MANA 6332

Organizational Behavior and Management

Class Notes

Department of Management
Fall Semester, 2005

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Setting the Stage: Introductory Problems

1. A major purpose of this course is to enable you to "manipulate" your work environment and the people within it more effectively. Is it ethical to "manipulate" your work environment and the people within it?

2. The following quote is from Managing by Harold Geneen (former CEO of ITT). Theory G: You cannot run a business, or anything else, on a theory. Theories are like those paper hoops I remember from the circuses of my childhood. They seemed so solid until the clown crashed through them. Then you realized that they were paper-thin and that there was little left after the event; the illusion was gone. In more than fifty years in the business world, I must have read hundreds of books and thousands of magazine articles and academic papers on how to manage a successful business. When I was young, I used to absorb and believe those theories and formulas propounded by professors and consultants. Their reasoning was always solid and logical, the grains of wisdom true and indisputable, the conclusions inevitable. But when I reached a position in the corporate hierarchy where I had to make decisions which governed others, I found that none of these theories really worked as advertised. Fragments here and there were helpful, but not one of those books or theories ever reduced the operation of a business, or even part of one business, to a single formula or an interlocking set of formulas that I could use.

Assess the validity of the following statements:
    In the MBA curriculum (and most graduate curricula), the argument can be made that students invest huge amounts of money, time, and effort to learn theories. Geneen observes that theories are worthless. Thus, education is a scam. Students are wasting their time, effort, and money.

3. a) What is science?
    b) What are theories and what do they tell us?
    c) What does it mean to say that something is "true?"
    d) In Zen and the Art of Motorcycle Maintenance, Robert Pirsig has written, "It's completely natural to think of Europeans who believed in ghosts as ignorant. The scientific point of view has wiped out every other view to the point that they all seem primitive, so that if a person today talks about ghosts or spirits he is considered ignorant or maybe nutty. Oh, the laws of physics and logic . . . the number system . . . the principles of algebraic substitution. These are ghosts. We just believe in them so thoroughly that they seem real." Assess the validity of his statements.

4. Leverage Points---aspects of a situation to which if you apply your efforts, you will maximize your chances for creating a desired outcome. Leverage points are causes of the variable of interest. How to identify: In a causal box and arrow model, locate the variable of interest. Typically, it is a behavior or an attitude. Locate all boxes from which arrows lead to the box containing the variable of interest. These variables are the leverage points. What are the leverage points in the example below and how did Soros make use of one of them.

From George Soros from "The man who moves markets" (Business Week cover story 8/23/93): George Soros is the most powerful and successful investor in the world. As a student of philosophy at the London School of Economics, Soros developed ideas about political systems, society, and human behavior that would engross him for the rest of his life.

Since closed political systems are inherently unstable, Soros reasoned that he could generate a major change by exerting just a little force. "Soros constantly chooses those (leverage) points where he can influence with his limited power. By choosing carefully where and how to step in, he can gain maximum impact. It's like the stock exchange and knowing at what time to intervene," says Tibor Vamos, a long-time friend of Soros.

In the closed Hungarian society, tight control of information, the military, and financial resources gave the rulers power prior to 1989. One of Soros' cleverest ploys was giving hundreds of photocopiers to Hungarian libraries in the mid-1980s. Up to that time, copying machines had been monitored by secret-service agents to prevent their use by the underground press. Soros proposed donating the machines in 1985 under the condition that they not be controlled. The government was eager to accept, because it couldn't afford to buy them with its ever shrinking reserves of hard currency. Vamos recalls, "After that, the secret service stopped patrolling all copy machines. . . . It helped the underground press tremendously" in its efforts to overthrow the Hungarian government.

5. The following is an excerpt from "Call it an Area; it's not a home" (by Pamela Gerhardt, The Houston Chronicle, March 2, 1997).

The first day I moved to Texas, my neighbor in the house to the left, Laura, walked across our shabby August lawn, introduced herself and asked about our empty moving boxes. She was moving the following month. She described the person who had bought her house - ""nice, two little boys" - then leaned closer to me and said in a stage whisper, ""She's divorced. " I repeated this story to many of my friends across America because I thought, at the time, it said so much about where I had moved: provincial, chatty, conservative, prone to gossip. I was tickled by the encounter and looked forward to more.

As it turned out, my first encounter was misleading. Laura moved to Kansas, and I would not have believed this had anyone warned me, but our brief exchange would be my only conversation with any of my neighbors. I do not know the last names of my neighbors on either side - neighbors of three years. I do know the names of the children and dogs in both homes, but only because I have heard their names called during that brief period between heating and air-conditioning when the windows are open.

My neighbors are not inherently aloof or uncaring. They are made that way by where they live. The privacy fences, the reliance on automobiles and even the design of the homes – no front porches, no shade tree under which to gather - discourage normal human interaction. I know more about my neighbors' garbage than I do about them. This past December I saw that the blue house got a Weber grill and the pink house got a 27-inch Sony TV for Christmas.

Perhaps our jobs will not take us to mill towns with friendly butchers or urban apartment buildings that seem to vibrate with the colorfulness of people, but I hope to find, again, a place where everything and everyone are not the same and people look out for each other. I believe I could call that home.

Diagnose Pamela Gerhardt's problem and its causes. What leverage points can she use to change the situation?

6. We will study four groups of leverage points, group, economic, organizational, and individual.
   a) Rank order these four groups of leverage points in order of their relative impact on organizations. For individual and group, consider the average individual and the average group in the organization.
   b) Rank order these four groups of leverage points in order of your access to them.

7. a) What is "fairness?"
   b) In a classroom setting, what is "fair?"

8. In a Risk Management Bulletin dated February 1, 1997, the Director of Risk Management for the University of Houston System presented the following:

Topic: Physical Damage Coverage for Car Rental

    The State of Texas has state contracts for two rental car agencies, Avis and Advantage. These contracts are for continental United States travel only.
    These contracts are for a set rate for daily car rental and include liability coverage, free Loss Damage Waiver (L/DW) and unlimited mileage in most locations. There are exceptions, so please consult the Texas State Travel Directory.
    Liability coverage pays for damage and/or bodily injury sustained by a third party. L/DW is comprehensive or collision coverage on the rental vehicle. It pays for any physical damage sustained to the vehicle.
    Neither the State of Texas nor the University of Houston will reimburse for payment for liability coverage on car rental agreements other than Avis or Advantage. L/DW costs will be reimbursed on other rental car agreements as long as an acceptable exception exists for non-use of Avis or Advantage. This is VERY IMPORTANT because if an employee does not purchase physical damage coverage for a rental vehicle and the vehicle is damaged, the University does not have the insurance coverage to pay for the damage.
    DID YOU KNOW that you can rent a car or van from the UH Physical Plant? Cars cost $25.00 per day, $.28 per mile and the first 30 miles are free. Vans cost $30.00 per day, $.36 a mile with the first 30 miles free.

  The bulletin was forwarded to all Bauer College faculty and staff by the College Business Manager.
  a) Assign a grade (A, B, C, D, F) to this writing sample.
  b) Critique the memo.
  c) Edit the memo to make it more effective.

A Scholarly Context for the Course:
Rationalist vs. Behavioralist Paradigms

LEARNING OBJECTIVE: Be able to summarize the roles paradigms, normal science, and scientific revolutions in scientific progress. Be able to compare and contrast rational and behavioralist paradigms. Be able to identify the causal model(s) tested within a study and to classify a research study or text/observation on the continuum between the two paradigms using the levels of analysis, dollar incentive and decision maker experience level criteria.

1. Thomas Kuhn's concept of paradigm is useful background for the debate between rationalists and behavioralists over decision-making. His book The Structure of Scientific Revolutions is the premier philosophy of science work written during the 20th century. In it, he argues that science is not an inexorable truth machine that grinds out knowledge an inch at a time. Instead science progresses via leaps (termed scientific revolutions) separated by periods of calm (termed normal science).

An important basic concept in Kuhn's work is the concept of paradigm. A scientific community consists of practitioners of a scientific specialty (e.g., physicists, chemists, psychologists, economists). According to Kuhn, a paradigm is what members of a scientific community share, and, conversely, a scientific community consists of people who share a paradigm. It includes a set of assumptions (many of which are unarticulated) and definitions. This term which has expanded to have many more meanings today.

Paradigms gain status when they are more successful than their competitors in solving a few problems that the group of practitioners has come to recognize as acute. One of the things a scientific community acquires with a paradigm is a criterion for choosing problems that, while the paradigm is taken for granted, can be assumed to have solutions. To a great extent these are the only problems that the community will as admit as scientific or encourage its members to undertake. Other problems, including many that had previously been standard, are rejected as metaphysical, as the concern of another discipline, or sometimes as just too problematic to be worth the time.   Few people who are not practitioners of a mature science realize how much mop-up work remains after a paradigm shift occurs. Mopping-up operations are what engage most scientists throughout their careers. They constitute what Kuhn calls normal science. Normal science is defined as research firmly based upon one or more past scientific achievements, achievements that some scientific community acknowledges as supplying the foundation for its further practice. Normal science seems to progress very rapidly because its practitioners concentrate on problems that only their own lack of ingenuity should keep them from solving.

When engaged in normal science, the research worker is a solver of puzzles, not a tester of paradigms. However, through the course of puzzle solving, anomalies sometimes develop which cannot be explained within the current paradigm. Paradigm testing occurs when persistent failure to solve a noteworthy puzzle gives rise to a crisis and when the crisis has produced an alternate candidate for a paradigm. Paradigm testing never consists, as puzzle solving does, simply in the comparison of a single paradigm with nature. Instead, testing occurs as part of the competition between two rival paradigms for the allegiance of the scientific community.

The choice between two competing paradigms regularly raises questions that cannot be resolved by the criteria of normal science. To the extent, as significant as it is incomplete, that two scientific schools disagree about what is a problem and what a solution, they will inevitably talk through one another when debating the relative merits of their respective paradigms. In the partially circular arguments that regularly result, each paradigm will be shown to satisfy more or less the criteria it dictates for itself and to fall short of a few of those dictated by its opponent. Since no paradigm ever solves all the problems it defines and since no two paradigms leave all the same problems unsolved, paradigm debates always involve the question: Which problem is it more significant to have solved? Like the issue of competing standards, the question of values can only be answered in terms of criteria that lie outside of normal science altogether, and it is that recourse to external criteria that most obviously makes paradigm debates revolutionary.

If many revolutions have shaken the very foundations of various fields, then why are we as lay people unaware of it? Textbooks.

Textbooks are teaching vehicles for the perpetuation of normal science and have to be rewritten whenever the language, problem structure, or standards of normal science change. They have to be rewritten in the aftermath of each scientific revolution, and, once rewritten, they inevitably disguise not only the role but also the very existence of the revolutions that produced them.

Textbooks truncate the scientist's sense of the discipline's history and then proceed to supply a substitute for what they have eliminated. This textbook-derived tradition never existed. And once the textbooks are rewritten, science again comes to seem largely cumulative and linear.

2. The Rationalist Paradigm

The rationalist paradigm (e.g., microeconomics and finance) is focused upon the structure and processes of markets. The market is seen as dominating other potential influences such as individuals, groups, or organizations. Market participants are assumed to be experts who act in a self-interested, calculating fashion for a financial incentive. Market theories are devised using mathematics. The mathematically based theory is tested with historical data and correlational methods. Research is focused upon changing parameters in mathematical market models to improve prediction.

The foundation of the rationalist paradigm is expected utility theory (see Von Neumann and Morgenstern, 1947 for the most famous version). Within the fields of finance, microeconomics, operations research and operations management, it is the major paradigm of decision making since the Second World War. The purpose of expected utility theory is to provide an explicit set of assumptions, or axioms that underlie decision-making. Von Neumann and Morgenstern proved mathematically that when decision-makers violate principles such as these, expected utility is not maximized.

The goal of mathematical modeling is to abstract the important aspects of the "real" world. Over time researchers seek to relax or weaken associated assumptions while maintaining predictive and explanatory power of the model. This has happened in the case of expected utility theory. Many variations of expected utility theory have been proposed. One of the most notables is subjective expected utility theory initially developed by Leonard Savage (1954). Savage's theory allows for subjective or personal probabilities of outcomes in place of objective probabilities. This generalization is important in cases where an objective probability cannot be determined in advance or when the outcome will occur only once. For example, the probability of an unrepeatable event such as worldwide nuclear war cannot be estimated based upon relative frequency (past history) because there has never been one. Thus, we are forced to rely on other means such as subjective estimates.

Once these were specified, behavioral decision researchers compared the mathematical predictions of expected utility theory with the behavior of real decision-makers. Psychological and management theories of decision-making are the direct result of these comparisons as behavioral researchers sought

to show the limitations of the "rational" model.

An exemplar useful for illustrating the rationalist paradigm is Burton Malkiel's (1995) study of the performance of actively managed mutual funds relative to the benchmark S&P 500 index. In a study of mutual fund performance, Burton Malkiel compared the performance (annual rate of return) of equity mutual funds to a benchmark portfolio (the S&P 500). He found that as a group, mutual funds underperformed the S&P 500 Index for the years 1982-1991 both before and after expenses. If only survivor funds are included (poorly performing funds often disappear because they are merged with better performing funds of the same type), capital appreciation funds and growth funds outperformed the S &P 500 as a group for this time period. Malkiel concludes that the survivorship bias is important and should be controlled for in future studies.

3. Behavioralist Paradigm

The behavioralist paradigm (e.g., management, marketing, psychology) has its roots in psychology and takes an information processing approach. The individual/group/organization takes in information from the environment, processes it internally, creating representations; makes decisions based upon represented information; and in consequence behaves. The behavioralist paradigm is less constrained than the rational choice paradigm, with less emphasis placed upon using prior theoretical work as a foundation for current work. Creativity and novelty are valued in its theories and models. The result is a theoretical montage, some pieces minutely focused and others more broadly based.

The behavioralist paradigm is focused upon the explaining the structure and process of individuals, groups, and organizations. Within this paradigm, few observations or predictions are made about the structure of processes of markets. Assumptions about the expertise of decision-makers or financial incentives are typically not made. Theorizing is done almost entirely in words, mathematics being rarely incorporated. There are neither assumptions regarding individual expertise level nor any for financial incentives. Experimental research methods, which utilize random assignment, are preferred. When experimental methods are not feasible, correlational methods are used.

An exemplar, which is useful for illustrating the behavioralist paradigm, is Ellen Langer's (1971) study of the illusion of control. In a study of the effects of choice on the illusion of control, 53 subjects were sold lottery tickets for $1 apiece. If selected as the winner, the person would receive $50. The lottery tickets were standard football cards. On each card appeared a famous football player, his name, and his team. One half of the subjects selected their own lottery card. The other half received a lottery card selected by the experimenter (to avoid bias, each card selected in the choice condition was given to a subject in the no-choice condition). Later, the subjects were approached again by the experimenter and asked what amount they would sell their lottery ticket for. The mean amount of money required for the subject to sell the ticket was $8.67 in the choice condition and $1.96 in the no-choice condition (this difference was statistically significant at $p<.005$). The experimenter did not subsequently buy back any lottery tickets.

5. Rational vs. Behavioral Paradigms

	Rational	Behavioral
Level of Analysis	**Market**	**Individual/group/ organizational**
$ Incentives?	**Yes**	**No**
Experience Level of Decision Maker	**Experienced**	**Unspecified**
Language	Math	Words
Basic Research Design/Methods	Correlational (using historical data)	Experimental and Correlational
Variables of Interest	Security Prices Market Volatility Risk due to Variance in Price Market Volume	Risk taking Bias & errors Decision Strategies Decision Aids Shortcomings of Rational Model
Origins	Von Neuman & Morgenstern (1947), Savage (1954)	A reaction to rational paradigm (Edwards, 1954)

Note. For our use, level of analysis, dollar incentive, and experience level of decision maker are the most relevant dimensions of comparison. In the many of the problems, you will use these criteria to classify studies on the rationalist and behavioralist paradigm continuum. If a study involves a direct or indirect test of the efficient market hypothesis, it is a market level study. Stock market investors are assumed to be experienced.

Rationalist vs. Behavioralist Paradigm Problems

1.   During the five years, your instructor has discussed the emerging field of behavioral finance with many colleagues. The most common reaction has been for those colleagues to smile and say, "Behavioral finance? That's an oxymoron." Oxymoron is defined as a combination of contradictory or incongruous words (e.g. cruel kindness). Explain this reaction using a) the concept of paradigm and b) attributes of the behavioral and rational paradigms.

2. <u>The Structure of Scientific Revolutions</u> triggered diverse reactions. Most "hard" scientists shrugged and went about their business.   But many in the soft, or social, sciences "loved" the book, Kuhn says, perhaps because it offered a hope that they could attain the same level of legitimacy (or illegitimacy) as physicists or chemists. "Some of them even said, 'Wow, all we have to do is to figure out what our paradigm is and enforce it.,'" Kuhn explains.
     Some philosophers, on the other hand, deplored Kuhn's brusque dismissal of empiricism and objective truth. He was accused of claiming that science is nothing more than "power politics" or "mob psychology." "Look, I think that is nonsense, and I am prepared to argue that," Kuhn says heatedly.
     Kuhn has been even more distressed by those who admiringly misinterpret him. "I've often said that I am much fonder of my critiques than my fans," he comments. In the 1960s his work was seized on by radicals opposed to science and its offspring, technology, and indeed to any "cognitive authority that might distort "pure experience." Kuhn recalls students telling him, "Oh, thank you, Mr. Kuhn, for telling us about paradigms. Now that we know about them, we can get rid of them."

a)   How would Kuhn dismiss the criticism that he is claiming science to be nothing more than "power politics" or "mob psychology?"

b) Did the 60s radicals rid the world of paradigms? Why or why not?

