the extreme, disruptions can produce total disarray until they are addressed.

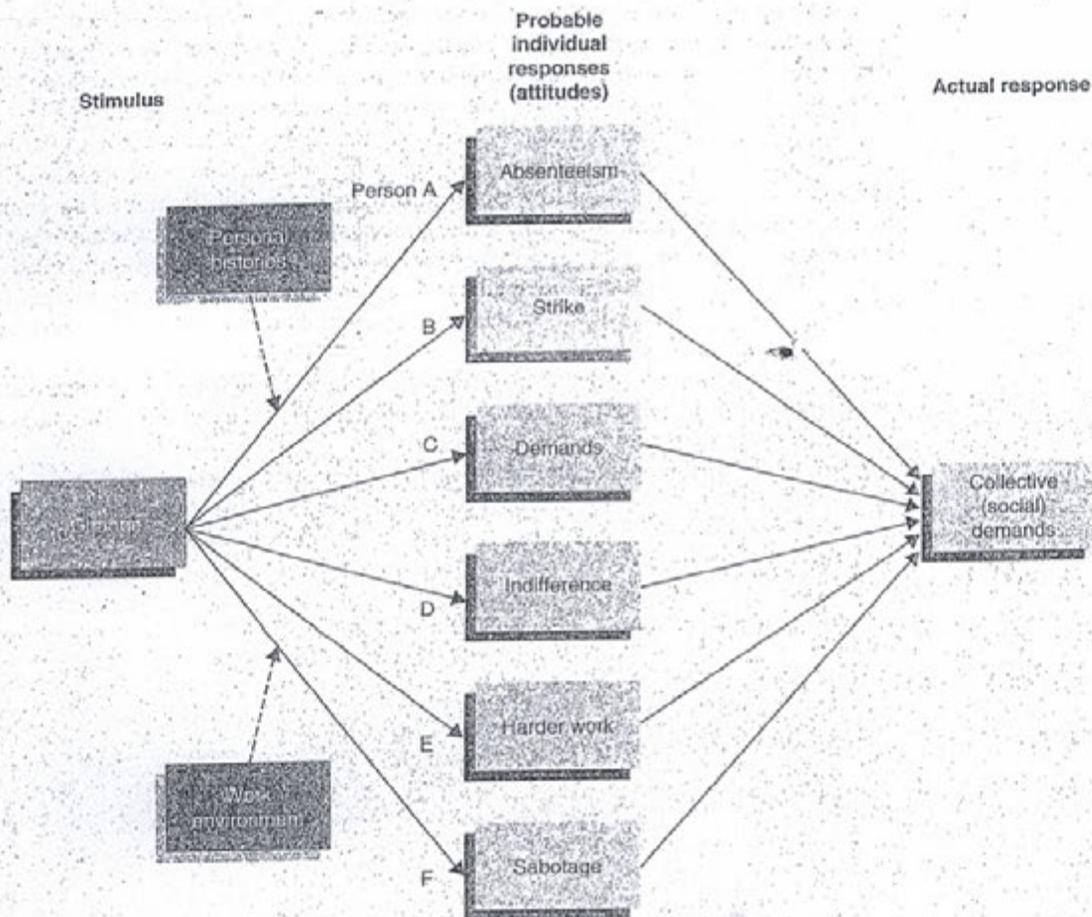
Proactive and reactive roles

This disequilibrium highlights a challenging dilemma for managers, who are juggling competing roles. On the one hand, the manager's role is to *introduce* continual organizational changes so as to bring about a better fit between the firm and its evolving environment. Here, the manager's role is to be **proactive**—anticipating events, initiating change, and taking control of the organization's destiny. On the other hand, part of the manager's role is to *restore and maintain the group equilibrium* and personal adjustment that change upsets. In this role, the manager is more **reactive**—responding to events, adapting to change, and tempering the consequences of change.

Fortunately, many of the organizational changes that occur on a daily basis are somewhat minor. They may affect only a few people, and they may be incremental in nature and relatively predictable. For example, as new procedures evolve or as new members are added to a work group, existing employees generally do not need to change all dimensions of their jobs or acquire totally new behaviors. In such situations, a new equilibrium may be reached readily.