3. In a study of portfolio allocation decisions, Moore, Kurtsberg, Fox, and Bazerman had 80 business students make decisions in a computer-based, mutual-fund-investing simulation. Each student performed the simulation by him/herself. The goal was to better understand why investors spend so much time and money on actively managed mutual funds despite the majority of those funds being outperformed by passively managed index funds (at least in recent years).

The researchers hypothesized that the illusion of control would lead students to overestimate their future portfolio returns from actively selecting mutual funds and that anchoring and adjustment would influence investment decisions. (Recall that illusion of control suggests that decision makers value choice even when predicting random events outcomes for which they have no valid cues.) Most participants consistently overestimated the future performance of their investments consistent with the illusion of control.

The researchers hypothesized that anchoring and adjustment would influence portfolio allocation decisions. The students were more likely to change their portfolio allocation following poorer fund performance than better fund performance, a tendency which had a negative impact on portfolio returns. The researchers attributed this to students anchoring on past performance (expecting both poor and good fund performances to continue) as they made allocation decisions.

The students reported that they had an average of $20,500 of their own money invested in stocks and mutual funds and that they had been investing for an average of 4.7 years. Participants received course credit for participating in the research.

 a) What causal model(s) is (are) being tested?

 b) Who are the decision makers who are being studied?

 c) On the behavioralist vs. rationalist paradigm continuum below, place an X to represent your placement of the study on this continuum. Briefly justify your answer using relevant characteristics of the study and the two paradigms.

|---|

Behavioralist   Rationalist
Paradigm   Paradigm

4. Metcalf etal. analyzed the Wall Street Journal's contests pitting the US traded equity recommendations of four expert portfolio managers and strategists against the random selection of four darts (a proxy for the random walk of the efficient market). The experts receive no money for their participation. The total return of the experts' selections was 9.5%, substantially better than the 6.9% returned by the dart stocks and the 4.3% returned by the S&P 500. The market was beaten by the experts 18 times and by the darts 15 times during the 30 contests The experts beat the darts 16 of 30 times. The experts tend to pick riskier stocks and to do no better than the darts after controlling for risk. The authors conclude that the performance of the stock pickers is consistent with the efficient market hypothesis.

a) What causal model(s) is (are) being tested?

b) Who are the decision makers that are being studied?

c) On the behavioral vs. rational paradigm continuum below, place an X to represent your placement of the study on this continuum. Briefly justify your answer using level of analysis, dollar incentive, and experience level of decision maker.

|---|

Behavioralist   Rationalist
Paradigm   Paradigm
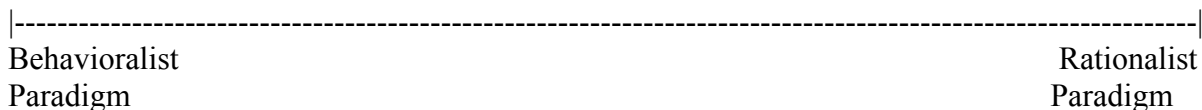
5. In a study titled "Are investors reluctant to realize their losses?" Terrance Odean compared the percentage of paper losses realized by a sample of 10,000 discount brokerage accounts to the percentage of paper gains realized. A paper loss or gain the change in stock price that occurs while an investor owns a stock. To "realize" a paper loss or paper gain, the investor sells the stock. The period considered is 1987-1993. He found that for the entire year, a higher percentage of gains (23.3%) than losses (15.5%) is realized. For the month of December, a higher percentage of losses than gains are realized. For the subsequent year, he found that the winners (which were sold) outperformed the losers (which were retained).

|	Rate of Return for Subsequent		
	84 days	252 days	504 days
Sold winners	.0047	.0235	.0645
Kept Losers	-.0056	-.0106	.0287

All differences are statistically significant.

a) What causal model(s) is (are) being tested?
b) Who are the decision makers that are being studied?
c) On the behavioral vs. rational paradigm continuum below, place an X to represent your placement of the study on this continuum. Briefly justify your answer using level of analysis, dollar incentive, and experience level of decision maker.

|--|

Behavioralist   Rationalist
Paradigm   Paradigm
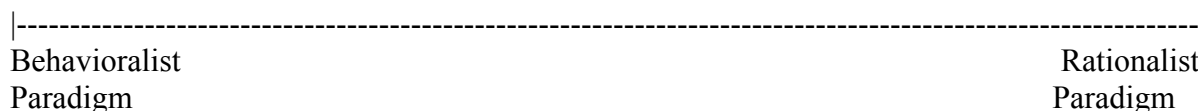
6. Chan, Jegadeesh, and Lakonishok tested the profitability of momentum strategies. They addressed the question, "Does a stock price going up considerably over several months imply anything about its price in the future? Their sample included all stocks listed on the NYSE, Amex, and NASDAQ during the periods 1973-1993 and 1994-1998. They assigned stocks to deciles based upon prior six month return. They examined the performance of winner stock portfolios (selected from the top 10%) and the performance of loser stock portfolios (selected from the bottom 10%) over the subsequent 6 months and 12 months. They found that the winner portfolios outperformed the loser portfolios by 8.8% over the subsequent six months and by 15.4% over the subsequent 12 months. They conclude that momentum strategies (as a method for stock selection) can be profitable in the short term and intermediate term.

a) What causal model(s) is (are) being tested?
b) Who are the decision makers that are being studied?
c) On the behavioral vs. rational paradigm continuum below, place an X to represent your placement of the study on this continuum. Briefly justify your answer using level of analysis, dollar incentive, and experience level of decision maker.

|--|

Behavioralist   Rationalist
Paradigm   Paradigm
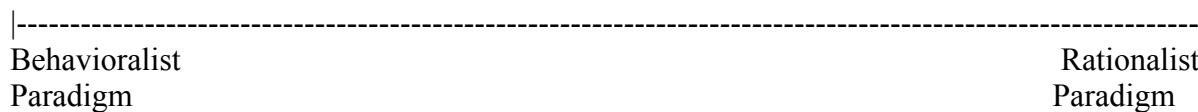
A Model of Ethics in Decision Making

LEARNING OBJECTIVE: Be able to describe and apply the model of ethical decision-making, the ethical principles and ethical rights.

1. Ethics: The RESOLVEDD Strategy
    Step 1: R   Review the history, background, and details of the case.
    Step 2: E   Estimate the conflict or problem present in the case.
    Step 3: S   State the main possible SOLUTIONS to the case.
    Step 4: O   State the important and probable OUTCOMES of each main solution.
    Step 5: L   Describe the LIKELY IMPACT of each main solution on people's lives.
    Step 6: V   Explain the VALUES upheld and those violated by each main solution.
    Step 7: E   EVALUATE each main solution and its outcomes, likely impact, and the values upheld and violated by it.
    Step 8: D1 DECIDE which solution is best; state it, clarify its details, and justify it.
    Step 9: D2 DEFEND the decision against objections to its main weaknesses.

2. Some ethical principles
    a) Principle of honesty: you should not deceive others.
    b) Principle of harm: you should avoid doing things that harm other people or damage their projects, efforts, or property.
    c) Principle of fidelity: you should fulfill your commitments and act faithfully. First, you should fulfill agreements, pledges and promises that you make. Second, you should fulfill the special obligations of the relationships you maintain. To commit, sometimes we sign our names in writing and other times we verbally commit ourselves to do things. We also make commitments by entering certain relationships and by continuing to participate in them. When others have expectations of us, we know what they are, and we allow these expectations to continue, then we are responsible to fulfill them. Fidelity is a basis for trust and is sometimes referred to as loyalty. It is intensely personal in nature. Violations of the principle of fidelity are often resented profoundly by others.
    d) Principle of autonomy: you have a duty to allow and enable other people to act in informed, considered, rational ways that are largely free from coercion.
    e) Principle of confidentiality: some information should not be released to people outside of certain circles. Consider i) the potential effects of releasing the information, ii) the origin of the information, and iii) whether those who might be affected by the release intend that it be kept confidential.
    f) Principle of lawfulness: a general, ethically duty to obey the law especially in a largely free and broadly democratic society.

3. Some ethical rights
   a) Right to know: people in certain roles and certain occupations have a right to know certain kinds of information.
   b) Right to privacy: right to control information about yourself or access to it.
   c) Right to free expression: the right to express your opinion without being penalized for doing so. (It is not the right to harm your employer by speaking your mind.)
   d) Right to due process: right of an employee to appeal a decision by management to an impartial third party with the power to correct a wrong.
   e) Right to safety: employees have a right to a workplace in which reasonable precautions have been taken to protect them from bodily harm.
   f) Right to own property: right to have an extensive degree of control over something that you have legitimately acquired.
   g) Right to make a profit
   h) Rights of future generations

4. These ethical principles and values form an interrelated network. Common to each principle is the principle of equal consideration of interests-treating the interests and well being of others as having as much importance as his or her own.

5. A general principle: when ethical principles conflict in a given case, determine which possible solution sacrifices ethical value least.

   Meaning is not something you stumble across, like the answer to a riddle or the prize in a treasure hunt. Meaning is something you build in your life--out of your past, out of your affections and loyalties, out of your own talent and understanding, out of the values for which you are willing to sacrifice something. You are the only one who can put these ingredients together into the unique pattern that will be your life. Let it be one that has dignity and meaning for you. If it does, the particular balance of success or failure is of less account.   -John W. Gardner

Ethics: Problems

1. In the April 1995 issue of <u>Money</u> magazine, managing editor Frank Lalli reports that James Cramer, a writer for <u>Smart Money</u>, recommended that readers buy four $2 to $6 orphan stocks. Two months before the recommendation was published, Cramer's money management firm (Cramer & Co. with estimated assets of $60 million) spent more than $1 million acquiring roughly 280,000 of at least three of the stocks. When the magazine reached its readers, the normally thinly traded issues surged 18% to 100% in a matter of days.

Trading records show that at the peak, Cramer's firm had paper profits of over $2 million. Why such huge gains? Because he had actually adopted three of the stocks before recommending them to his readers. Cramer's article said that he was buying one stock neither disclosed that his firm held major positions nor that he would be increasing those stakes before publication.

<u>Money</u>'s policy is that staffers and anyone connected with the magazine may not trade in securities that are written about until two weeks after the article goes on sale. <u>Smart Money</u> (Cramer's magazine) has no guidelines.

Apply the ethics model to analyze the ethicality of Cramer's actions.

2. Sam is a tele-sales representative. The manager of the department will be terminated if the department does not attain its sales quota for each month. Consequently, the manager passes on the same policy to the sales representatives. That is, sales representatives will be terminated if they do not meet the required monthly sales quota of $85,000 (per sales representative). Knowing that the manager is serious about enforcing the quota, many sales representatives have used customer credit card numbers to ship products that have not been ordered by the customer.   Hence, they reap the reward (job security) of meeting their sales quota for the month at the expense of the company's reputation and integrity.

a) Is shipping products to customers who have not ordered them ethical? Justify your answer using the ethics model.

b) What should Sam do about this situation? Should Sam use customer credit card numbers to ship products that have not been ordered by his customers? Should he blow the whistle? Should he remain silent and protect his job?

3.   A new joint venture company requires an enormous amount of printing for unified stationery, letterheads, etc. H has been assigned to purchase these items for the joint venture. Her friend does not work for her company and has recently started a business art product business. H asked her friend for a quote. The resulting quote is much higher than other offers. H's company requires at least two written bids for every purchase. H's friend offers to provide another company's quote, which is higher than hers. Her bid remains the same. No one else is involved in the process.

   Apply Pfeiffer and Forsberg's model to analyze this situation and make a recommendation to H regarding what she should do.

Largest Publically Held Houston Companies
(ranked by fiscal year 2001 revenues)

01. El Paso Corp.
02. Reliant Energy Inc.
03. Dynegy Inc.
04. Conoco Inc.
05. Marathon Oil Corp.
06. Sysco Corp.
07. Waste Management Inc.
08. Continental Airlines
09. Eott Energy Partners LP
10. Andarko Petroleum Corp.
11. Plains All American Pipeline LP
12. Bakere Hughes Inc.
13. Adams Resourecs & Energy Inc.
14. Administaff Inc.
15. Cooper Industries
16. Group 1 Automotive Inc.
17. Encompass Services Corp.
18. Teppco Partners LP
19. Smith International Inc.
20. Genesis Energy LP
21. Burlington Resources Inc.
22. Lyondell Chemical Co.
23. Enterprise Prodcuts Partners LP
24. Kinder Morgan Energy Partners LP
25. Transocean Inc.

What differentiates the companies in bold from the companies in plain font?

The Local Context: The Houston Economy

1. The Houston Primary Metropolitan Statistical Area (Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller Counties) has 4,177,000 residents (2000 census).

Year	Population
2000	4.49 million
2005	5.09 million
2010	5.50 million
2015	5.91 million
2020	6.35 million
2025	6.79 million

2. Houston is the world's energy capital. It is the leading domestic and international center for virtually every segment of the oil and gas industry--exploration, production, transmission, marketing, service, supply, offshore drilling, and technology. It is one of the four least diversified large U.S. cities (the lower the diversification index, the more highly diversified the city is).

Most Diversified Cities		Moderately Diversified		Least Diversified	
St. Louis	10.9	Dallas	28.9	Houston	119.2
Chicago	15.2	Denver	38.5	New York	121.3
Atlanta	20.5	San Francisco	46.4	Washington, D.C.	175.2
Boston	21.4	Los Angeles	58.9	Detroit	351.3
				Midland-Odessa	1,274.0

The equation used to derive these diversification indices is

$$I = \sum_{i=1}^{n} \frac{(s_i - s_i^*)^2}{s_i^*} * 100,$$

Where s_i is the city share of earnings in industry i, s_i^* is the U.S. share of earnings in industry i and n is the number of industries.

3.   Bill Gilmer, Federal Reserve System economist of the Houston branch of the Dallas Federal Reserve Bank, estimates that for the last 25 years the proportion of the Houston economy (defined in terms of employment) which is energy based (exploration, production, construction, and petrochemical) has remained stable at 60%. The Greater Houston Partnership has arrived at different estimates--84% in 1981 and 57.4% in 1994.

4.   During the oil bust of 1982-87, the city lost nearly 13 percent of local wage and salary jobs. Those jobs returned with the strong recovery and expansion during 1987-1991. Major factors affecting Houston's energy related employment include the national economy, energy prices, and the trade-weighted real dollar exchange rate. For each 1% increase in those factors, there is a corresponding change in Houston goods employment of -0.07% relative to the U.S. unemployment rate, .37% increase relative to the active rig count, and a -1.06% change relative to a real dollar Texas based exchange rate. This based upon a Gillmer study of quarterly data from 1975 to 1998. Due to lags, it takes four quarters for a change in the oil markets or the U.S. economy to work its way through the Houston economy and six quarters for a change in exchange rate to be completely felt.

5. For more information, examine the publications of the Houston branch of the Dallas Federal Reserve Bank at http://www.dallasfed.org.

6. Houston Demographics (statistics from www.houston.org, the Greater Houston Partnership web site).

      a) Twenty-two companies on the Fortune 500 list are headquartered in Houston.

      b) Houston ranks fourth among metro areas in the number of *Fortune 500* headquarters, behind New York, Chicago and San Francisco. Many other *Fortune 500* companies maintain U.S. administrative headquarters in Houston.

      c) More than half of the world's 100 largest non-U.S.-based corporations has operations in Houston.

      d) Dunn & Bradstreet reports 27,547 Houston-area (CMSA) business firms with annual sales of $1 million or more.

      e) If the City of Houston were a state, it would rank 36th in population, its 1,972,083 residents in 2001 placing it behind Nevada and ahead of New Mexico.

      f) With 4.8 million people, the eight-county Houston CMSA ranks as the nation's 10th most populous metropolitan area (MSAs and CMSAs). If it were a state, it would rank 22nd in population, behind Minnesota and ahead of Louisiana and Alabama. Its population exceeds that of North and South Dakota, Alaska, Delaware, Vermont, Wyoming and the District of Columbia combined. The Houston CMSA has more people than New Zealand, Norway, Ireland or Costa Rica.

      g) The Houston CMSA posted the sixth-largest population gain among the nation's metropolitan areas between the 1990 and 2000 censuses, adding more than 938,000 people — more than the total population of Montana.

      h) Among all U.S. counties of more than 250,000 population, the Houston CMSA's Montgomery and Fort Bend Counties ranked fifth and seventh in percent change in population from 1990 to 2000, up 61.2 percent and 57.2 percent respectively.

      i) From 2000 to 2025, says Woods & Poole Economics, the Houston PMSA should rank third among the nation's metro areas (MSAs and PMSAs) in population growth, adding 1.9 million people — more than the current San Francisco PMSA.

      j) Founded in 1836, the City of Houston has a population of 1.9 million. Houston is the fourth most populous city in the United States (trailing only New York, Los Angeles and Chicago), and is the largest in the southern U.S. and Texas.

      k) The Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area (Houston CMSA) consists of eight counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller. The metro area's population of 4.8 million is 10th largest among U.S. metropolitan statistical areas.

      l) The Houston CMSA covers 8,778 square miles, an area slightly smaller than Massachusetts but larger than New Jersey.

      m) The Houston CMSA's Gross Area Product in 2001 was $230 billion, up 4.8 percent from 2000 in constant dollars, according to The Perryman Group-slightly larger than Turkey's or Austria's GDP, and a third larger than Hong Kong's.

      n) The Houston CMSA recorded 2.293 million payroll jobs in December '01-larger than the job counts of 29 states, including Arizona, Colorado, Louisiana, Alabama and South Carolina.

The Global and National Competitive Contexts

LEARNING OBJECTIVE: American competitiveness. Be able to summarize (1) the changing state of US competitiveness from World War II to the present, (2) the roles of productivity, federal debt, investment, literacy, and trade as causes of those changes, (3) current levels of U.S. productivity, debt, and literacy, (4) trends in the standard of living for U.S. citizens.

1. Why was the U.S. Dominant after WWII? (from Head to Head by Lester Thurow)
   In 1950, the US market was 9 times larger than the next largest market, the U.K. Americans were superior in technology. WWII destroyed the scientific establishments in much of the rest of the world.
   American workers were more skilled due to mass compulsory public education. Americans were rich while others were poor. US per capita income was 50% higher than Canada, 3 times that of Great Britain, 4 times that of W. Germany, and 15 times that of Japan. Americans had more discretionary income and had the first mass market for virtually everything.
   American managers were the best in the world. In the US prior to WWII, the most talented Americans went into management. In other countries, the military or colonial service were the primary career targets of the most talented people. During the late 1940s, America's share of the world GNP was over 50%. During the late 1980s, it was 22 to 23%.

2. Some economic observations from Generation X: Tales for an Accelerated Culture by Douglas Copeland

   McJobs: low-pay, low-prestige, low-benefit, no-future jobs in the service industry. Frequently considered a satisfying career choice by people who have never held one.

   Lessness: a philosophy whereby one reconciles oneself with the diminishing expectations of material wealth: "I've given up wanting to make a killing or be a big shot. I just want to find happiness and maybe open up a little roadside cafe in Idaho."

   Boomer envy: envy of material wealth and long-range material security accrued by older members of the baby boom generation by virtue of fortunate birth.

3. Gardner and Ivancevich (1994) suggest that US-Japan productivity comparisons published by the Bureau of Labor Statistics (BLS) are misleading. In the US, growth is understated because the BLS is unable to measure productivity for more than half of the labor force. Productivity growth is assumed to be zero for all of these people. In Japan, growth is exaggerated because small business output is counted but small business employment is not. The BLS also assumes that the work hours per person are about the same in the US and Japan. In their article, Gardner and Ivancevich report corrected statistics showing that the American output is roughly double that of Japan. According to them, the Japanese have made little progress closing the productivity gap over the last 10 years.

4. Sources of strategic advantage
    a) Natural resources
    b) Capital
   c) Technology
    d) Skills of workers
        Today, skilled people have become the only sustainable competitive advantage.

5. Lester Thurow's key industries for the 21st century:
    a) microelectronics
    b) biotechnology
    c) new material industries
    d) civilian aviation
    e) telecommunications
    f) robots plus machine tools
    g) computers and software

The Federal Government Dollar-Where It Came From in 2001
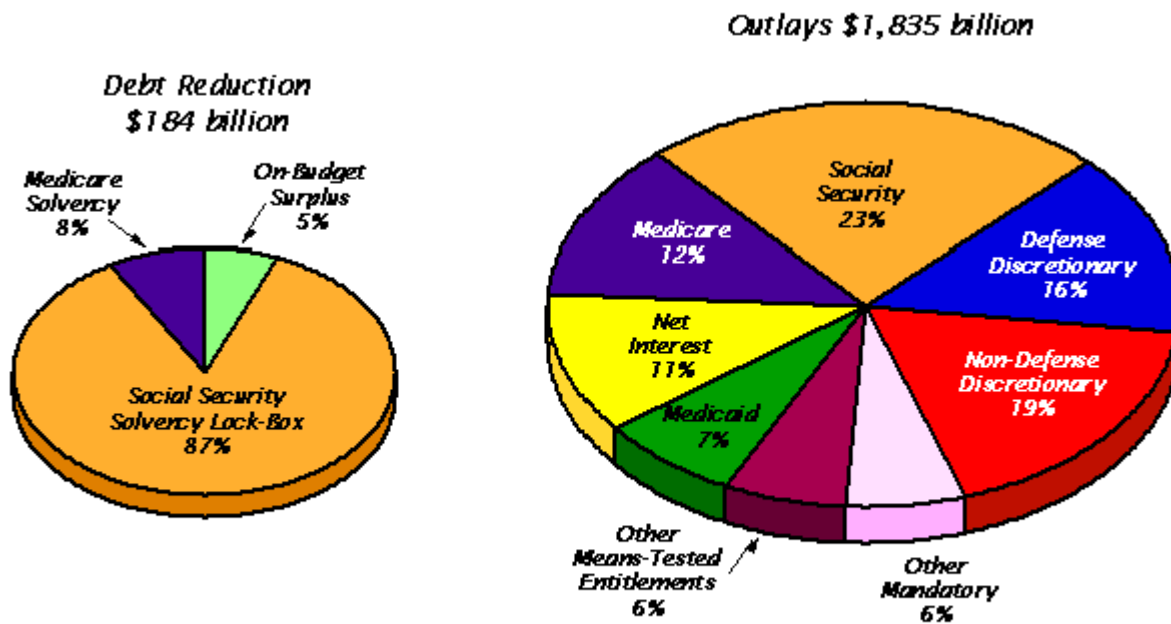
Receipts $2,019 billion
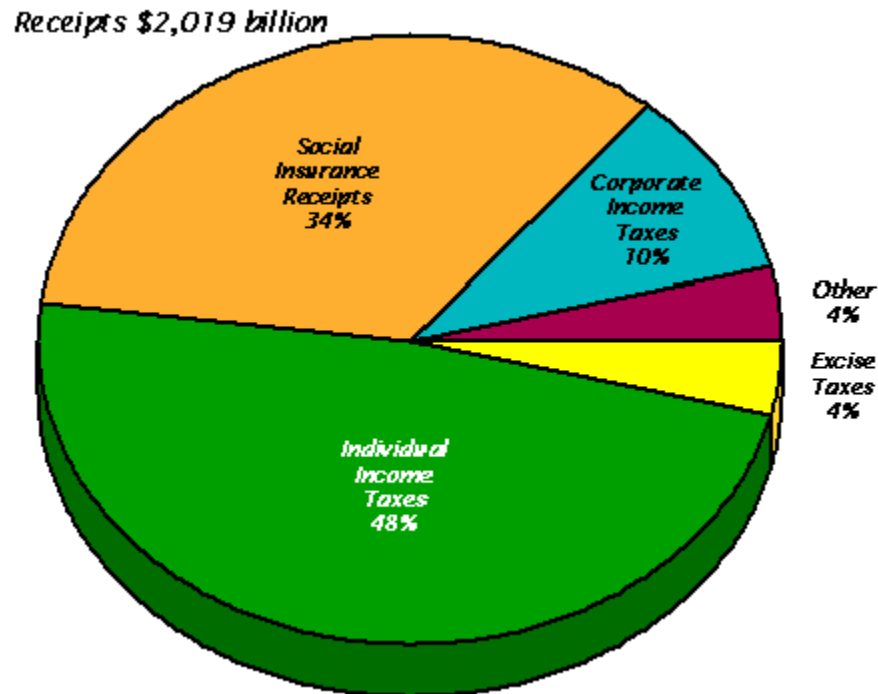
The money that the Federal Government uses to pay its bills--its revenues or receipts--comes mostly from taxes. In the two prior years, revenues were greater than spending, and the Government was able to reduce the national debt with the difference between revenues and spending--that is, the surplus. Revenues come from these sources:

- Individual income taxes raised an estimated $972 billion in 2001, equal to about 9.7 percent of GDP.
- Social insurance payroll taxes included Social Security taxes, Medicare taxes, unemployment insurance taxes, and Federal employee retirement payments. This category has grown from two percent of GDP in 1955 to an estimated 6.8 percent in 2001.
- Corporate income taxes, which will raise an estimated $195 billion, have shrunk steadily as a percent of GDP, from 4.5 percent in 1955 to an estimated 1.9 percent in 2001.
- Excise taxes apply to various products, including alcohol, tobacco, transportation fuels, and telephone services. The Government earmarks some of these taxes to support certain activities--including highways and airports and airways--and deposits others in the general fund.
- The Government also collects estate and gift taxes, customs duties, and miscellaneous revenues--e.g., Federal Reserve earnings, fines, penalties, and forfeitures.
-

From A Citizen's Guide to the Federal Budget (http://w3.access.gpo.gov/usbudget/fy2001/guidetoc.html)

The Federal Government Dollar--Where It Went in 2001

Debt Reduction
$184 billion

Outlays $1,835 billion

Means-tested entitlements are those for which eligibility is based on income. The Medicaid program is also a means-tested entitlement

   The Federal Government spent over $1.8 trillion and had a surplus of $184 billion in 2001, which we divided into nine large categories as shown in the chart.

- The largest Federal program was Social Security, which will provide monthly benefits to over 45 million retired and disabled workers, their dependents, and survivors. It accounted for 23 percent of all Federal spending.
- Medicare, which will provide health care coverage for over 40 million elderly Americans and people with disabilities, consisted of Part A (hospital insurance) and Part B (insurance for physician costs and other services). Since its birth in 1965, Medicare has accounted for an ever-growing share of spending. Medicare growth slowed down in 1998 and 1999, but is expected to accelerate in 2000 and beyond. In 2001 it comprised 12 percent of all Federal spending.
- Medicaid, in 2001, provided health care services to almost 34 million Americans, including the poor, people with disabilities, and senior citizens in nursing homes. Unlike Medicare, the Federal Government shared the costs of Medicaid with the States. Medicaid accounted for seven percent.
- Other means-tested entitlements provided benefits to people and families with incomes below certain minimum levels that vary from program to program. This category accounted for an estimated six percent of the budget.
- The remaining mandatory spending, mainly consisting of Federal retirement and insurance programs, unemployment insurance, and farm payments, comprised six percent of the budget.
- National defense discretionary spending totaled an estimated $292 billion in 2001 (16%).
- Non-defense discretionary spending--a wide array of programs that include education, training, science, technology, housing, transportation, and foreign aid--has shrunk as a share of the budget from 23 percent in 1966 to less than 19 percent in 2001.
- Interest payments, averaged seven percent of in the 1960s and 1970s. But, due to the large budget deficits that began in the 1980s that share quickly doubled to 15 percent in 1989. Since the budget was in surplus, interest payments were dropped to 11 percent of the budget in 2001.
- Nine percent of your Federal dollar (the budget surplus) was not spent. It was to be used to reduce the Federal debt to assure continued solvency of Social Security and Medicare.

The Global and National Competitive Contexts: Literacy

1.   Definition of literacy: using printed and written information to function in society, to achieve one's goals, and to develop one's knowledge and potential.

2.   During 1992, nearly 13,600 individuals aged 16 and older were interviewed and tested to assess their literacy as part of the U.S. National Adult Literacy Survey. Participants were randomly selected to represent the U.S. adult population. In addition, about 1,000 adults were surveyed in each of twelve states (including Texas) that chose to participate and obtain state level results. Over 1,100 inmates from 80 federal and state prisons were also included for a total of over 26,000 respondents. Each participant was paid $20.

3.   Description of literacy scales.
     Prose literacy-- the knowledge and skills needed to understand and use information from texts that include news stories, editorials, poems and fiction.
     Document literacy--the knowledge and skills required to locate and use information contained in materials that include job applications, payroll forms, transportation schedules, maps, tables, and graphs.
     Quantitative literacy--the knowledge and skills required to apply arithmetic operations, either alone or sequentially, using numbers embedded in printed materials.

4.   The study identified the proportion of people from each region who fell into each of five levels of literacy (1-lowest; 5-highest) for prose, document, and quantitative literacies.

     Breakdown of Literacy Levels by Region

Literacy Level	South	Nation
1	P-23%; D-26%; Q-25%	P-21%; D-23%; Q-22%
2	P-28%; D-29%; Q-27%	P-27%; D-28%; Q-25%
3	P-30%; D-29%; Q-29%	P-32%; D-31%; Q-31%
4	P-15%; D-14%; Q-15%	P-17%; D-15%; Q-17%
5	P-03%; D-02%; Q-04%	P-03%; D-03%; Q-04%

     The above percentages indicate what proportion of the populace falls in a given literacy level for prose (P), document (D), and quantitative (Q) literacies. For example, for the South, 23% of the populace performs at level I for prose literacy, 26%, for document literacy, and 25%, for quantitative literacy.

5. Samples of Items Comprising the Literacy Dimensions and Their Difficulty Levels

Prose Scale	Document Scale	Quantitative Scale
Level 1 (Scores 0-225) **(92% get these right)**	(92% get these right)	(91% get these right)
149 Identify country in short article.	69 Sign your name.	191 Total a bank deposit entry.
210 locate one piece of information in a sports article	170 Locate expiration date on driver's license	
224 Underline sentence explaining action stated in a short article	180 Locate time of meeting on a form	
Level 2 (Scores 226-275) **(80% get these right)**	(78% get these right)	(80% get these right)
226 Underline meaning of a term given in governmental brochure on supplemental security income.	230 Locate intersection on a street map	238 Calculate postage and fees for certified mail
250 Locate two features of information in sports article	246 Locate eligibility from table of employee benefits	246 Determine difference in price between tickets for two shows
275 Interpret instructions from appliance warranty	259 Identify and enter background information on application for social security card	270 Calculate total costs of purchase from an order form
Level 3 (Scores 276-325) **(61% get these right)**	(60% get these right)	(62% get these right)
288 Write a brief letter explaining error made on credit card bill	277 Identify information from bar graph depicting source of energy and year	278 Using calculator, calculate difference between regular and sale price from an advertisement
316 Read a lengthy article to identify two behaviors that meet a stated condition	314 Use bus schedule to determine appropriate bus for given set of conditions	321 Calculate miles per gallon using information given on mileage record chart
	323 Enter information given into an auto maintenance record form	325 Plan travel arrangements for meeting using flight schedules

Level 4 (Scores 326-375) **(38% get these right)**	(47% get these right)	(41% get these right)
328 State in writing an argument made in lengthy newspaper article	342 Identify the correct percentage meeting specified conditions from a table of such information	331 Determine correct change using information in a menu
347 Explain difference between two types of employee benefits	352 Use a bus schedule to determine appropriate bus for a given set of conditions	350 Using information stated in a news article, calculate amount of money that should go to raising a child
359 Contrast views expressed in two editorials on technologies available to make fuel efficient cars	352 Use table of information to determine pattern in oil exports across years	368 Using eligibility pamphlet, calculate the yearly amount a couple would receive for basic supplemental security income
362 Generate unfamiliar theme from short poems		
374 Compare two metaphors used in poem		
Level 5 (Scores 376-500) **(18% get these right)**	(33% get these right)	(26% get these right)
382 Compare approaches stated in narrative on growing up	378 Use information in table to complete a graph including axes	382 Determine shipping and total costs from an order form for items in a catalog
410 Summarize two ways lawyers may challenge prospective jurors	387 Use table comparing credit cards. Identify the two categories used and write two differences between them	405 Using information in a news article, calculate difference in time for completing a race
423 Interpret a brief phrase from a lengthy news article	395 Using a table depicting information about parental involvement in school survey to write a paragraph about extent to which parents and teachers agree	421 Using calculator, determine total cost of carpet to cover a room

From: U.S. Department of Education, National Center for Education Statistics, National Adult Literacy Survey, 1992

6. According to the 1994 International Adult Literacy Survey, the literacy skills of American adults compare favorably with those in other developed nations. The survey measures literacy skills in Canada, Germany, The Netherlands, Sweden, Switzerland and Poland, as well as the U.S.

The sample included more than 23,000 respondents aged 16-65, including approximately 3,500 in the U.S. Respondents were interviewed for about 20 minutes in their homes in their national languages. They were also administered a 45-minute literacy skill test involving practical tests requiring a variety of literacy skills, ranging from the understanding of instructions on a medicine bottle to the assimilation of information from a personnel office.

7. Breakdown of Literacy Levels by Country

Level	U.S	Canada	Germany	Netherlands	Sweden	Switzerland	Poland
1	21-24%	16-18%	7-14%	10-11%	6-8%	13-19%	39-45%
2	25-26%	25-26%	27-34%	26-30%	19-20%	25-36%	30-35%
3	31-32%	32-35%	38-43%	44%	39-40%	36-42%	18-24%
4-5	19-23%	22-25%	13-24%	15-20%	32-36%	9-20%	3-7%

Source: "Literacy: Economic key for the new millennium," ETS Policy Notes. Volume 7, number 1, Summer, 1996.

The Global and National Competitive Contexts: Taylorism

Taylor's Basic Four Principles (Taylor, 1911)
    1. For each element of a man's work, develop a science that replaces the old rule-of-thumb method.
    2. Scientifically select, train, teach, and develop the worker. (In the past workers chose their own work and trained themselves as best they could.)
    3. Cooperate with the workers to ensure that all of the work is done in accordance with the science that has been developed.
    4. Recognize that there is an almost equal division of work and responsibility between management and workers. Managers take over all work for which they are better fitted than the workers. (In the past, almost all of the work and the greater part of responsibility were thrown upon the workers.)