A wide variety of forces, however, may bring about more dramatic changes that touch the entire core of an organization. Many of these have become much more common as the economy, competition, and pace of technological change have become more volatile. Examples include hostile takeovers of firms, leveraged buyouts and subsequent organizational restructuring, acts of public violence and terrorism, and natural disasters like oil spills and gas leaks. Crises like these, whether positive or negative, demand that managers help guide employees through the emotional shock that accompanies them, thereby bringing the organization to a new equilibrium.

FIGURE 14.1 Unified Social Response to Change



### Responses to Change

Work change is further complicated by the fact that it does not produce a direct adjustment, unlike the adjustment of air molecules in the balloon. Instead, it operates through each employee's attitudes to produce a response that is conditioned by feelings toward the change. This relationship was illustrated in a series of classical experiments—the Hawthorne studies, conducted by F. J. Roethlisberger and his associates. In one instance, work lighting was improved regularly according to the simplistic theory that better lighting would lead to greater productivity. As was expected, productivity did increase. Then, lighting was decreased to illustrate the reverse effect—reduced productivity. Instead, productivity increased further. Lighting was again decreased. The result was still greater productivity.

Experiments relating lighting to productivity

Finally, lighting was decreased to 0.06 foot-candle, which is approximately equivalent to moonlight. According to Roethlisberger, "Not until this point was reached was there any appreciable decline in the output rate."<sup>4</sup>

**How Individual Attitudes Affect Response to Change** Obviously, better lighting was not by itself causing greater output. There was no direct (causal) connection between the change and the response. Some other intervening variable, later diagnosed as employee attitudes, had crept in to upset the expected pattern. Roethlisberger later explained the new pattern in the following way: Each change is interpreted by individuals according to their attitudes. *The way that people feel about a change is one factor that determines how they will respond to it.* These feelings are not the result of chance; they are caused. One cause is *personal history*, which refers to people's biological processes, their backgrounds (e.g., family, job, education), and all their social experiences away from work (see Figure 14.1). This history is what they bring to the workplace in the form of preexisting attitudes. A second cause is the *work environment* itself. It reflects the fact that workers are members of a group and their attitudes are influenced by its codes, patterns, and norms.

## Effect of a Diverse Workforce on Change

The workforce in the United States will become increasingly diverse (from a gender and ethnic perspective) as we move through the twenty-first century. New jobs will be filled by higher proportions of females, African-Americans, Hispanics, and Asians than ever before. In addition, the typical education level of workers in this country has gradually increased. Questions: What predictions can you make about the impact of these changes on the employer's likelihood to change? On the employer's capacity to change? On the worker's receptivity to change?

Feelings are nonlogical

Feelings are not a matter of logic. They are neither logical nor illogical, but entirely apart from logic. They are *nonlogical*. Feelings and logic belong in two separate categories, just as inches and pounds do. For that reason, *logic alone is an ineffective means of trying to modify feelings* because it does not get at them directly. Feelings are not much better refuted by logic than this book's length in inches or centimeters is refuted by its weight in pounds or kilograms.

Observation affects behavior

**The Hawthorne Effect** One cause of favorable feelings in the groups studied by Roethlisberger was the interest shown by the researchers in employee problems. This phenomenon later was called the **Hawthorne effect**, named after the factory where the research took place. The Hawthorne effect means that the mere observation of a group—or more precisely, the *perception* of being observed and one's *interpretation* of its significance—tends to change the group. *When people are observed, or believe that someone cares about them, they act differently.* These changes usually are unintended and not even recognized by the members themselves. The Hawthorne effect contaminates the research design, but normally the consequences of it cannot be prevented.

**Group Response to Change** People interpret change individually and have their own probable response to it. However, they often show their attachment to the group by joining with other group members in some uniform response to the change, as shown in the "actual response" in Figure 14.1. This uniformity makes possible such seemingly illogical actions as walkouts when obviously only a few people actually want to walk out. Other employees who are unhappy seize upon the walkout as a chance to show their dissatisfaction and to confirm their affiliation with the group by joining with it in social action. Basically, the group responds with the feeling, "We're all in this together. Whatever happens to one of us affects all of us."

**Homeostasis** In trying to maintain equilibrium, a group is often inclined to return to its perceived best way of life whenever any change occurs. Each pressure, therefore, elicits a counterpressure within the group. The net result is a self-correcting mechanism by which energies are called up to restore balance whenever change threatens. This self-correcting characteristic of organizations is called **homeostasis**—that is, people act to establish a steady state of need fulfillment and to protect themselves from disturbance of that balance. They want to maintain their previous sense of competence.