    Excerpt from testimony of Frederick Taylor at hearings before the Special Committee of the House of Representatives to Investigate Taylor and Other Systems of Shop Management, Jan. 25, 1912:
    "Both sides [workers and management] must recognize as essential the substitution of exact scientific investigation and knowledge for the old individual judgment or opinion, either of the worker or the boss, in all matters relating to the work done in the establishment. And this applies both as to the methods to be employed in doing the work and the time in which each job should be done."
    In the past, the man has been first; in the future, the system must be first. (Taylor, 1911)

American Competitiveness
A 1988 Quote from Konosuke Matsushita,
Founder of Matsushita Electric Industrial Company

    We will win and you will lose. You cannot do anything about it because your failure is an internal disease. Your companies are based on Taylor's principles. Worse, your heads are Taylorized too. You firmly believe that sound management means executives on the one side and workers on the other, on the one side men who think and on the other side men who can only work. For you, management is the art of smoothly transferring the executives' idea to the workers' hands.
    We have passed the Taylor stage. We are aware that business has become terribly complex. Survival is very uncertain in an environment filled with risk, the unexpected, and competition . . . We know that the intelligence of a few technocrats - even very bright ones - has become totally inadequate to face these challenges. Only the intellects of all employees can permit a company to live with the ups and downs and the requirements of the new environment. Yes, we will win and you will lose. For you are not able to rid your minds of the obsolete Taylorisms that we never had.

From M. H. Best, <u>The New Competition: Institutions of Industrial Restructuring</u>, Harvard University Press, 1990.

The Global and National Competitive Contexts:
Deming's 14 Points and 7 Deadly Diseases

LEARNING OBJECTIVE: Be able to describe and apply Deming's 14 points and 7 diseases. Be able to contrast Taylorism with the Deming approach.

The 14 points

1. Create constancy of purpose for improvement of product and service.
2. Adopt the new philosophy--quality.
3. Cease dependence on mass inspection (improve process to eliminate defects).
4. End the practice of awarding business on price tag alone (seek best quality and work with a single supplier).
5. Improve constantly and forever the system of production and service.
6. Institute training and retraining.
7. Institute leadership (leading consists of helping people do a better job).
8. Drive out fear (many employees are afraid to take a position or ask questions).
9. Break down barriers between staff areas.
10. Eliminate slogans, exhortations, and targets for the workforce.
11. Eliminate numerical quotas.
12. Remove barriers to pride of workmanship (e.g., misguided supervisors, faulty equipment, and defective materials).
13. Institute a vigorous program of education and retraining.
14. Take action to accomplish the transformation (a special management team with a plan of action).

7 Deadly Diseases

1. Lack of constancy of purpose.
2. Emphasis on short-term profits.
3. Evaluation by performance rating, merit rating, or annual review of performance.
4. Mobility of top management.
5. Running a company on visible figures alone (counting the money).
6. Excessive medical costs.
7. Excessive costs of warranty, fueled by lawyers that work on contingency fee.

Six Sigma

   Six sigma is among the latest in the evolution of quality programs. The goal of six sigma is to reduce defects to less than one defect per 3.4 million opportunities. It provides specific methods to re-create the process so defects and errors never arise in the first place. "Black belts" are specialists who analyze the problem and manage the improvement process.

Perception

LEARNING OBJECTIVE: the model of perception (e.g., selective perception, organization, closure, figure and background, schemata, scripts, personae, representativeness) presented in class and the associated biases

1. Definition: process of sensing reality and the resulting understanding or view people have of it.

2. Two step model of perceptual process
    a) Attention
        i.   Stimuli which are larger, more intense, in motion, repetitive, novel or very familiar, or in contrast with their background are more likely to be selected
        ii. Stimuli which are small, less intense, stationary, or that blend in with their background are less likely to be selected
        iii. Internal state and cultural background of perceivers affect which stimuli are selected.

    b) Organization: methods for categorizing of selected stimuli so they make sense
        i.   Figure & Background: perceive stimuli as figures standing out against a background
        ii. Closure: tendency to form a complete image out of incomplete data, among related stimuli
        iii. Representativeness: assign to categories (called schemas) based upon simple resemblance or "goodness of fit" to individual categories and react based upon characteristics of that category.

        Schemas are knowledge stored in a categorical structure which is often hierarchical and is not normally expressed in the form of verbal cognitions or propositions. A script is a schema in which related elements are social objects and events involving individual as actor or observer. Personae are cognitive structures representing personal characteristics and typical behaviors of "stock characters." The term "personae" is a euphemism for stereotypes.

3. Perceptual distortions: inaccuracies in perceptual process
   a) Stereotyping: individual attributes behaviors or attitudes to a person on the basis of the group or category to which that person belongs
   b) Halo effect: letting one salient feature of a person dominate the whole evaluation of that person
   c) Projection: attributing one's own attitudes or feelings to another person
   d) Self-fulfilling prophecy: expecting certain behaviors from other participants and seeing these behaviors occurring whether or not they actually do

4. Dealing with perceptual distortions
   Step 1. Gather information about behavior and attitudes
   Step 2. Check conclusions
   Step 3. Differentiate between facts and assumptions
   Step 4. Distinguish among aspects of an individual's behavior
   Step 5. Eliminate or reduce projection

5. Leverage points
   a) stimuli provided to someone
   b) the pattern of stimuli provided

Perception: Problems

1.   a. In Donald Trump's book <u>Surviving at the Top</u>, he writes "The business climate changes, and the so-called experts start questioning whether you have lost your touch. You know damn well you haven't. But you also know better than most people, that perception is reality. And so you've got a job on your hands." Assess the validity of the statement "perception is reality" using the concepts of the course.
      b. As an NBA coach, Lenny Wilkens has won more games than any other coach in the history of the league. In a recent interview, Wilkens said that, "Perception is not reality." He went on to say that people perceive him to be calm and 'laid back' because he appears that way as he coaches on the sideline. He says that he is very intense. Assess the validity of the statement "perception is not reality" using the concepts of the course.
      c. How can the paradox between Donald Trump's and Lenny Wilkens' statements be resolved?

2.   A friend once told your instructor that, "People should not try to guess what you are thinking and why because they will often be wrong. Instead, they should go only on the basis of what you tell them about yourself and accept that as a valid guide for dealing with you." A restatement of this might be "Build models of other people using only information and insights which they have provided. Otherwise, parts of the model will be in error." Assess the validity of this viewpoint.

3.   For the perceptual organizing mechanisms a) figure and background, b) closure, and c) representativeness, prescribe an approach one can take to change a negative perception which another holds of him/her? (For example, if you were President George W. Bush and you wished to change the negative perception that Democrats have regarding you, what would you do?)

4. In What Works for Me: 16 CEOs Talk about their Careers and Commitments by T. R. Horton, Charlotte DeBeers, CEO of a major advertising firm, remembers how she made a presentation to a group of Sears executives about portable electric tools. Knowing that the result of the presentation could be a major multi-million dollar account for her firm, she learned the intricate details of a power drill and during the presentation coolly dismantled a drill and put it back together. When she was done, the room full of male executives gave her a standing ovation, and of course the account.
   a) Explain her strategy and why it was necessary using the perception concepts.
   b) What if the CEO was Charles DeBeers, would this strategy have worked?

5. From the electronic version of the Chronicle of Higher Education, 6/12/98: Criticized by local Hispanic leaders for reinforcing stereotypes, Metropolitan Community College, in Omaha, announced Wednesday that it had canceled a Spanish-language course for restaurant employees titled "Supervising Hispanic Workers." Explain this situation using course perception concepts.

6. On April 13, 1997, golfer Fuzzy Zoeller, winner of the 1979 Masters, made the following comments as Tiger Woods was becoming the first black golfer to win a major. "That little boy is driving well, and he is putting well. He's doing everything it takes to win. So, you know what you guys do when he gets in here? You pat him on the back and say congratulations and enjoy it and tell him not to serve fried chicken next year. Got it?"
   On the tape, Zoeller snapped his fingers, turned to walk away, then added, "Or collard greens or whatever the hell they serve." [As the 1997 Masters winner, Woods would select the 1998 menu for the 1998 Champions Dinner.]
   An uproar ensued. Zoeller lost his K-mart and Dunlop endorsements.

   a) Is Tiger Woods "black" as noted in the above excerpt from the Sporting News web site? Tiger's mother, Kultilda is a Thai native. His father Earl is multi-racial.
   b) Why did a commotion occur after Zoeller's comments?
   c) If the roles were reversed (Zoeller winning the Masters and Woods being a past winner) and Tiger Woods had publically made a "redneck" joke at Zoellers' expense, would there have been an uproar?
   d) If Charles Barkley had made the comments instead of Zoeller, would there have been an uproar?
   e) Apply the perception model to explain this situation.

7. In the July 7, 2003 Parade magazine, the cover story is "The Changing Face of America. The Number of Multiracial Children in the U.S. Is Increasing Rapidly. How Will They Affect the Way We Think about Race?" In the article, Naomi Reed (a 22-year-old Rice student whose roots are African-American and Jewish Caucasian) states, "Being multiracial has allowed me to see things from both sides of the color line. It has opened my mind to differences of all types so that I don't prejudge anything or anyone. That's something I wish we all could do. If I could have any wish, it would be to be able to go inside people's heads and flip the little switch that controls racial categorization and racism." Assess the validity of her statement that she doe not "prejudge anything or anyone." Note. Mavin is a magazine for multiracial young people and Mavin.com is a web site devoted to multiracial issues.

8. The Case of the "Friendly" Racial Epithet

Setting: a team of sixteen collection representatives
Players: D, manager of the team and member of ethnic group Y
        J, member of the team and ethnic group Y
        L and C, members of the team and ethnic group X
The Problem: J has complained to D that L and C often refer to one another using a racial epithet. Although it is done in a friendly and familiar way, it makes J, as well as other members of the team, feel awkward and embarrassed.

    What should D do in this situation? Justify your answer using relevant perception concepts.

9. Pulitzer Prize winning playwright Horton Foote (from Wharton, TX) has stated, "I've learned that you can hear the same story told by six or seven people, and even though they think it's the same story, it's not. Every version is personal, subjective, and all of the them are telling the truth as they see it." Explain Foote's observation using course concepts.

10. Chuck Jones, the creator of the Road Runner cartoons, said, "When I first started animation, I was 18 and the offices were run by a bunch of old men in their 40s and 50s. Now I am 82 and the offices are run by a bunch of young folks in their 40s and 50s." Explain his change in perception using course concepts.

11. Malcolm X said, "Don't let people put labels on you -- and don't put them on yourself. Sometimes a label can kill you." Assess the validity of this statement.

12.   When asked about comments that the Rolling Stones were to old, guitarist Keith Richards replied, "If we were black, no one would say that. It's racism. No one says that about Muddy Waters." (Muddy Waters was a Blues legend who died in 1983 at the age of 68.) Explain Richards' perspective using the perception model.

13. In his book <u>Breakfast at the Victory: The Mysticism of Ordinary Experience</u>, James Carse describes some of the beliefs of the Sufis, Muslim mystics who speak of nafs, or the false self. The nafs refer to all that within ourselves which has become an object for others or for ourselves. It is our visible self, the tangible, public aspect of a personality. It is what we see when we look at ourselves, it is what we present to others to be seen by them. It stands in the way of our oneness with others and with ourselves. The nafs within each of us has a life of its own, logical, powerful, real.
     a) Translate the Sufis' nafs into course perception concepts.
     b) Are the Sufis correct in their negative assessments of nafs and the problems which they cause? Briefly justify your answer.

14. A representative of Company A, a stock mutual funds company, contacts you about investing your IRA savings with her firm. As part of the sales presentation, she produces a listing of stock funds from a large number of firms that have been ranked ordered by performance. Company A has two funds in the top 5. The other companies you were considering for investment have funds in the list which are ranked much lower. Later you discover that the list contained only Company A's best funds and only the worst funds of other companies you are considering. Explain how the Company A sales representative has attempted to manage your perceptions using the perception model presented in class.

15. Houston Baptist University has a unique advertising campaign for its MBA program. Billboards contain the following message: "CBS, NBC, HBU. Three great ways to spend your evening." What perceptual mechanism is being used here?

Attribution Theory

LEARNING OBJECTIVE: attribution theory (including the attributional biases)

1. Concerned with how we assign causality in explaining situations.

2. Steps in process
    Step 1 Observation of behavior
    Step 2 Determination of intent/cause by observer or actor
    Step 3 Assignment of reason for behavior to situation or person

3. Many decision strategies are used for determining intent/cause.
    Three of important decision variables are:
    a) Consistency: constancy of person's behavior in the same or similar situations over time. We
        tend to attribute consistent behavior to personal causes and behaviors that represent isolated
        instances to situational causes.
    b) Distinctiveness: constancy of this person's behavior across different situations. We tend to
        assign personal causes to routine behavior and situational causes to unusual behavior.
    c) Consensus: commonness of this behavior in other people across same and different situations.
        We tend to assign personal causes to unique behaviors and situational causes to behaviors
        performed by many others.

4. Two attributional biases
    a) Point of view: actor tends emphasize situational causes of behavior and to de-emphasize personal
        factors in a given situation; observer tends to emphasize personal causes and to de-emphasize
        situational factors.
    b) Effectiveness of behavior: actors tend to attribute success to personal factors and failures to
        situational factors. For observers, converse is true.

5. Leverage point
    Information provided about consistency, distinctiveness and consensus to an observer.

Attribution Theory: Problems

1.   The small world of elite Hollywood stuntpeople (a core group of 95 men and 5 women) is a protective, close-knit one, bound by the shared experience of danger. It is also a world that insists on taking responsibility when things go wrong. If an accident happens, a stuntperson usually blames him/herself. It's part of the code.

     "If you get hurt, it's usually nobody's fault but your own," says John Epstein, who doesn't toss off that principle lightly. Four years ago, he broke his back when he was dropped too early from a rope and landed on concrete. In hindsight, he blames himself.   "I should have been more sure of who I was working with," he says. "It is up to each one of us to walk away from a stunt we don't think is safe or hasn't been set up right."

     Use attribution theory to interpret this situation. Is the situation consistent with the predictions of those concepts? If so, how so? If not, how not? Why?

2.   Designer A is a professional who is technically capable with 4 years of experience and has the full confidence of his/her superiors. Designer B has ten years of experience and a history of shooting down presentations just for the sake of getting noticed by senior level management. A division wide meeting is held in which senior managers are given a briefing on some technical concerns on various design projects. Designer B presents the progress to date and some potential "showstoppers" which are of concern. Designer A also delivers a presentation and finds that Designer B has performed some analysis on Designer A's design. It is clear that Designer B is doing to this to create some controversy and confusion over Designer A's design and to make Designer A look bad.

     What can Designer A do to manage the attributions of senior managers and maintain his reputation? Justify your answer using attribution theory.

Motivation: Operant Learning Theory

LEARNING OBJECTIVE: operant theory (including the S-B-C model, the seven types of interventions including stimulus control, negative reinforcement, Premack principle, etc. Be able to classify an intervention as one or more of the seven types of interventions. Given a situation, be able to devise an appropriate intervention of a type specified. The folly of rewarding A while hoping for B. The five step behavior modification process.

1. The objection to inner states is not that they don't exist, but that they are not relevant in a functional analysis. We cannot account for the behavior of any system while staying inside it; eventually we must turn to forces operating upon the organism from without.
        B.F. Skinner (1953)

2. Thorndike's Law. A behavior which is followed by positive consequences will have a greater probability of occurring again. A behavior which is followed by negative consequences has a reduced probability of occurring again.

3. Learning: acquisition of skills, knowledge, ability, or attitudes.

4. S-B-C model
    Stimulus (also called antecedent)
    Behavior (what person does, must be directly observable, countable, and measurable to be useful)
    Consequences

5. Techniques for affecting behavior
    a) Positive reinforcement: actively encouraging behavior by repeatedly pairing desired behaviors with rewards/feedback.

    b) Response cost: remove something person values from person's possession contingent upon undesired behavior. Actively eliminates undesired behavior.

    c) Punishment: actively eliminates undesirable behaviors by application of aversive reinforcer after the behavior to be extinguished/diminished.

    d) Negative reinforcement: passively encourage a behavior by removing aversive stimulus from vicinity of person contingent upon desired behavior. This technique is very rarely used.

e) Extinction: passively eliminate a behavior by withholding positive reinforcement that previously had been paired with behavior and is fostering it.

f) Stimulus control: remove antecedent stimulus from vicinity of person.

g) Premack (named for David Premack) Principle: encourages behavior. Person uses a high probability behavior to reinforce their low probability behavior.

6. Positive reinforcement, negative reinforcement and the Premack principle increase the probability of the behavior in the future. Stimulus control, punishment, extinction, and response cost decrease the future probability of the behavior.

7. Folly of rewarding A while hoping for B. Behaviors which are rewarded are those which the rewarder is trying to discourage, while the desired behavior is not being rewarded at all.

8. Rules for effective operant conditioning
   a) Do not reward all people the same.
   b) Realize that failure to respond has reinforcing consequences.
   c) Tell people what they can do to receive reinforcement.
   d) Tell a person what s/he is doing wrong and find out why it is happening.
   e) Do not punish in front of others.
   f) Make the consequences appropriate for the behavior.

9. A Five Step Behavior Modification Approach

    1. Devising a measurement: pinpointing the specific behavior.
         Can it be seen?
         Can it be counted?
         What must the person do before I record a response?
         Is it performance related?

    2. Measuring, counting and formulating a baseline for critical behaviors.
         Behavior must be directly observed and measured.
         Baseline measure indicates how often the behavior is occurring under existing conditions.

    3. Perform S-B-C (stimulus-behavior-consequence) analysis.
         Determine current antecedent stimuli and consequences.

    4. Development of action plan, strategies and implementation.
         Continue to count behaviors

    5. Evaluation of intervention.
         Compare baseline rate of behavior to intervention rate of behavior.

10. Leverage points
    a)   the stimuli
    b)   the consequences
    c)   reinforcement history

Operant Learning Theory Problems

1. How would you measure the following behaviors: a) sales made by a marketing representative, b) studying, and c) absenteeism from work.