This leads some employees to engage in various strategies to kill new ideas and maintain homeostasis. They include:

1. Fear mongering ("You want us to go down a slippery slope.")
2. Death by delay ("Let's study this for a little while longer.")
3. Confusion ("There are six big reasons why this just won't work.")
4. Ridicule ("It's a too-simple solution for our complex problem.")<sup>5</sup>

## Costs and Benefits

All changes are likely to have some costs. For example, a new work procedure may require the inconvenience of learning new skills. It temporarily may disrupt work and reduce satisfaction. And new equipment or relocation of old equipment may add costs that are not merely economic; they are also psychological and social. They usually must be paid in order to gain the benefits of proposed changes.

Because of the costs associated with change, proposals for change are not always desirable. They require careful analysis to determine usefulness. Each change requires a detailed cost-benefit analysis. Unless changes can provide benefits above costs, there is no reason for the changes. To emphasize benefits while ignoring costs is illogical. The organizational goal should always be to produce *benefits greater than costs*.

A parallel cost-benefit analysis is appropriate at the individual level, when persons desire to make an **intentional (planned) change**, whether it occurs in their behavior (actions, habits, or competencies), thoughts (ideas, dreams, or aspirations), feelings (emotions and attitudes), or perceptions (ways of looking at things). Here, individuals weigh positive dimensions (such as strengths, hopes, dreams, and optimism) that pull them toward something new and balance these against negative factors that might include problems, pessimism, fears, and shortfalls. The net effect determines whether intentional change is likely to occur and be sustained.<sup>6</sup>

In a determination of benefits and costs, all types must be considered. To examine only economic benefits and costs is useless, because even if a net economic benefit accrues, the social or psychological costs may be too large. Although it is not very practical to reduce psychological and social costs to numbers, they must nevertheless be included in the decision-making process. Almost any change, for example, involves some psychological loss because of the strain it imposes on people as they try to adjust. Psychological costs also are called **psychic costs** because they affect a person's inner self, the psyche.

Knowledge of individual differences helps us predict that *people will react in different and widely varying ways to change*. Some will perceive only the benefits, while others see only what it costs them. Others will react fearfully at first, even though all the effects are actually positive for them. Others will appear initially to embrace the change but then gradually let their real feelings emerge.

Some people who have observed common reactions to traditional change efforts contend that the 20-50-30 rule applies.<sup>7</sup> According to this distribution of responses, about 20 percent of employees affected by a change will be receptive and possibly strongly supportive; about 50 percent will be rather neutral toward the change and possibly even open-minded and receptive; and about 30 percent will be close-minded, resist the change, and possibly attempt to sabotage it. The challenge for managers of a change process is to transform a substantial portion of the 80 percent (neutrals and resisters) into supporters of the change for it to succeed.

In some cases, the psychic costs of change can be so severe that they affect the psychological and even physical health of employees. The tolerance level for change within a group of employees can range from relatively high for one person to relatively low for another. Whenever that level is exceeded, stressful responses develop that can undermine health. In some instances, there is a sustained series of small or moderate changes over a period of time, producing cumulative effects that finally overload a person's system. Some writers refer to this circumstance as **repetitive change syndrome**.<sup>8</sup> Continuous rounds of change can produce negative effects for individuals and corrosive results

Emotions powerfully  
impact intentional  
change

Psychic costs

for the entire organization. Repetitive change syndrome is often caused by a series of organizational initiatives that are started but not completed, by a blurring of one program and another, and by a pandemic of employee cynicism. Although managers can initiate changes, the resulting stress can also slow the pace of change and ultimately cause it to fail.

In other instances, a single major change of high significance overloads a person's ability to cope with the situation. Examples include a move to a new location (bringing with it the need for a new house, new schools for children, a job search for the spouse, and loss of friendships) or a promotion involving new roles, status, work group, and job pressures. The effects of change in the form of job stress are discussed further in Chapter 15.