2. B.F. Skinner, renowned operant learning theorist, once said, "Beauty is [positive] reinforcement." Hint: When a person comments that a flower, sunset, person, etc. are beautiful, what are the corresponding stimulus, behavior, and consequences?

3. James makes spending decisions based upon how much money is in his checking account. All of his checking account funds are completely spent each month. He never transfers funds from savings to checking during the month. To save money, James has the bank take $25 from his check each month and put it in savings.
     a) Identify the stimulus(i) and consequence(s) related to the behavior of spending in this situation.
     b) Which one of the seven operant interventions is James using? Why?

4. At Emery Air Freight, package handlers have the option of bundling packages which are headed to the same destination in containers or shipping them separately. Using containers reduces costs. Use the five step behavior modification process to devise a plan for reducing shipping costs by increasing the percentage of packages that are shipped in containers.

5. James Q. McIndigestion, manager of a local McDonald's restaurant believes that profits will increase if tardiness can be reduced. He has hired you, a highly paid management consultant, to design a motivational program to increase and maintain prompt arrival. A firm believer in operant theory, you decide to apply the five-step behavior modification process presented in class to the problem. List the five steps below and apply each step to meet Mr. McIndigestion's objective of diminished tardiness. Assume that there is neither a penalty for being tardy nor an explicit reward for being at work on time.

6. The following is a freeway driving tip which is presented at many defensive driving classes.

    When being tailgated, check to be sure that the tailgating driver is paying attention and that the immediate path in front of your car is clear. Then, remove your foot from the accelerator and gradually slow down. Do not step on the brake. Soon the tailgating driver will pass you.

    a) Using the Stimulus-Behavior-Consequence model, analyze this tip from the perspective of
        i) the tailgating driver (behavior: tailgating)
        ii) the tailgating driver (behavior: passing).

    b) Which one of the seven operant interventions (stimulus control, punishment, extinction, response cost, positive reinforcement, negative reinforcement, Premack principle) is being used to manage the tailgating driver's behavior when this driving tip is applied?

7. Operant theorists frequently say that "the best predictor of future behavior is past behavior." Using the SBC model, identify the underlying assumptions and explain why the statement is good advice.

Motivation: Expectancy Theory

LEARNING OBJECTIVE: expectancy theory. Be able to (1) identify action alternatives and outcomes in a situation, (2) diagram a situation in terms of an expectancy theory tree diagram, (3) speculate knowledgeably as to the expectancies of a focal person within a situation, (4) identify which aspects of a situation correspond to expectancy, instrumentality, and/or valence, and (5) diagnose a problematic situation to determine if a motivational problem is due to expectancy, instrumentality, and/or valence.

1. Assumptions
    a) Humans think. These thoughts control behavior.
    b) Humans attempt to maximize <u>anticipated</u> satisfaction.

2. Variables in Model
    a) Expectancy (E-->P): Person's perception of the probability that effort will lead to performance. Does the individual perceive that effort leads to performance?
    b) Instrumentality (P-->O): Person's perception of the probability that certain outcomes, positive or negative, will be attached to performance. (Note: this is a simplified version of theory. Instrumentality also refers to perception of probability that certain outcomes will lead to other outcomes.) Does the individual perceive that certain behaviors will lead to specific outcomes?
    c) Valence (V): Person's perception of the value of specific outcomes (how much s/he likes/dislikes receiving them). What values do individuals attach to these outcomes?

3. "The Theory"

Motivational Force = $[E\text{-->}P] \times \Sigma\ [(P\text{-->}O)(V)]$

Person chooses action alternative with the highest motivational force.

4. Applying expectancy theory to solve motivational problems.
   Step 1: Assume model is true.
   Step 2: Analyze the situation using an expectancy tree diagram
      a) Identify action alternatives and associated outcomes.
      b) Draw decision node.
      c) From the decision node, draw a branch for each action alternative.
      d) Add motivational force, effort, and performance boxes to each branch (within boxes, define effort and performance for the situation).
      e) For each action alternative, add relevant outcomes to the tree by drawing them in and linking them to the performance box using an arrow.
         Note: leaving an outcome off a branch implies that (P-->O)=0 between that outcome and performance.
   Step 3: Develop hypotheses concerning why the preferred alternative was not chosen.
   Step 4: Modify the situation to make the motivational force of the preferred action alternative higher than the motivational forces of other action alternatives.

5. Leverage points
   a) Expectancy-provide coaching, encouragement, training, or information about others who have performed.
   b) Valence-verbally reinforce how good it will feel to earn the outcomes that will result from performance.
   c) Instrumentality-provide information that reinforces the idea that performance will result in desired outcomes such as examples of others who performed and received the outcome.

Expectancy Theory Problems

1. Draw a box and arrow theoretical model of motivation which incorporates the following variables: satisfaction, motivation, reward, and performance.

2. Business Week explored stockbroker-client relationships in a cover story titled, "Can You Trust Your Broker?" Commission rates increase with volume of commissions. (Brokers receive commissions both for investment of new money and for the movement of old money into different instruments.)

Brokerage houses give higher commissions for sale of in house mutual funds than for external mutual funds. (On average, the Fidelity (64.9% five year return), American (50.8%), and Putnam (47.7%) fund families are significantly better performers that those of brokerage funds such as Smith Barney (41.5%), Merrill Lynch (40.1%), and PaineWebber (40.2%).)

Many investors depend heavily upon brokers for sound investment advice, which maximizes investor wealth. However, firms provide little useful information to investors about how their investments are faring. Brokerage statements do not show an account's performance. There is no aggregate disclosure of commissions paid over a quarter or year. Sales contests and "product of the month" campaigns are common. Prizes include expensive watches and dream vacations.

Using an expectancy theory tree diagram, analyze the capabilities of the systems described above for producing sound investment advice which maximizes investor wealth.

3. David Halberstam's book The Breaks of the Game chronicles the 1979-1980 season of the Portland Trailblazers NBA basketball team. In the quote below, a change in player motivation to follow coaching instructions is described. Draw two expectancy tree diagrams (the first for before the salary explosion and the second for after the salary explosion) to represent the situation.

"This explosion of salary, sudden and overnight (owners for the first time, proud capitalists that they are, being forced to pay the market value in what has been the hitherto conservative sanctuary of sports), had changed not just the financial structure of the game but, more significantly, the political structure as well. In the past the coaches had been the figures of authority, as a rule paid more than players. They moreover had the power to withhold playing time (and thus statistical production) from players and thus determined to no small degree the course of a player's career. A coach could determine whether a player had a good year, and if the player had a good year he might be able to sign again, perhaps for $5,000 more. The choice was management's. Overnight the pay scale changed, superstars--some of them mere rookies--were now being paid four and five times as much as coaches. Even more important, they had guaranteed, no-cut, long term contracts. How they performed on court in the future no longer mattered; at least in financial terms, the future was already theirs. The ability of the coach and of management to control players dropped accordingly."

The change occurred in the mid 1970s because of the presence of the American Basketball Association (a rival professional league which engaged in bidding wars with the NBA for new players) and because of free agency (players permitted to move from their team to the highest bidder within the NBA at the end of their contracts).

Motivation: Job Design

LEARNING OBJECTIVE: Hackman and Oldham's job design theory (be able to assess a job on each of the 5 core dimensions and the motivating potential score) Given Job Diagnostic Survey scores, be able to diagnose areas needing improvement within a job and to prescribe changes which would improve the motivating potential of the job. strategies for job redesign (be able to prescribe changes in a job in order to improve each of the five core dimensions)

1. Three approaches to work enrichment
    a) Job enlargement: horizontally increase the scope of a job, by either extending the number of activities, performed by the job holder or rotating the job holder through a variety of unrelated activities
    b) Job enrichment: horizontally (adding tasks) and vertically (adding responsibility) increasing the scope of a job, by increasing skill variety, task identity, task significance, autonomy, and feedback in job.
    c) Sociotechnical redesign: use autonomous or self-regulating work groups in which teams of workers regulate and control their tasks as well as perform many roles traditionally assigned to management, such as making job assignments and determining work processes.

2. Job enrichment: Three critical psychological states and their associated job characteristics-- according to theory, all three states must be present for job to be intrinsically motivating
    a) Experienced meaningfulness of work
        i. Skill variety: degree to which job requires worker to perform activities that challenge his/her skills and use diverse abilities.
        ii. Task identity: degree to which job requires completion of a whole and identifiable piece of work
        iii. Task significance: degree to which a job is perceived to have a substantial impact upon the lives of others.
    b) Knowledge of actual results of work activities
        i. Feedback: degree to which a worker, in carrying out the work activities required by a job, gets information about the effectiveness of his/her efforts.
    c) Experienced responsibility for outcomes of work
        i. Autonomy: degree to which job gives worker freedom, independence, and discretion in scheduling work and determining how she/he will carry it out.

3. Motivating potential score (MPS)

$$MPS = \frac{(SV + TI + TS)}{3} \times A \times F$$

4. Scores for various jobs from a public sector survey:

	Skill Variety	Task Identity	Task Significance	Autonomy	Feedback	MPS
Overall Sample	5.18	3.09	6.06	5.04	5.12	140
Administrators	5.98	5.42	6.26	5.60	5.39	178
Professionals	5.84	5.30	6.22	5.50	5.25	167
Technicians	5.33	5.18	5.94	5.20	5.22	149
Protective Services	5.83	4.58	6.43	4.97	4.92	137
Paraprofessional	5.05	5.11	6.20	4.89	4.83	129
Office, Clerical	4.47	4.89	5.90	4.75	5.13	124
Skilled Craft	5.06	5.15	5.78	4.85	5.14	133
Maintenance, Service	4.23	5.12	5.87	4.59	4.92	115

5. The social information processing model: what others say and think about jobs affects perception of job.
   a) Other people provide cues we use to understand our work environment.
   b) Others help us to judge what is important in our jobs.
   c) Others tell us how they see our jobs.
   d) Positive and negative feedback from others helps us to understand our feelings about our jobs.

6. Leverage points: mechanisms for improving job characteristics

Mechanism	Characteristic affected
Combine tasks	Skill variety
	Task identity
Form natural work units	Task identity
	Task significance
Establish client relationships	Skill variety
	Autonomy
	Feedback
Load a job vertically	Task identity
	Task significance
	Autonomy
Open feedback channels	Feedback

7. Moderating effect of growth need strength: individuals with high growth needs typically respond more positively to enriched jobs than do those with low growth needs because the latter may not value such opportunities or may be negatively stressed by them.

8. The Elements of Flow (A Psychology of Optimal Experience) from pp. 178-179 of <u>The Evolving Self: A Psychology for the Third Millennium</u> by Mihaly Csikszentmihalyi (Chick-sent-me-HIGH)
   a) Clear goals (an objective is distinctly defined)
      Immediate feedback (one knows instantly how well one is doing)
   b) The opportunities for acting decisively are relatively high, and they are matched by one's perceived ability to act. In other words, personal skills are well suited to given challenges.
   c) Action and awareness merge; one pointedness of mind.
   d) Concentration on the task at hand; irrelevant stimuli disappear from consciousness, worries and concerns are temporarily suspended.
   e) A sense of potential control.
   f) Loss of self-consciousness, transcendence of ego boundaries, a sense of growth and of being part of some greater entity.
   g) Altered sense of time, which usually seems to pass faster.
   h) Experience becomes autoelic. If several of the previous conditions are present, what one does becomes autoelic, or worth doing for its own sake.

Job Design Problem

1. For the situation described below, devise a strategy for enriching the jobs.
   The function of the keypunch division is to transfer written or typed insurance documents on to computer cards. The division consists of 98 keypunch operators and verifiers (both have the same job classification), seven assignment clerks, and seven supervisors. There are two keypunch supervisors (each with about 25 keypunch operators), two verification supervisors (again with about 25 verifiers each) and an assignment supervisor (with 7 seven assignment clerks). All of the supervisors report to an assistant manager who then reports to the keypunch division manager.
   The sizes of the jobs vary from just a few cards to as many as 2,500 cards. Some jobs are prescheduled while others come in with due dates--often in the form of crash projects that need to be done "right now." All jobs are received by the assignment branch where they are checked for obvious errors, omissions and legibility. Any problems found are reported to the supervisor who contacts the user department to resolve the problem. If the departmental input is satisfactory, the assignment clerk divides the work into batches that will take about one hour to complete so that each operator will have an equal workload. These batches are sent to the keypunching branches with the instructions to "Punch only what you see. Don't correct errors, no matter how obvious they look." Operators have no freedom to arrange their schedules or tasks. They also have little knowledge concerning the meaning and use of the data they are punching.

Because of the high cost of computer time, all keypunching is 100 percent verified. The verification process is done by having another operator completely repunch the data to see if the two inputs match. Thus, it takes just as long to verify as it does to punch the data in the first place. After verification, the cards are sent to the supervisor. If errors are detected, they are sent to the first available operator for correction. Next cards are sent to the computer division where they are checked for accuracy using a computer program. The cards and computer output are sent to the originating department, which checks the cards and output and returns the cards to the supervisor if any errors are found.

Many motivational problems exist. There are numerous grievances from the operators. Employees frequently display apathy or outright hostility toward their jobs. Rates of work are low. Absenteeism is much higher than average, especially on Mondays and Fridays. Supervisors spend most of their time controlling the work and resolving crisis situations. Keypunch division performance is marginal at best.

A consulting team has studied the job and concluded that there is little skill variety. Only a single skill--keypunching data--is involved. Task identity is virtually nonexistent. Batches are assembled to provide an even workload, but not whole identifiable jobs. Task significance is not apparent. The individual operators are isolated by an assignment clerk from any knowledge of what the operation meant to the using department, let alone to the ultimate customer. There is no autonomy. The operators have no freedom to arrange daily tasks to meet schedules, to resolve problems with the using department, or to correct obviously wrong information before keypunching it. There is no feedback. Once a batch is out of the operator's hands, no information is provided performance.

Redesign this work operation to improve motivating potential scores and performance.

2. You are a supervisorwho supervises one person.
    a) Structure the person's job to encourage them to leave.
    b) Structure the job to encourage them to stay.

Motivation: Equity Theory

LEARNING OBJECTIVE: equity theory. Be able to identify perceived inputs and outcomes, underpayment and overpayment inequity, and to predict how inequity will be resolved.

1. Major contribution: considers the effect of comparing absolute outcomes with the outcomes of others when determining utility.

2. Some definitions
    Focal person: person whose behavior we are attempting to explain.
    Comparison other: an individual whom the focal person selects and who in reality may be like or unlike the focal person. (Can be the focal person at a different point in time.)
    Inputs: perceived contributions to an exchange (e.g., effort, age, sex, or experience).
    Outputs: perceived positive or negative consequences/returns received by the focal person in exchange for services (e.g., pay, status, job complexity).

3. Cognitive dissonance (inequity) is created for the focal person whenever his/her ratio of outputs to inputs is not equal to the ratio of his/her comparison other. The presence of inequity creates tension in the focal person in proportion to the amount of inequity present. The tension in the focal person will drive him/her to reduce it.

4. Equity is experienced when the output to input ratios for focal person and comparison are perceived to be equal.
    Underpayment inequity is experienced when the output to input ratio for focal person is perceived to be less than that of the comparison other.
    Overpayment inequity is experienced when the output to input ratio for focal person is perceived to be greater than that of the comparison other.

5. Leverage points include perceptions of inputs and outputs and choice of comparison other.

Equity Theory Problems

1. John Westlund, mayor of Columbia, Missouri, resigned amidst a scandal. The <u>Columbia Tribune</u> revealed that Westlund was reimbursed $3900 by the city for dubious and unbudgeted expenses during 1984. Included among the expenses were a Hong Kong trip, which the mayor never revealed to city staffers and a junket to Boston that apparently had nothing to do with city business. A total of $12,000 in dubious expenses were revealed by a city audit.

    Westlund's replacement, Rodney Smith (a tree trimmer by trade), suggested that Westlund ran up a large bill on the taxpayers' tab because Westlund felt that he rightly deserved some compensation for his service in the unpaid public office. Councilman Al Tacker said he saw how Westlund might have felt justified in claiming the expenses, saying "You start thinking, 'I put in all these hours as mayor, if I'm going to go on a city trip, at least I'm, going in style."

    a) Equity theory can be used to explain why Westlund stole from the city of Columbia, MO. Identify the type of inequity, Westlund probably experienced. Justify your answer by explaining Westlund's actions <u>using equity theory, its equation, and its terms</u>.
    b) Describe <u>two</u> ways in which Westlund could have legally resolved his feeling that he was insufficiently compensated. Explain how each would work in terms of equity theory's equation and terms.

2. In a major engineering and construction firm, R works with a more highly paid coworker and their boss (all are staff engineers). The coworker's work quality and productivity is so poor that their supervisor has asked R to check the coworker's work very closely. In addition, most of the work coming to the group is assigned to R because of his coworker's poor performance. With his small workload, the coworker devotes a great deal of office time to his personal business and charges it to their clients. Their supervisor does not confront the coworker.

    a) Apply equity theory to explain why R is so concerned about this situation.
    b) What can R do to restore equity for himself?

Motivation: Goal Setting Theory

LEARNING OBJECTIVE: goal setting theory, goal specificity, goal difficulty, and goal acceptance.

1. Goals, which any member of an organization can set, describe a desired future state.

2. Important variables
    Goal specificity: clarity of goals and extent to which their accomplishment is observable and measurable.
    Goal difficulty: the level of performance desired.
    Given acceptance of a goal, goal difficulty and specificity produce higher performance than an easy goal or a "do your best" goal.