The reality of change is that frequently there is no clear-cut 100 percent benefit for all parties. Rather, there is a series of separate costs and benefits that must be considered on an individual basis. The supportive, collegial, and system models of organizational behavior imply that management should consider each substantial change, try to help each person understand it, and seek to have each person experience a net gain from it. Despite management's best efforts, however, change is not always welcomed—and not always successful (as the opening quote for this chapter vividly illustrates). The next section explores the nature and effects of resistance to change.



## What Is Motivation?

Man and machine ... work in close harmony to achieve more than either could alone. Machines bring precision and capacity. They make our lives easier, perfect our processes, and in many ways, enrich our quality of life. But people possess something that machines don't—human spirit and inspiration. Our people work continuously at setting goals and tracking results for ongoing improvement as an overall business. They are an inspiration and their goals and accomplishments have won Branch-Smith Printing recognition on the highest of levels.<sup>1</sup>

This quotation—from Branch-Smith Printing Division, a 2002 recipient of the Malcolm Baldrige National Quality Award—gets to the heart of associate motivation: it is the spirit and inspiration that leads associates to apply their human capital to meet the goals of the organization. In Chapter 1, we discussed the strategic importance of human capital to the success of a firm. However, associates' human capital alone is not enough to ensure performance, behaviors, and attitudes that support organizational performance. Associates must translate their human capital into action that results in performance that contributes to the achievement of organizational goals. Motivation is the process through which this translation takes place.

Because organizations are composed of people and organizational performance is based on the efforts of individuals and groups, performance and motivation to perform are of great importance to organizations. More specifically, for an organization to be highly effective, people must be motivated (1) to join the organization, (2) to perform their tasks well, and (3) to exercise their creative skills at work.<sup>2</sup> How does this motivation take place? Before we examine that question, we must consider what motivation is. To do that, we first take a closer look at the relationship of motivation to performance.

Consider the following example. A personnel manager has three assistants reporting to her. All three have similar levels of experience and education. However, she believes the three have different levels of ability, and she has found that they perform at different levels. It is interesting that the person whom she considers to have the least ability has outperformed his counterparts. How can a person of less ability outperform persons having greater abilities? The answer may be that he is more motivated to apply his abilities than the others. The two other personnel assistants are approximately equal to one another in their motivation to perform, judging by the fact that they work equally hard, and yet one of these assistants outperforms the other. How can this be when they are equally motivated? The answer may lie in their different ability levels. Thus, we can see that a person's level of performance is a function ( $f$ ) of both ability and motivation:

$$\text{Performance} = f(\text{Ability} \times \text{Motivation})$$

Now consider another scenario. Two salespersons are equally motivated and have the same ability, yet one of them outperforms the other. How can we explain this, if performance is a function of ability and motivation? In this case, the better performer has a more lucrative sales territory than the other salesperson. Thus, environmental factors can also play a role in performance.

This brings us to our definition of work motivation. We know from the preceding discussion that ability and certain environmental factors exert influences on performance that are separate from the effects of motivation. Motivation,

### Motivation

Forces coming from within a person that account, in part, for the willful direction, intensity, and persistence of the person's efforts toward achieving specific goals that are not due to ability or to environmental demands.

then, refers to forces coming from within a person that account for the willful direction, intensity, and persistence of the person's efforts toward achieving of specific goals that are not due to ability or to environmental demands.<sup>3</sup> Several prominent theories offer explanations of motivation. Most of the theories can be separated into two groups: those concerned largely with content and those concerned largely with process. In the next two sections, we consider these two groups and the major theories in each.

## Content Theories of Motivation

Content theories of motivation generally focus on identifying the specific factors that motivate people. These theories are, for the most part, straightforward in their approach. Four content theories of motivation are Maslow's need hierarchy, Alderfer's ERG theory, McClelland's achievement need theory, and Herzberg's two-factor theory.

### Maslow's Need Hierarchy Theory

One of the most popular motivation theories, frequently referred to as the **hierarchy of needs theory**, was proposed in the 1940s by Abraham Maslow.<sup>4</sup> According to Maslow, people are motivated by their desire to satisfy specific needs. Maslow arranged these needs in hierarchical order, with physiological needs at the bottom, followed by safety needs, social and belongingness needs, esteem needs, and, at the top, self-actualization needs. In general, lower-level needs must be substantially met before higher-level needs become important. Below, we look at each level and its theoretical implications in organizational settings.

#### Hierarchy of needs theory

Maslow's theory stating that people are motivated by their desire to satisfy specific needs, and that needs are arranged in a hierarchy with physiological needs at the bottom and self-actualization needs at the top. People need to satisfy needs at lower levels before being motivated by needs at higher level.

1. **Physiological Needs.** Physiological needs include basic survival needs—the needs for water, food, air, and shelter. Most people must largely satisfy these needs before they become concerned with other, higher-order needs. Money is one organizational award that is potentially related to these needs, to the extent that it provides for food and shelter.
2. **Safety Needs.** The second level of Maslow's hierarchy concerns individuals' needs to be safe and secure in their environment. These needs include the need for protection from physical or psychological harm. People at this level might consider their jobs as security factors and as means for keeping what they have acquired. These employees might be expected to engage in low-risk job behaviors, such as following rules, preserving the status quo, and making career decisions based on security concerns.
3. **Social and Belongingness Needs.** Social needs involve interaction with and acceptance by other people. These needs include the desire for affection, affiliation, friendship, and love. Theoretically, people who reach this level have primarily satisfied physiological and safety needs and are now concerned with establishing satisfying relationships with other people. Although a great deal of satisfaction may come from family relationships, a job usually offers an additional source of relationships.

Associates at this level may thus seek supportive co-worker and peer group relationships. Chef Bourdain in the *Exploring Behavior in Action* feature demonstrates the power of social needs by suggesting the importance of signaling to associates that they are members of the team.

4. *Esteem Needs.* Esteem needs relate to feelings of self-respect and self-worth, along with respect and esteem from peers. The desire for recognition, achievement, status, and power fits in this category. People at this level may be responsive to organizational recognition and awards programs and derive pleasure from having articles about them published in the company newsletter. Money and financial rewards may also help satisfy esteem needs, because they provide signals of people's "worth" to the organization.
5. *Self-Actualization Needs.* A person's need for self-actualization represents her desire to fulfill her potential, maximizing the use of her skills and abilities. People at the self-actualization level are less likely to respond to the types of rewards described for the first four levels. They accept their own achievements and seek new opportunities to use their unique skills and talents. They often are highly motivated by work assignments that challenge these skills, and they might even reject common rewards (salary increase, promotion) that could distract them from using their primary skills. Only a few people are assumed to reach this level.

As mentioned, these needs are arranged in hierarchical order, with physiological needs the lowest and self-actualization the highest. According to Maslow's theory, each need is prepotent over all higher-level needs until it has been satisfied. A *prepotent* need is one that predominates over other needs. For example, a person at the social and belongingness level will be most concerned with rewards provided by meaningful relationships and will not be so concerned with esteem-related rewards, such as public recognition or large bonuses. It follows that a satisfied need is no longer a motivator. For example, after a person's social needs are met, she will no longer be concerned with developing and maintaining relationships but will instead be motivated to seek esteem-related rewards. Finally, the need hierarchy theory is supposed to apply to all normal, healthy people in a similar way.

The need hierarchy theory has not been well supported by empirical research.<sup>5</sup> Research has indicated that a two-level hierarchy of lower-order and higher-order needs may exist, but it has not found much support for the five specific need categories proposed by Maslow. One reason for this finding may be the context of the studies. Most people in the United States, where the studies typically have been done, have satisfied their basic needs and are faced with a complex system of means to satisfy their higher-order ones. It may be difficult for researchers to separate the needs these people experience into the five specific categories proposed by Maslow.

In addition, the idea of prepotency has been questioned.<sup>6</sup> Some researchers have noted that several needs may be important at the same time. For example, a person can simultaneously have strong social, esteem, and self-actualization needs. Even Maslow's clinical studies showed that the idea of prepotency is not relevant for all individuals.<sup>7</sup>

A final problem with the need hierarchy theory involves a practical concern. It is difficult to determine the present need level for each associate as well

as the exact rewards that would help satisfy that associate's specific needs. For example, as noted earlier, money can be used to meet both physiological and esteem needs. Or a person's concern with being popular with co-workers may be related to either social and belongingness needs or esteem needs (or to both). Being popular can mean that one is liked, but it can also mean that one has high status in the group. As a result, it is challenging for managers to apply the need hierarchy to motivate associates.