3. Leverage points include goal specificity, difficulty and acceptance.

Goal Setting Theory Problems

1. The One Minute Manager by Blanchard and Johnson was a #1 bestseller and spent 12 months on the N.Y. Times bestseller list. The book can be summarized in terms of three basic principles. One of the principles are summarized below.

    Principle I.
    a) Determine your objectives.
    b) See what good behavior looks like.
    c) Write out each of your objectives on a single sheet of paper using less than 250 words.
    d) Read and re-read each objective, which only requires a minute or so each time you do it.
    e) Take a minute every once in a while out of your day to look at your performance, and
    f) See whether or not your behavior matches your objective.
    Principle I is not as useful as it could be. Using goal setting theory, indicate three different ways to improve this principle (one way for each of goal setting theory's key variable). Make your suggestion(s) global (about the 6 steps as a whole) rather than critiquing individual steps from above.

2. The pizza delivery business has become a particularly dangerous occupation. Pizza deliverers have a driving accident rate three times the national average. Devise a goal setting program to promote safe driving. Hint: first devise a measure of safe driving behavior.

Power

LEARNING OBJECTIVE: power. Bases of power. Position power (control of rewards and punishments, centrality), personal power (expertise, charisma, networks of peers), resource and information based power (substitutability and coping with uncertainty). Relative range of outcomes one party can put the other through as a determinant of who has the most power. Contexts of powerless and methods for empowering. Organizational trading currencies.

1. Definition: potential or actual ability to influence others in a desired direction.

2. The amount of power you have is a function of extent of dependence of other parties upon you. Dependence flows in the opposite direction from power in a relationship. Dependence arises in part because a person, group, organization relies upon other persons, groups, or organizations to accomplish a task.

3. Bases of power
    a) Position power: derived from position or job held
        Authority: influence is due to formal, legitimate trappings of position.
        Centrality: influence is due to linkage of position's activities to activities of other individuals or subunits
        Control of rewards and punishments: control over delivery of rewards and punishments.
    b) Personal power: based upon the knowledge or personality of an individual that allows him/her to influence the behavior of others.
        Expertise: special or unique skills, knowledge, and experience
        Charisma: influence based upon identification of others with them.
        Coercion: influence based upon fear.
        Some bases of power affect each other. For example, use of coercion diminishes charisma.
    c) Resource- and information-based power
        Control of resources and information: influence based upon control of resources such as allocation of money, materials, staff, or information.
        Coping with uncertainty: influence based upon helping others reduce uncertainty in the workplace.
        Unsubstitutability: the less substitutable the activities of an individual or group in an organization, the more power it has.

d) Linkages: acquiring power through increasing contacts with others.
Informal networks: influence based upon being tied into an informal network and having access to useful information.
Trade relations: reciprocity and lateral exchange form trade relationships which contribute to the accrual and exercise of power. Managers participate in trade relationships with lateral network members to get things done. Influence based upon networks of peers, subordinates, superiors for whom have done favors or provided special information or assistance. (See elaboration below.)
Alliances: influence based upon membership in a coalition.

4. Many bases of power exist in organizations. Virtually every member of an organization has access to one or more power bases. What determines which party has the most power in a given situation? The party that can put the other party through the widest range of outcomes and is willing to do so.

5. Leverage points are the bases of power.

Power: Managers as Traders

1. Unlike nations, managers do not trade goods, they trade services including power, or the ability to get things done. This is especially true of lateral relationships.

2. A model of influence thorough exchange
Step 1:   Assume that the other is a potential ally.

Step 2:   Clarify your goals and priorities

Step 3:   Diagnose ally's world: goals, concerns, needs

Step 4:   Diagnose your relationship with the ally.

Step 5:   Determine exchange approach; make exchange

3   Commonly traded organizational currencies

     Inspiration related

          Vision: being involved in a task that has significance for the unit, organization, customers, or society.

          Excellence: having a chance to do things really well.

          Moral/ethical correctness: Doing what is "right" by a higher standard than efficiency.

     Task related

          Resources: lending or giving money, budget increases, personnel, space, etc.

          Assistance: helping with existing projects or undertaking unwanted tasks.

          Cooperation: giving task support, providing quicker response time, approving a project, or aiding implementation.

          Information: providing organizational as well as technical knowledge.

     Position related

          Advancement: giving a task or assignment that can aid in promotion.

          Recognition: acknowledging effort, accomplishment, or abilities.

          Visibility: providing chance to be known by higher-ups or significant others in the organization.

          Reputation: enhancing the way a person is seen.

          Importance/Insiderness: offering a sense of importance, of belonging.

          Network/Contacts: providing opportunities for linking with others.

     Relationship related

          Acceptance/inclusion: providing closeness and friendship.

          Personal support: giving personal and emotional backing

          Understanding: listening to other's concerns and issues

     Personal related

          Self concept: affirming one's values, self esteem, and identity

          Challenge/learning: sharing tasks that increase skills and abilities

          Ownership/Involvement: letting others have ownership and influence

          Gratitude: expressing appreciation or indebtedness

Power: Empowering Others

1. Contexts of powerlessness
   a) Organizational
         Significant change/transitions
         Excessive competitive pressures
         Impersonal bureaucratic climate
         Poor communications
         Highly centralized organizational resources
   b) Supervisory style
         Authoritarian (high control)
         Negativism (emphasis on failure)
         Lack of reason for actions/consequences
   c) Reward systems
         Noncontingency (arbitrary allocations)
         Low incentive value of rewards
         Lack of competence-based rewards
   d) Job design
         Lack of role clarity
         Lack of training and technical support
         Unrealistic goals
         Lack of appropriate authority/discretion
         Limited participation in programs/meetings/decisions that direct impact on job performance
         Lack of appropriate resources
         Highly established work routines
         Too many rules and guidelines
         Low advancement opportunities
         Lack of meaningful goals/tasks

2. Four means of empowering others (from Bandura's self efficacy research)
   a) Through positive emotional support during experiences associated with anxiety and stress
   b) Through words of encouragement and positive persuasion
   c) By observing success
   d) By actually experiencing mastery of the task

3. Some empowering management practices
   a) Providing a positive emotional atmosphere
   b) Reward and encourage in visible and personal ways
   c) "Praising the troops": express confidence
   d) Foster initiative and responsibility
   e) Start small and build on success

Power: Organizational Politics

1. Definition: self-serving power oriented behavior.

2. Political behavior increases as resources become scarce, uncertainty increases, or goals become more complex or difficult to obtain.

3. Some political tactics
    a) pressure tactics: influencer uses demands, threats, intimidation in an effort to convince a target to comply with a request or support a proposal.
    b) upward appeals: i) influencer tells target that a request is approved by upper level management or ii) upper level management assists in gaining target's compliance.
    c) exchange tactics: influencer makes an explicit or implicit promise that the target will receive rewards or tangible benefits if target complies with a request or support.
    d) coalition tactics: influencer seeks the aid of others to persuade target to do something or uses the support of others as an argument for the target's compliance.
    e) ingratiating tactics: influencer seeks to get target in a good mood or to think favorably of influencer before asking the target to do something.
    f) rational persuasion: influencer uses logical arguments and factual evidence to persuade target that a proposal or request is viable and likely to result in attainment of goals.
    g) inspirational appeals: influencer makes an emotional request or proposal that arouses enthusiasm by appealing to target's values and ideals or increasing target's confidence in his/her ability to accomplish a goal.
    h) consultation tactics: influencer seeks target's participation in making a decision or planning how to implement a proposed policy, strategy or change.

Power: Problems

1. a) In the case below, what bases of power that are available to A and what bases are available to the Master Sergeant?
    b) Who has the most power? Why?
    c) Present two steps that A can take to take control of situation. Justify each using power concepts.

The setting: A military radar installation
The players: A (25-year-old Platoon Leader who is the 1st lieutenant, no professional experience; has academic education); Deputy platoon leader (subordinate of the Platoon Leader), Master Sergeant, 45 years old, experienced, expert in all matters related to the radar system, energetic, forceful, motivated, independent.
The Problem: Shortly after his transfer to the unit, A noticed that the Master Sergeant frequently made decisions on essential matters without consulting or even informing A. The Master Sergeant was obviously convinced of his profound professional knowledge and did not necessarily want to offend by his behavior. However, A could not tolerate this situation.

2. Entertainment Weekly publishes an annual ranking of the most powerful people in the entertainment business (sports are not considered part of entertainment here). Match each of the people below with their ranking in the 1999 list. The rankings to be used are 6, 23, 50, 69, 101.5, and "not ranked." Be prepared to justify.

___   David Lee Roth, Former lead singer for rock music group Van Halen. Is now between gigs.

___   Madonna, The Material Girl-singer actress/Co-CEO of Maverick Recording. Most recent hit was Austin Powers 2's "Beautiful Stranger." Bought out Maverick partner/former manager Freddie DeMann for reported $20 million.

___   Jim Carrey, Actor-provocateur. Star of Ace Ventura-Pet Detective, Man on the Moon and other movie hits.

___   Jeff Bezos, Founder and CEO of Amazon.COM.

___   WWF (Vince McMahon-owner & Steve "Stone Cold" Austin, wrestler). Nine hours per week of Nielsen pinning shows and 200 plus live events per year.

___   Oprah Winfrey, Talk show queen with number 1 daytime chat hour which pulled in $300 million in 1998. The 26 books that she has selected for her book club have enjoyed a big sales jump. She has a movie production company--Harpo Films. Has magazine due out in the spring.

3. In a state agency, a recent promotion has placed Tim in a supervisory position over 11 people, many of whom are close personal friends. Assigning tasks that they might not want to do, assessing performance, and applying discipline is complicated by friendship with some employees.

   Tim has many power bases by virtue of his role as supervisor. Why do his subordinates have the power to counteract it? What can Tim do to neutralize their power and establish himself in his new role?

4. In the book The Little Prince, the little prince asks the king, "Sire--over what do you rule?"
   "Over everything," said the king with magnificent simplicity.
   "Over everything?"
   The king made a gesture, which took in his planet, the other planets, and all the stars. For his rule was not only absolute; it was universal.
   "And the stars obey you?"
   "Certainly they do," the king said. "They obey instantly. I do not permit insubordination."
   The little prince plucked up his courage to ask the king a favor: "I should like to see a sunset… Do me that kindness… Order the sun to set…"
   "If I ordered a general to fly from one flower to another like a butterfly, or to write a tragic drama, or to change himself into a seabird, and if the general did not carry out the order that he had received, which of us would be in the wrong?" The king demanded. "The general, or myself."
   "You." replied the prince firmly.
   "Exactly. One must require from each one the duty which each one can perform," the king went on. "Accepted authority rests first of all on reason. If you ordered your people to go and throw themselves into the sea, they would rise up in revolution. I have the right to require obedience because my orders are reasonable."
   "Then, my sunset?" the little prince reminded him.
   Before saying anything, the king consulted a bulky almanac, "That will be about this evening at twenty minutes to eight."

   What important power lesson is presented in this conversation?

Communication: Feedback Techniques

LEARNING OBJECTIVE: Be able to apply the four criteria for effective feedback.

1. Use I statements--take responsibility for your own feelings rather than blaming, judging, or evaluating the other person.

Examples
  Ineffective: You make me angry when you burst into the room like that.
  Better: Sometimes I feel that I have no privacy here in my office. I get angry with you when you burst into the room without knocking because that feeling is reinforced.

  Ineffective: You shouldn't interrupt.
  Better: I feel that my opinion is not being respected because I am not allowed to finish the sentence.

2. Make descriptions rather than judgments.

Examples:
  Ineffective: You were deliberately making too much noise.
  Better: I am really disturbed by the noise you are making. I am finding it hard to work next to you.

  Ineffective: Sally was really angry with the way things were going or
          Sally has never taken an interest in her job.
  Better: Sally walked out of the meeting after the first 15 minutes.

    To develop a skill in describing behavior you must sharpen your observation of what really occurred. You have to force yourself to pay attention to what is observable and hold inferences back. As you practice, you may find that your conclusions about others are based less on observable evidence than on your own feelings of affection, fear, insecurity, etc.

3. Be specific rather than general.

  Ineffective: You'll never become a good marketing representative at the rate that you are going.
  Better: I'd like you to consider some alternative approaches to our firm's clients.

  Ineffective: You have to get your work group more excited.
  Better: Let's try to think of some ways of getting better performance and motivation from your work group.

4. Request rather than demand.

   Being ordered about increases one's defensiveness. it gives an immediate outside change but not an inside change. When you request, you are asking for a change, so you request it so that you both know what and how to change.
   a. Give a description of what you are currently experiencing.
   b. Give a suggestion for change.

Example:
 Ineffective: Be at the next meeting.
        You have already missed three staff meetings.
 Better: I'm feeling that the staff is not complete and that there is less support when you are not there.
        I was confused by your statements at the meeting. Would you explain your position in other words?

Communication Problems

1. Several female clerical staff members have complained about the inappropriate behavior of one of your subordinates, the photocopy room operator Jacob. They have stated that they will no longer go to the photocopy room to make copies if Jacob is there. They report that while they are making copies, Jacob will walk up beside them and place his arm around their shoulders. In addition, the manner in which Jacob looks at them ("stares" at them to use the clerical workers' term) while they are in the photocopy room makes them uncomfortable.
   a) Using the four guidelines for giving feedback which were presented in class, write below the text of what you would say to Jacob as you give him feedback concerning his behavior toward the female clerical staff members.
   b) List the four guidelines for giving feedback. Indicate within the text you have written where guideline each is applied.

2. In the overseas department of an American firm, N is a recent college graduate and an engineer. N is to exclusively approach her supervisor with all technical issues. Her supervisor repeatedly turns technical discussions into religious discussions and tries to impose his religious views on N. At the same time, N is not receiving any technical help.
   a) Using the four guidelines for giving feedback which were presented in class, write below the text of what N should say to her supervisor as she gives him feedback.
   b) List the four guidelines for giving feedback. Indicate within the text you have written where guideline each is applied.

Extra Problems for First Half of Course

1. The October/November, 1997 issue of "Civilization" contains an article titled "Winning the genius lottery." The experiences of the recipients of annual fellowships from the John D. and Catherine T. MacArthur Foundation show that, in many ways, the awards program hasn't lived up to the high hopes of its early days, according to Jennifer Senior. Ms. Senior, a staff writer for New York magazine, interviewed more than half of the 1992 recipients of the fellowships. She found that the "genius awards" -- which range from $150,000 to $375,000, with no strings attached -- had been used to pay for everything from a new Cadillac and a set of false teeth to an old Kansas farmhouse and a search for a missing brother. John D. MacArthur's grandson Rick, whose father, J. Roderick MacArthur, created the awards, said his father would have found the odd ways that the recipients spent the money "hilarious." But J. Roderick MacArthur might also have regretted that the program had not achieved its intended purpose of financially liberating great intellects so that they could "do something for the human race," writes Ms. Senior.

    Which course concept is best exemplified by the findings that the genius awards are not being used as intended? Briefly, justify your selection.

2. In an article published in the December 30, 1997 Des Moines Register, John Weires, owner of Audio Video Logic, describes the speakers that he offers for sale and a strategy for selling them. Speakers range in price from the $250 per pair NIT Super Zero speaker to the $167,000 per pair Wilson Wamms. Weires invites customers to listen to the best speakers in the showroom. "You need a frame of reference before you buy," said Weires. "It's like test driving a Ferrari before buying a Taurus."

    Which course concept is best exemplified by Weires' sales approach? Briefly, justify your selection.

3. According to a fall, 1998 Chronicle of Higher Education story, the president of Virginia Tech instructed faculty to assign more homework to students so that students would consume less alcohol on the weekends.

    Which course concept is best exemplified by the president's plan? Briefly, justify your selection.

4. Department X is responsible for development and support of all computer systems used for business processing in a large corporation.

A has not implemented a successful project in his 10 years with the company. Most projects he worked on get canceled by the client because of system performance problems due to poor technical design decisions. Despite this lack of success in project work, A has been on the fast track in climbing the corporate ladder, mostly due to his communication skills.

B has successfully implemented several important systems during his 10 years with the company. Most observers agree that B's technical strength has been critical to the success of these systems. Despite B's technical success, he has had few promotions primarily because of poor communication skills.

Employees in Department X believe that communication skills are more important than technical knowledge. Because of this lack of technical focus in the department, quality of systems delivered is declining and clients are becoming dissatisfied.

Which course concept is best exemplified by the situation? Briefly, justify your selection.

Decision Making: The Garbage Can Model of Choice

LEARNING OBJECTIVE: decision making: creativity, Campbell's model of creativity, the garbage can model, assets and liabilities of groups and individuals for making decisions, winner's curse, nonrational escalation of commitment (five conditions for commitment, factors that further enhance commitment, remedies), heuristics and biases, cohesiveness, groupthink (antecedent conditions, remedies)

1. This model incorporates randomness into its view of decision making. A decision is an outcome or interpretation of several relatively independent streams within an organization.

2. The four streams are
    a) Problems: require attention; are distinct from choices and may not be resolved when choices are made.
    b) Solutions: someone's product; an answer looking for a question
    c) Participants: people who come and go; their participation varies due to other demands on their time
    d) Choice opportunities: occasions when an organization is expected to produce a behavior called a decision; contracts must be signed, people hired or fired, dollars spent

3. These streams are not independent. Participants can be viewed as carriers of problems and solutions.

Decision Making: Assets and Liabilities of Group Problem Solving

1. Assets
    a) Greater total sum of knowledge and information
    b) Greater number of approaches
    c) Participation in problem solving produces higher acceptance and understanding of decision and commitment to it.

2. Liabilities
    a) Requires more time.
    b) Group sometimes ignores individual expertise.
    c) Decision process may be dominated by one individual.
    d) Creates possibility of group think.

Decision Making: Heuristics and Biases

1. Availability-managers assess the frequency, probability, or likely causes of an event by the degree to which instances or occurrences of that event are readily "available" in memory.

2. Representativeness (see perception for more information)-assign to categories (called schemas) based upon simple resemblance or "goodness of fit" to individual categories and react based upon characteristics of that category

3. Anchoring and adjustment-assess by starting from an initial value and adjusting it to yield a final value/decision.

Decision Making: The Winner's Curse

1. In an auction setting, the bidders will have a variety of estimates concerning the worth of the item being offered. The mean of their estimates may approximate the true value of the offered item (as posited by the rational model of decision making). However, it is the person with the highest estimate of value who will win the auction. Thus, this person will pay too much. The winner has won the auction with the highest bid but is cursed in that she/he paid too much. The winner's curse decreases as bidders gain experience.

Decision Making: Nonrational Escalation of Commitment

1. Background: Attitude
   a) components
      i) affect: favorable or unfavorable feelings
      ii) cognition: beliefs, knowledge, understanding
      iii) behavioral intention: what a person plans to do
   b) common belief: "Attitude causes behavior"
   c) commitment theory shows that in addition, "Behavior causes attitudes"

2. Step One: Commitment to an initial decision
      a) Defn of commitment: binding of an individual to behavioral acts.
      b) The degree of commitment derives from the extent to which a person's behavior occurs under the
          following five conditions:
         i) explicitness: affected by the observability and unequivocality of the act
         ii) irrevocability: reversibility of the action; some actions are permanent and having occurred
             cannot be undone
         iii) volition: degree of perceived choice in a situation; people are simultaneously free and
             constrained in their actions; factors affecting volition are (1) choice, (2) presence of external
             demands, (3) presence of extrinsic bases to action, (4) presence of other contributors to action
         iv) publicity: extent to which others know of the action and the kinds of persons who know (e.g.,
             friends vs. strangers)
          v) opportunity for reflection: person thinks about behavior; if the other four conditions are
             present, the person tends to attribute the causality for the behavior to him/herself
             If the act is consistent with the attitude, the attitude will be strengthened. If the act is
             inconsistent with the attitude, the attitude will be weakened.

3. Step Two: Factors which facilitate further commitment of resources to the decision
   a) perceptual biases: filter information; attending more to information which is consistent with
       initial
       decision
   b) judgmental biases: loss of initial investment (sunk cost) will bias one to continue commitment

c) external image management (KYAC): selectively provide information in support of initial decision and seek to appear consistent

d) competitive irrationality: two parties engage in an activity that is clearly irrational in terms of outcomes to both sides; yet it is hard to specify irrational actions by each party

4. Step 3: Nonrational escalation of commitment to a decision
   a) definition: the degree to which an individual escalates commitment to a previously selected course
       of action to a point beyond that which a rational model of decision making would prescribe.

5. Ways to avoid nonrational escalation of commitment
   a) Set limits on your involvement and commitment in advance
   b) Avoid looking to other people to see what you should do
   c) Actively determine why you are continuing
   d) Remind yourself of the costs involved
   e) Remain vigilant (escalation is often a passive response; must constantly reassess the costs and benefits of continuing)

6. Leverage points

Decision Making: Creativity

1. Creativity
   a) Definition: process that results in a novel and useful work.
   b) Is overly dramatized as an unconscious mystical process.
   c) Campbell's model
      i) A problem presents itself to a person who then generates "thought trials" (defined as imaginary
                experiences) while attempting to find a solution.
      ii) The generation process is more or less random, blind, and lacking in foresight.
      iii) After generation, a thought trial is evaluated. Trials which don't meet the criteria are discarded.
      iv) The process continues until a satisfactory alternative is found.

2. Leverage points:
   a) problem definition
   b) number f thought trials
   c) variety of thought trials

Decision Making: Cohesiveness

1. Definition: a group's sense of unity or togetherness

2. Determinants
        a) similar attitudes held by group members
        b) group is successful in its efforts
        c) group has a clear sense of how to achieve its goals
        d) the group's conflict management style is effective
        e) group members frequently reinforce one another.
        f) size-optimum size is not clear but should not be too big.

3. Relationship of cohesiveness to productivity is an inverse U shape. As cohesiveness increases, so does productivity. After that point, productivity decreases a cohesiveness continues to increase.

Decision Making: Groupthink

1. Definition: a phenomenon that occurs in highly cohesive groups when the members ignore evidence and opinion contrary to their own views and disregard alternative choices, in order to preserve their feelings of unity. Groupthink often leads to a faulty decision.

2. Antecedent conditions of groupthink
        a) moderately high or very high cohesiveness,
        b) insulation of the policy-making group,
        c) lack of tradition which inhibits leadership bias,
        d) lack of rules or norms about methods or procedures, and
        e) homogeneity of members' social background and ideology.

3. Symptoms of groupthink
  a) illusion of group's invulnerability
  b) belief in the inherent morality of the group
  c) collective rationalizations
  d) stereotypes of the outgroup
  e) self censorship
  f) illusion of unanimity
  g) direct pressure on dissenters
  h) self-appointed mindguards

4. Consequences of groupthink
  a) incomplete survey of alternatives
  b) incomplete survey of objectives
  c) failure to examine risks of preferred choice
  d) failure to reappraise initially rejected alternatives
  e) poor information search
  f) selective bias in processing information at hand
  g) failure to work out contingency plans
  h) LOW PROBABILITY OF SUCCESSFUL OUTCOME

5. Remedies for groupthink
  a) leader should assign role of critical evaluator to each member
  b) leaders should avoid stating preferences and expectations at outset
  c) each member of the group should routinely discuss the groups' deliberations with a trusted associate and report back to the group on the associate's reactions
  d) one or more experts should be invited to each meeting on a staggered basis. The outside experts should be encouraged to challenge views of the members.
  e) at least one articulate and knowledgeable member should be given the role of devil's advocate (who questions assumptions and plans)
  f) leaders should make sure that a sizeable block of time is set aside to survey warning signals from rivals; leader and group construct alternative scenarios of rivals' intentions.

Decision Making: Expertise

1. Dreyfus and Dreyfus (1986) identify five stages in the development of expertise: novice, advanced beginner, competence, proficiency, and expertise (see below). The novice often has limited knowledge and practice. During the first stage of the acquisition of a new skill through instruction, the novice learns to recognize various objective facts and features relevant to the skill and acquires rules for determining actions based upon those facts and features. Elements of the situation to be tested as relevant are so clearly and objectively defined for the novice that they can be recognized without reference to the overall situation in which they occur. Through practice, the novice develops skills with the rules and internalizes them. With much practice they modify and develop their own knowledge structures with the rules having served as a useful beginning and base.

      Novice: learning of rules in a context free manner (without reference to overall situation)

      Advanced beginner: situation is now incorporated in many decisions

      Competence: rules organized into a hierarchy

      Proficiency: intuition develops

      Expertise: holistic; intuitive, deep situational understanding

2. Simon (1986) concludes that achieving a world class level of expertise in a new field (e.g., research methods) requires 10 years of intensive study. Simon says that intuition consists of analyses that are frozen into habit and into the capacity for rapid response through recognition. (Hammond responds that this is fast analysis not intuition.)

Decision Making Problems

1. At semester's end, as Richard thought about the final exam for this class, he concluded that it would be very difficult. Each of the heuristics (availability, representativeness, and anchoring & adjustment) could have been used by Richard in arriving at his conclusion. Explain how each of the three heuristics could have been used by Richard to arrive at the conclusion he did.

2. Assume that a federal budget of $10 billion is allocated for AIDS research and that you are in charge of administering it. Apply Campbell's model of creativity and devise a plan for a national research structure for fighting AIDS. Some aspects to consider: To how many researchers would you give money? How many different research approaches would you want to fund?

3. The Rock and Roll Hall of Fame in Cleveland, OH honors musicians for their creative contributions to music. During his induction into the Rock and Roll Hall of Fame, Bruce Springsteen said, "We (the members of the Hall of Fame) share only one thing. We don't fit in." Use Campbell's model of creativity to explain how not "fitting in" could help one create great music.

4. Present a plan for structuring the MBA program (admissions, course work, expenses, etc.) to maximize student commitment to the University of Houston and the Bauer College of Business.

5. Early in August, 1990, Iraq invaded Kuwait. As events unfolded in the days and weeks following the invasion, the Bush administration focused on sending troops and military aid to Saudi Arabia in order to prevent an Iraqi invasion of Saudi Arabia. Then, during a televised news conference, Bush shocked his cabinet and advisors by unexpectedly announcing that Iraq would be expelled from Kuwait. From this point on, Bush focused on liberating Kuwait and would accept no other alternative.

Apply all three steps of escalation of commitment theory to explain how this statement might have altered the course of the conflict with Iraq.

Personality Theory

LEARNING OBJECTIVE: personality. Be able to describe in your own words and to apply the perceptual and decision making dimensions measured by the Myers-Briggs Type Indicator. Be able to articulate and defend a position concerning the usefulness of the concept of personality for managers. Be able to describe and apply trait, situational and interactionist personality approaches.

Background--Endler and Edwards

   The term personality evolved from the Latin word persona, the mask worn in the classical theater. The wearer of the mask could be expected to display a more or less consistent pattern of behavior and attitudes throughout the performance. The term later came to refer to the wearer of the mask as well. The distinction between mask definitions, which focused upon surface, and the substance definitions focusing on inner core or personality.

Trait Theory--Gordon Allport

   Behavior = f(Person)

   In everyday life, no one, not even a psychologist, doubts that underlying the conduct of a mature person there are characteristic dispositions or traits. His enthusiasms, interests, and styles of expression are far too self-consistent and plainly patterned to be accounted for in terms of specific habits or identical elements. Nor can the stability and consistency of behavior be explained away by invoking nominalistic theories; stability and consistency are not due to bio-social arrangement of unrelated activities into categories with verbal tags. Traits are not creations in the mind of the observer nor are they verbal fictions; they are here accepted as biophysical facts, actual psychophysical dispositions related--though no one yet knows why--to persistent neural systems of stress and determination.

Situational Theory--Behaviorism--B. F. Skinner

Behavior = f(Environment)

We certainly accept the fact that we are not beginning with an empty organism or tabula rasa. . . As a determinist, I must assume that the organism is simply mediating the relationships between the forces acting upon it and its own output, and these are the kinds of relationships I'm anxious to formulate.

If by "machine" you simply mean any system which behaves in an orderly way, then man and all other animals are machines. But this has nothing to do with the interests of humanists or of the interests of any man of compassion who deals with his fellow man. The behaviorists, like scientists in general, are attempting to reach certain goals, just as the humanist uses his own techniques to arrive at his goals.

People at times have charged this kind of analysis with various ignominious shortcomings, saying that somehow it reduced the dignity and nobility of man. But no analysis changes man; he is what he is. I take an optimistic view. Man can control his future even though his behavior is wholly determined. It is controlled by the environment, but man is always changing the environment. He builds a world in which his behavior has certain characteristics. He does this because the characteristics are reinforcing to him. He builds a world in which he suffers fewer aversive stimuli and in which he behaves with maximum efficiency. He avoids extremes of temperature; he preserves food to avoid hunger. He builds a world in which he is more likely to educate himself so that he will be more effective in the future, and so on. If you want to argue from history, you can say that over a period of say, a hundred thousand years there has been an accumulation of behavioral techniques which have improved the effectiveness of human behavior. Man controls himself, but he does so by controlling his environment.

Interactionism--Endler and Edwards

Behavior = f(Person, Environment)

There is an interaction between personality traits and situational impact for behaviors such as anxiousness, conformity, and locus of control. Both situations and persons interact jointly to affect the direction and nature of behavior.

Personality Theory: The Myers-Briggs Type Indicator

1. Based upon the personality theory of Carl Jung.

2. Two dimensions (four are measured by the scale)
    a) Input data dimension: way in which manager typically takes in data from outside world. All
        people perceive the world in both ways at different times. Individuals tend to develop a habitual
        way of perceiving a situation and can't apply both types of perceiving at once.
      i) Sensing: takes in information via senses; focuses upon details and specifics of any situation;
tends
        to break down every situation into isolated bits and pieces. Feel most comfortable when have
        gathered hard facts pertaining to the situation.
      ii) Intuitives: typically take in information by looking at the situation as a whole; concentrate
        upon hypothetical possibilities rather than getting bogged down and constrained by details.
    b) Decision making dimension: two basic ways of reaching a decision. Neither type is necessarily
        better or more correct. They are merely different.
      i)   Thinking types: base decisions upon impersonal, logical modes of reasoning. Don't feel
          comfortable unless have a logical or analytical basis for making decisions. Want to
          depersonalize every situation, object, and person by explaining them.
      ii) Feeling types: make decisions based upon personal considerations such as how they feel about
        the person or situation, whether they like it or value it. Want to personalize every situation,
        object, and person by stressing its uniqueness.

3. Summary points
     a) These dimensions are continua. A person is not limited to being one or the other.
     b) These personality dimensions attempt to describe behavioral tendencies. Situational factors also
        affect personality.

4. Leverage points

Personality Theory Problems

1. During December, 1994, Orange County, California declared bankruptcy. Investments made by its treasurer, Robert Citron, had lost $2 billion in value during a one month period. Citron had invested extensively in risky derivatives. Citron has denied charges that he mismanaged county funds. During a hearing, Citron stated, "Due to my inexperience, I placed a great deal of reliance on the advice of market professionals. At least to this lay person, Merrill Lynch acted as a financial advisor to Orange County. . . In retrospect, I wish that I had more education and training in complex government securities." In other words, he is saying that he did what any lay person would do when making this decision--rely on the investment firm's advice.

   a) Which of the following personality theories is best exemplified by Citron's explanation of his risk taking behavior--trait, situational, or interactionist? Briefly, why?

   b) How would you explain Citron's risk taking investment behavior using each of the other two personality theories?

2. In a 1998 Sports Illustrated column, it is reported that President Clinton cheats at golf. During a Meet the Press interview, President Clinton reported that his golf handicap is 12 or 13 and that he takes one mulligan (a repeated shot that is not counted in the golf score). Others estimate that he uses mulligans freely, as many as 3 per nine holes.

   Explain President Clinton's golfing behavior using each of the personality theories--trait, situational, and interactionist. Which theory do you think best explains the President's behavior?

Culture

Learning objectives: definition of culture, Hofstede's four dimensions.

1. Definition of culture-the collective programming of the mind which distinguishes the members of one group or category from another (Hofstede, 1991).   Culture consists of shared elements that provide the standards for perceiving, believing, evaluating, communicating, and acting among those who share a language, a historic period, and a geographic location (Triandis, 1996).

2. Issues in culture
    Ethnocentrism-an exaggerated tendency to think of one's own group or race as superior to those of other groups or races.
    Between and within cultural differences-

3. Geert Hofstede (1980) developed a 4 dimensional model of cultural differences using over 60,000 IBM employees from 50 countries. The dimensions are described below:

a. Individualism/collectivism--individualism implies a loosely knit social framework in which people are supposed to take care of themselves; as opposed to collectivist cultures characterized by "in-groups" which are supposed to take care of their members.
    Sample items:
     Group success is more important than individual success.
     It is more important for a manager to encourage loyalty and a sense of duty in
       his/her subordinates than it is to encourage individual initiative.

b. Power distance--defines the extent to which a society accepts unequal distribution of power in institutions and organizations.
    Sample items:
     A supervisor's use of authority and power is often necessary to assure that
       work is done efficiently.
     Social interaction with one's subordinates may decrease a manager's ability to
       be objective in dealing with subordinates.

c. Uncertainty avoidance--defines the extent to which people in a culture feel threatened by uncertainty and ambiguous situations and try to avoid such situations. Also extent to which people try to avoid uncertainty and ambiguous situations by adopting strict codes of behavior and a belief in absolute truths.
   Sample items:
   Managers expect workers to closely follow instructions and procedures.
   Rules and regulations are important because they inform workers what the organization expects of them.

d. Achievement orientation—live to work indicates the extent to which the dominant values of a society are assertive and competitive vs. work to live (e.g., modest and cooperative). Originally, Hofstede referred this dimension as masculine (live to work) and feminine (work to live).
   Sample items:
   Live to work
      Earnings: have an opportunity for high earnings
      Recognition: get the recognition you deserve when you do a good job.
      Advancement: hav an opportunity for advancement to higher level jobs.
      Challenge: have challenging work to do--work from which you can get a personal sense of
        accomplishment.
   Work to live
      Manager: have a good working relationship with your direct supervisor
      Cooperation: work with people who cooperate well with one another.
      Living area: live in an area desirable to you and your family.
      Employment security: have the security that you will be able to work for your company as long as
        you want to.

4. Harry Triandis (1996) has further refined the cultural dimension of individualism and collectivism .by integrating it with another dimension of horizontal (emphasizing equality) and vertical (emphasizing hierarchy). This resulting in a two by two matrix with the four cells: horizontal individualist, vertical individualist, horizontal collectivist, and vertical collectivist.
   a. Horizontal individualists want to be unique and distinct from groups, are likely to say "I want to do my own thing," and are highly self reliant, but are not especially interested in becoming distinguished or having high status.
   b. Vertical individualists often want to become distinguished and acquire status, to do this in competition with others, and are likely to say "I want to be the best."
   c. Horizontal collectivists see themselves as being similar to others (e.g., one person, one vote),

emphasize common goals with others, interdependence and sociability, but they do not submit easily to authority.

    d. Vertical collectivists emphasize the integrity of the in group, are willing to sacrifice their personal goals for the sake of in group goals, and support competitions of their in groups with out groups. If in group authorities want them to act in ways that benefit the in group but are extremely distasteful to them, they submit to the will of these authorities.