Although the need hierarchy theory has many weaknesses, it is historically important because it focused attention on people's esteem and self-actualization needs. Previously, behaviorism had been the dominant approach to understanding human motivation. As you may recall, behaviorism proposes that people's behaviors are motivated solely by extrinsic rewards. The need hierarchy, in contrast, suggests that the behavior of many people is motivated by need, reflecting a human desire to be recognized and to grow as an individual.

## ERG Theory

ERG theory, developed by Clayton Alderfer, is similar to Maslow's need hierarchy theory in that it also proposes need categories.<sup>8</sup> However, it includes only three categories: existence needs (E), relatedness needs (R), and growth needs (G). The relationship of these categories to those of Maslow's need hierarchy theory is shown in Exhibit 6-1. As you can see in the exhibit, existence needs are similar to Maslow's physiological and safety needs, relatedness needs to Maslow's social and belongingness needs, and growth needs to Maslow's needs for esteem and self-actualization.

### ERG theory

Alderfer's theory that states that people are motivated by three hierarchically ordered types of needs: existence needs (E), relatedness needs (R), and growth needs (G). Usually, people must satisfy needs at the lower levels before being motivated by higher level needs. However, frustration at higher levels can lead people to being motivated by lower level needs.

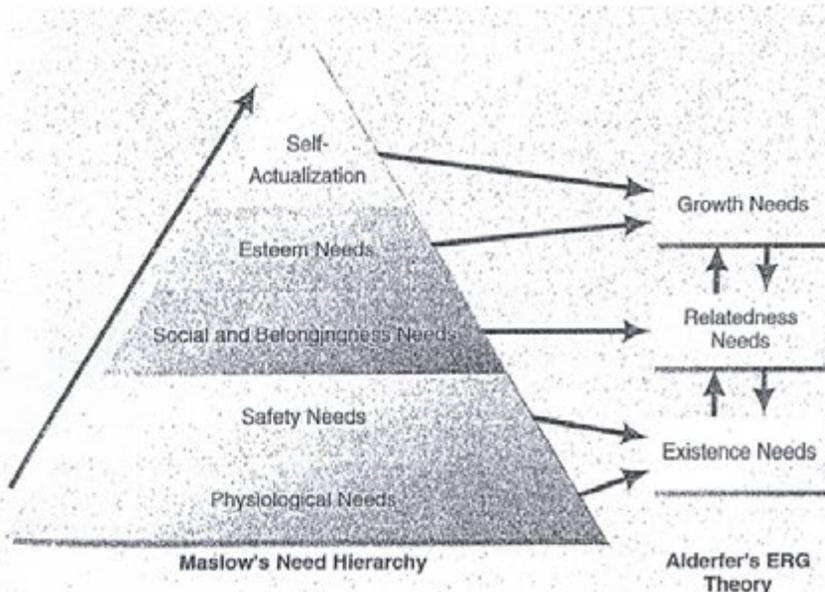


Exhibit 6-1 Maslow's Need Hierarchy and Alderfer's ERG Theory Compared

ERG theory differs from Maslow's theory in two important ways. First, the notion of prepotency is not fixed in ERG theory. A person's existence needs do not necessarily have to be satisfied before she can become concerned about her relationships with others or about using her personal capabilities. Her desire to meet the existence needs may be stronger than her desire to meet the two other types of needs, but the other needs may still be important. The need hierarchy theory proposes that the hierarchy is fixed and that physiological needs must be largely satisfied before other needs become important.

Second, even when a need is satisfied, it may remain the dominant motivator if the next need in the hierarchy cannot be satisfied. For instance, if a person has satisfied his relatedness needs but is frustrated in trying to satisfy his growth needs, his desire for relatedness needs again becomes strong (the need hierarchy theory proposes that a satisfied need is no longer a motivator). Alderfer called this the *frustration-regression process*.<sup>9</sup> Thus, it is possible that a need may never cease to be a motivator. An associate who is well paid for a current job but continues to ask for raises may be frustrated in trying to satisfy relatedness needs. This understanding is important for managers because it may provide them with the reasons for a person's behavior.

ERG theory has more research support than Maslow's hierarchy of needs. For example, some research has found evidence for the three classifications of needs.<sup>10</sup> Support has also been found for several of Alderfer's basic propositions, such as the concept that a satisfied need may remain a motivator.<sup>11</sup> Indeed, relatedness and growth needs have been found to increase as they are satisfied. In other words, the more they are satisfied, the more they are desired. However, more research on ERG theory is necessary to test its usefulness under different conditions. In general, ERG theory may be viewed as a refinement of the need hierarchy theory.

## Achievement, Affiliation, and Power

A third theory, largely developed by David McClelland, also uses need classifications and focuses on the needs for achievement, affiliation, and power. Some have referred to these as learned needs because they are influenced by cultural background and can be acquired through training.<sup>12</sup> The three needs are also viewed as independent, meaning a person can be high or low on any one or all three needs. Although all three needs are important, the need for achievement has received the most attention from researchers because of its prominent organizational effects.<sup>13</sup>

**Need for achievement**  
The need to behave toward competition with a standard of excellence.

**Need for Achievement.** Need for achievement has been defined as "behavior toward competition with a standard of excellence."<sup>14</sup> In other words, people with a high need for achievement want to do things better and more efficiently than others have done before. People with a high need for achievement prefer to set their own goals rather than to have no goals or to accept easily the goals set for them by others. Specifically:

- They set goals of moderate difficulty but goals that are achievable.
- They like to solve problems rather than leave the results to chance. They are more interested in achieving the goal than in the rewards they

may receive, although they value their services and tend to earn good incomes.

- They prefer situations in which they receive regular, concrete feedback on their performance.<sup>15</sup>
- They are positive thinkers who find workable solutions to life's hurdles and challenges.<sup>16</sup>
- They assume a strong personal responsibility for their work.

Some consider the achievement motive to be a component of self-actualization.<sup>17</sup> Achievement is valued in the U.S. society and in many other cultures as well. Those who aspire to be entrepreneurs or managers frequently have a high need for achievement. People high on need for achievement do well in difficult and challenging jobs that can cue the achievement motive. However, there is little reason to expect that people with a high need for achievement will perform particularly well on boring and routine tasks. Research has shown that managers who are high achievers manage quite differently from those who are only average achievers because they are more goal-oriented.<sup>18</sup>

The theory and research concerning need for achievement suggest several implications for organizations. Although need for achievement is thought to be a relatively stable characteristic in adults—and only about 10 percent of the U.S. population have a high need for achievement—it is possible to train adults to increase their need for achievement. This training includes the following steps:<sup>19</sup>

1. Teach people how to think like persons with a high need for achievement. This includes teaching people how to imagine the achievement of desired goals and mentally rehearse the steps necessary to reach those goals.
2. Teach and encourage people to set difficult but realistic work-related goals.
3. Give people concrete feedback about themselves and their performance. Make people knowledgeable about their behavior and its outcomes.
4. Create *esprit de corps*.

Think back to the opening examples regarding Chef Bourdain and Boeing. Both create an environment with characteristics that support development of a high need for achievement in employees, although they accomplish this objective in different ways. Bourdain creates *esprit de corps* by establishing what he calls a tribal culture that provides various symbols of belonging. Boeing establishes a similar environment by emphasizing the core value of working together and by providing many opportunities for employees to share concerns and knowledge.

**Need for Affiliation.** Less research has been done on need for affiliation than on need for achievement. People with a high need for affiliation have a strong desire to be liked and to stay on good terms with most other people. Affiliative people tend not to make good managers because they often treat different people in different ways (out of empathy, for example) rather than apply consistent rules to everyone. They are more concerned with initiating

**Need for affiliation**  
The need to be liked and to stay on good terms with most other people.

and maintaining personal relationships than with focusing on the task at hand.

#### Need for power

The desire to influence people and events.

**Need for Power.** The need for power can be defined as the desire to influence people and events. According to McClelland, there are two types of need for power: one that is directed toward the good of the organization (*institutional power*) and one that is directed toward the self (*personal power*).<sup>20</sup> People high in the need for institutional power want to influence others for altruistic reasons—they are concerned about the functioning of the organization and have a desire to serve others. They are also more controlled in their exercise of power. In contrast, those high in the need for personal power desire to influence others for their own personal gain. They are more impulsive in exercising power, show little concern for other people, and are focused on obtaining symbols of prestige and status (such as big offices).

McClelland's research has shown that a high need for institutional power is critical in high-performing managers. People with a high need for institutional power are particularly good at increasing morale, creating clear expectations, and getting others to work for the good of the organization. Chef Bourdain, discussed earlier, is an example of a leader high in the need for institutional power. He calls all the shots in the kitchen; however, his rules and practices are clear and are for the good of the restaurant. Consequently, he has developed a cohesive, well-functioning team.

Interestingly need for institutional power is more important for managerial success than need for achievement. People high in need for achievement take responsibility for their own work and require short-term feedback. They are reluctant to delegate work to others and to be patient in working toward long-term objectives—characteristics often necessary for effective managers. Thus, we might conclude that the most effective managers are people who have both a high need for achievement and a high need for institutional power.

## Two-Factor Theory

#### Two-factor theory

Herzberg's motivation theory which states that job satisfaction and dissatisfaction are not opposite ends of the same continuum but are independent states and that different factors affect satisfaction and dissatisfaction.

The two-factor theory (sometimes called the *dual-factor theory*) is based on the work of Frederick Herzberg.<sup>21</sup> It has some similarities to the other need theories, but it focuses more on the rewards or outcomes of performance that satisfy individuals' needs. The dual-factor theory emphasizes two sets of rewards or outcomes—those related to job satisfaction and those related to job dissatisfaction. This theory of motivation suggests that satisfaction and dissatisfaction are not opposite ends of the same continuum but are independent states. In other words, the opposite of high job satisfaction is not high job dissatisfaction but, low job satisfaction. Likewise, the opposite of high dissatisfaction is low dissatisfaction. It follows that the job factors leading to satisfaction are different from those leading to dissatisfaction, and vice versa. Furthermore, receiving excess quantities of a factor thought to decrease dissatisfaction will not produce satisfaction, nor will increasing satisfaction factors overcome dissatisfaction.

#### Motivators

Job factors that can increase job satisfaction but not dissatisfaction.

The factors related to job satisfaction have been called *satisfiers*, or **motivators**. These are factors that, when increased, will lead to greater levels of satisfaction. They include:

- Achievement
- Recognition
- Responsibility
- Opportunity for advancement or promotion
- The work itself
- Potential for personal growth

The factors related to dissatisfaction have been called *dissatisfiers*, or **hygienes**. When these factors are deficient, dissatisfaction will increase. However, providing greater amounts of these factors will not lead to satisfaction—only to less dissatisfaction. Hygiene factors include:

- Salary
- Technical supervision
- Working conditions
- Company policies, administration, and procedures
- Interpersonal relationships with peers, supervisors, and subordinates
- Status
- Security

#### Hygienes

Job factors that can lead to job dissatisfaction but not satisfaction.

Research has not generally supported Herzberg's dual-factor theory.<sup>22</sup> One criticism is that the theory is method-bound—meaning that support can be found for the theory only when Herzberg's methodology is used. Researchers using different methodologies to test the theory have not found support. A second criticism is that the theory confuses job satisfaction and motivation. As discussed earlier, in Chapter 5, job satisfaction does not always lead to increased motivation. Happy associates are not always motivated associates. The causal path can also go the other way—with motivation, and consequently performance, influencing satisfaction—or there may be no relationship at all. A third criticism is that motivators and hygienes may not be uniquely different. For example, some factors, such as pay, can affect both satisfaction and dissatisfaction. Pay can help satisfy basic food and shelter needs (hygiene), but it can also provide recognition (motivator).

Despite the criticisms of two-factor theory, managers tend to find it appealing. Indeed, Herzberg's 1965 *Harvard Business Review* article on this theory was reprinted in a recent *Harvard Business Review* volume (January 2003), indicating that these ideas continue to be popular with managers. At a practical level, the theory is easy to understand and apply. To motivate associates, managers should provide a job that includes potential for achievement and responsibility. They should also try to maintain the hygiene factors at an appropriate level to prevent dissatisfaction. Thus, managers can motivate associates by manipulating job-content factors and can prevent associate dissatisfaction by manipulating the job context or environment.

Perhaps the most important managerial conclusion is that organizations should not expect high productivity in jobs that are weak in motivators, no matter how much they invest in hygienes. Simply providing good working conditions and salaries may not result in consistently high performance. Thus, managers now pay much more attention to how jobs are designed. Indeed, Herzberg's work helped launch the current focus on enriched jobs that emphasize responsibility, variety, and autonomy.