5.   An additional dimension developed by Dorfman and Howell (1988) is paternalism.

Paternalism--the appropriateness of managers taking a personal interest in workers' lives, providing for workers personal needs, and generally taking care of workers.

   Sample items:

    Your company should be expected to look after you as a person and not only as a worker.

    It is important for a company to provide job security for its employees so they can work for the company as long as they want.

Country Scores for Hofstede Cultural Dimensions

Individualism		Power Distance		Uncertainty Avoidance		Achievement Orientation	
Country	Score	Country	Score	Country	Score	Country	Score
(a) USA	91	Philippines	94	Greece	112	Japan	95
Australia	90	Mexico	81	Portugal	104	Australia	79
Great Britain	89	Venezuela	81	Belgium	94	Venezuela	73
Canada	80	India	77	Japan	92	Italy	70
Netherlands	80	Singapore	74	Peru	87	Switzerland	70
New Zealand	79	Brazil	69	France	86	Mexico	69
Italy	76	Hong Kong	68	Chile	86	Ireland	68
Belgium	75	France	68	Spain	86	Great Britain	66
Denmark	74	Colombia	67	Argentina	86	W Germany	66
Sweden	71	Turkey	66	Turkey	85	Philippines	64
France	71	Belgium	65	Mexico	82	Colombia	64
Ireland	70	Peru	64	Israel	81	South Africa	63
Norway	69	Thailand	64	Colombia	80	USA	62
Switzerland	68	Chile	63	Venezuela	76	Australia	61
W Germany	67	Portugal	63	Brazil	76	New Zealand	58
South Africa	65	Greece	60	Italy	75	Greece	57
Finland	63	Iran	58	Pakistan	70	Hong Kong	57
Austria	55	Taiwan	58	Austria	70	Argentina	56
Israel	54	Spain	57	Taiwan	69	India	56
Spain	51	Pakistan	55	W Germany	65	Belgium	54
India	48	Japan	54	Thailand	64	Canada	52
Japan	46	Italy	50	Iran	59	Pakistan	50
Argentina	46	South Africa	49	Finland	59	Brazil	49
Iran	41	Argentina	49	Switzerland	58	Singapore	48
Brazil	38	USA	40	Netherlands	53	Israel	47
Turkey	37	Canada	39	Australia	51	Turkey	45
Greece	35	Netherlands	38	Norway	50	Taiwan	45
Philippines	32	Australia	36	South Africa	49	Iran	43
Mexico	30	W Germany	35	New Zealand	49	France	43
Portugal	27	Great Britain	35	Canada	48	Spain	42
Hong Kong	25	Switzerland	34	USA	46	*Section 1.02 eru*	*Section 42*
Chile	23	Finland	33	Philippines	44	Thailand	34
Singapore	20	Norway	31	India	40	Portugal	31
Thailand	20	Sweden	31	Great Britain	35	Chile	28
Taiwan	17	Ireland	28	Ireland	35	Finland	26
Peru	16	New Zealand	22	Hong Kong	29	Denmark	16
Pakistan	14	Denmark	18	Sweden	29	Netherlands	14
Colombia	13	Israel	13	Denmark	23	Norway	8
Venezuela	12	Austria	11	Singapore	8	Sweden	5
Mean	51	**Mean**	**51**	**Mean**	51	**Mean**	51

Leadership

LEARNING OBJECTIVES:
   a) For leadership theories (trait theory, transactional vs. transformational leadership, Ohio State Model), be able to make prescriptions for selection and training of leaders.
   b) trait theory of leadership
   c) transactional and transformational leadership styles
   d) Ohio State model of leadership
   e) substitutes for leadership
   f) the relationship of motivation theory to leadership theory

1. Definition: a leader is a person who influences others to
   act toward a particular goal or end state.

2. Trait theory
   a) born to lead; you have it or you don't
   b) identified traits
      i) adaptable to situations
      ii) alert to social environment
      iii) ambitious and achievement oriented
      iv) assertive
      v) decisive
      vi) dominant (desire to influence others)
      vii) energetic (high energy level)
      viii) persistent
      ix) self confident

3. Ohio State Model
   a) initiating structure (IS): degree to which a leader structures his/her role and subordinates' roles toward accomplishing the groups' goals
   b) consideration (C): degree to which the leader emphasizes individuals' need through two-way communication, respect for subordinates' ideas, mutual trust between leader and subordinates, and consideration of subordinates' feelings

4. Substitutes for leadership
   a) Definition: characteristics that negate leadership influences; they structure the task for the
        followers
          or give them positive strokes or support for their actions.
   b) Examples of factors which neutralize:

Initiating Structure	Consideration
subordinate professional orientation	subordinate professional orientation
close knit work groups	close knit work groups
subordinate ability, training, experience	intrinsically satisfying tasks neutralize
highly formalized and explicit rules and procedures	
unambiguous and routine tasks	

5. Transformational vs. transactional leadership

   a) Definitions

     Transformational leadership-leader motivates followers to do more than originally expected. It is
          achieved by (i) raising an awareness of the importance and value of desired outcomes and
          (ii) getting followers to transcend their own self interests.
        Components
          Charisma-leader instills pride, faith, and respect, has a gift for seeing what is really important,
and
            transmits a sense of mission.
         Individualized consideration-the leader delegates projects to stimulate learning experiences,
            provides coaching and teaching, and treats each follower as an individual.
          Intellectual stimulation-the leader arouses followers to think in new ways and emphasizes problem
            solving and the use of reasoning before taking action.

      Transactional leadership-characterized by leader-member exchanges or transactions; providing for
          needs of followers if their performance fulfills expectations.
        Components
          Contingent rewards-leader provides rewards if followers perform in accordance with contracts or
            expend the necessary effort.
          Management by exception-leader avoids giving directions if the old ways are working and
allows
            workers to continue doing their jobs as always if performance goals are met.

b) Behavioral components of charismatic and noncharismatic leaders

	Noncharismatic	Charismatic
Relation to status quo	Essentially agrees with and strives to maintain it.	Essentially opposed to and tries to change it
Behavior	Conventional, conforming to existing norms	Unconventional or counternormative
Articulation	Weak articulation of goals and motivation to lead	Strong articulation future vision & motivation to lead
Power Base	Position power & personal power (reward, expertise)	Personal power (expertise respect, admiration)
Ldr-follower relationships	Egalitarian, consensus seeking, or directive Nudges or orders people to share views.	Elitist, entrepreneurial and exemplary. Transforms people to share radical changes advocated.

Leadership Theory Problems

1. In a January 19, 1998 Wall Street Journal article titled "Charmed forces: Army's baby generals take crash course in sensitivity training," a training course for new generals is described. Lt. General John Keane, an infantry commander sine 1966, advises the new generals, "Whatever you do, you've got to put yourself in harm's way to have moral authority. You must feel the horror they feel, the loneliness and despair they feel, to be there as people are being killed." Special Forces Brig. General James Parker adds, "I'm all for being forward, but if you push the battalion commander aside, then you can't give his command back to him afterwards and expect him to have the same position in the unit."
  a) What important leadership lessons are presented in these
     comments?
  b) Analyze this conversation using course leadership concepts.

2. Assess the validity of the following statements from Sun Tzu: The Art of War for modern organizations. (It was composed during fourth century B.C.)

  Therefore the Military Code says: The general must be first in the toils and fatigues of the army. In the summer he does not spread his parasol nor in the cold of winter don thick clothing. In dangerous places he must dismount and walk. He waits until the army's wells have been dug and only then drinks; until the army's food is cooked before he eats; until the army's fortifications have been completed to shelter himself. (p 128)

  If one uses kindness exclusively the troops will become like arrogant children and cannot be employed.
  . . . Good commanders are both loved and feared.
  That is all there is to it. (p. 129)

  a) What important leadership lessons are presented in them?
  b) Analyze these excerpts using course leadership concepts.

3. The setting is the regional office of an international fine jewelry leasing company. J is a highly successful, sixteen year veteran of the industry. B is her supervisor. The problem is that B's idea of managing is to know and control everything J does. B and J meet six times per week. B calls J two to four times per day for a status update. B's tone and content are often condescending. B is much younger than J and takes great pride in his position. Analyze the situation using leadership concepts. What is the problem and what should be done differently?

Change

LEARNING OBJECTIVE: be able to perform a force field analysis

1. Lewin's model
   a) Unfreeze
   b) Change
   c) Refreeze

2. A general model for change: Force Field Analysis
   1. Identify forces for change (driving forces)
   2. Identify forces against change (resistance forces)
   3. Generate actions to enhance forces for change
   4. Generate actions to reduce forces against change
   5. Assess feasibility of each action specified
   6. Prioritize actions
   7. Build an action plan from the ranking of actions

3. Ways to overcome resistance to change
   a) Education and communication
   b) Participation and involvement
   c) Facilitation and support
   d) Negotiation and agreement
   e) Manipulation and cooptation
   f) Explicit and implicit coercion

Organizational Theory: Organizational Structure

LEARNING OBJECTIVES:
  a) dynamic network,
  b) multidivisional vs. functional
  c) bases for departmentation (function, product or project, customer or client, geographical location, multiple bases)
  d) division of labor (horizontal, vertical, personal, spatial differentiation),
  e) means for coordination (mutual adjustment, direct supervision, standardization of work processes, standardization of outputs, standardization of skills),
  f) bureaucracy
  g) basic design dimensions (mechanistic vs. organic structure, formalization, centralization, specialization, standardization, complexity, hierarchy of authority)

1. Why do organizations exist?
   Williamson (1975) suggests that organizations are the result of the failure of markets under certain conditions. Perfectly competitive markets are the most efficient manner for accomplishing objectives. However, when all of the following conditions are present, organizations are preferable and more efficient than markets:
  a) small numbers
  b) bounded rationality and uncertainty
  c) opportunism

2. Organizational structure is defined as the delineation of jobs and reporting relationships in an organization.

3. "Dynamic network"/"virtual organization" model
        Independent organizations form the network and perform the business functions of product
          design, marketing, manufacturing, etc.
        Brokers assemble the business groups
        Market mechanisms such as contracts or payment for results replace plans, controls, or
          supervision as mechanisms for holding the functions together
        Full-disclosure information systems link the various components of the network

4. Pure multidivisional form vs. functional form

  a) Pure Multidivisional
    In purest form, divisions operate autonomously with completely separate functional areas
    Advanced age and large size are characteristic of these firms
    Myth associated with this form: a manager is a manager is a manager and can profitably acquire
      and manage anything.
    Firm strategies that cause/coincide with adoption of this structure
    Expansion of sales volume (increased size)
    Geographic dispersion
    Product market diversification

  b) Functional
    Functional simple structure
     Young organization & small size
     Functional structure with minimal departmentation
     Relative flexibility
     Major coordinating mechanisms: mutual dependence and direct supervision
     Top manager/entrepreneur retains significant control
     With growth, typically further departmentalizes by function

     How pure divisionalized form differs from functional form:
      Divisions are separate
      No sharing of resources among divisions
      Little interdivisional transfer of personnel occurs
      Compensation for top division managers is tied to profit-loss performance
      Advantages of pure multidivisional vs. functional form:
      Management can focus on long term strategic decisions rather than short term tactical decisions
      Each firm functions as a miniature capital market and allocates funds to division with the
       highest return.
      Risk is managed more effectively for the firm because the firm develops a profile of businesses.

5. Departmentation
    a) Function: grouping employees according to major category of work activity.
    b) Product or project: grouping employees according to product or project they are working upon.
    c) Customer or client: grouping employees according to unique needs of specific customer or client groups.
    d) Geographical location: grouping employees according to employee geographical location or geographical location of customers they serve.
    e) Adhocracy: Multiple bases/integrated structure and responds to the needs of a changing and complex environment.
       1) flexible groupings along a functional, product, project, geographical, or client orientation;
       2) grouping emphasizes a market focus;
       3) decentralized decision making;
       4) grouping occurs across functional divisions.
      Matrix (a special case): departmentation by function and product/project.
      Major coordinating mechanism: mutual adjustment
      Characterized by the use of a variety of temporary structures such as task forces, integrating
          roles, project teams or matrix structures.
      Flexible structure that can respond to a changing environment, well suited to environments with
          sophisticated technologies
      Example: matrix structure

6. Division of labor: way in which organizations allocate work tasks and responsibilities along with accompanying authority; extent of specialization of tasks and roles.
    i) horizontal differentiation: way in which work to be performed in each hierarchical level (or horizontal"slice") of an organization is divided into discrete, individualized jobs.
    ii) vertical differentiation: number of levels in a hierarchy
    iii) personal differentiation: division of labor according to individual expertise or training.
    iv) spatial differentiation: division of labor by geographical location

7. Coordination: extent and means by which an organization integrates and holds together its various parts and facilitates their working together to accomplish a common goal or activity
    i) mutual adjustment: informal communication as needed
    ii) direct supervision: one individual takes responsibility for the work of others
       Related concepts: chain of command, span of control, and unity of command
    iii) standardization of work processes: specification of procedures or content of work also coordinates the activities of different job holders.
    iv) standardization of outputs: specification of results and outcomes of work, as well as standards of performance at the output stage, provide direction and coordination for workers. (e.g., profit centers)
    v) standardization of skills: specification of training, expertise, or credentials required to perform the work (e.g, physicians, teachers, lawyers)

8. Bureaucracy

a) Machine bureaucracy

<u>Goal</u>: ideal organization purged of favoritism

Typically size is large and organization is characterized by specialization

Chain of command exists. Each position is under the control and authority of a higher one.

Technical competence is basis for hiring and promotion, not friendship, family ties, or favoritism.

Organization keeps written record of decisions, activities, and rules to provide an organizational memory and continuity over time.

Employees do not own their positions, will not accept gifts or bribes, do not use office for personal gain

Each person's tasks are clearly defined.

<u>Major coordinating mechanisms</u>: direct supervision, standardization of work processes, and extensive written procedures

Different segments of firm may have different structural configurations

Example organizations: large scale manufacturing organizations such auto, steel and consumer goods manufacturers

b) Professional bureaucracy

Major coordinating mechanism: standardization of skills

Little vertical or horizontal differentiation but
extensive personal differentiation

Relatively flat structure

Examples: schools, hospitals, and universities

9. Useful overall dimensions of structure

  a) Mechanistic vs. organic organizations

   i) Mechanistic

Unresolved problems are passed up the hierarchy because people of higher rank typically have greater knowledge of the organization's problems

Standardized policies, procedures, and rules guide much of decision making

Rewards are obtained chiefly through obedience of supervisor instructions

Conformity is encouraged and innovation is discouraged

Typical associated configurations: functional and bureaucratic organizations

  ii) Organic

Job descriptions and specialization are deemphasized

Person holding higher positions not assumed to be better informed than lower level employees.

Decentralized decision making; innovation and problem solving behavior encouraged

Ad hoc problem solving rather than use of existing regulations, policies and procedures; persons become involved in problem solving whenever they have the knowledge or skills to help solve the problem

Individuals who demonstrate initiative and knowledge are rewarded; position and seniority have little importance unless associated with special expertise.

  b) Formalization--amount of written formal documentation.

c) Centralization--authority to make decisions is at a high level in the organization.

d) Specialization--degree to which tasks are divided into
   different jobs.

e) Standardization--extent to which similar work activities are performed in a similar manner.

f) Complexity--number of subparts.

g) Hierarchy of Authority--who reports to whom and span of control
   for each manager.

10. Leverage points

Organizational Theory: Determinants
of Organizational Structure

LEARNING OBJECTIVES:
  a) the impact of organizational size, work flow technology (unit technology, mass production, and continuous flow; service vs. manufacturing), service vs. manufacturing, organizational size, and environment (environmental uncertainty, complexity, dynamism, hostility/ munificence). (Be able to assess the organization and its environment on these dimensions and to prescribe a structure which is appropriate using these dimensions.

1. Size-the total number of employees. For purposes of this class, we will define a small organization as one with less than 1,000 employees, a medium sized organization as one with 1,000 to 10,000 employees, and a large organization as one with over 10,000 employees.

Design Dimension	Small Organization	Large Organization
Formalization	Less	More
Centralization	High	Low
Specialization	Low	High
Standardization	Low	High
Complexity	Low	High
Hierarchy of Authority	Flat	Tall

2. Work flow technology
  a) Defn: technical system used by an organization in producing and delivering its product or service.
  Woodward's three production processes
    Unit technology: output produced in small amounts, each product typically designed for specific customer needs. Examples: custom clothing, custom electronic work, legal services, medical services.
    Mass production: long runs of standardized parts; assembly- line operations to produce standardized consumer goods. Production is not designed for specific customer needs so standardized product goes into inventory for sale as customer orders them. Examples: cars, textiles,   electronics
    Continuous flow: an unsegmented ongoing production process. Entire process is mechanized. Process runs continuously. Examples: oil refiners, electric generating plants.

    From unit to mass to continuous, the structure becomes more formalized and centralized. Unit is more organic than mass production or continuous flow.

3. Service vs. manufacturing technology and structure
   a) Examples of service vs. manufacturing technology.
        Service (service technology): airlines, hotels, consulting, teaching, health clinic, law firm.
        Product and service (service and manufacturing technology): fast food outlets, banks, post office, real estate, stockbroker.
        Product (manufacturing technology): soft drinks, steel, automobiles, mining, food processing.

   b) Service firms differ from manufacturing firms in the following ways:
      i) equipment is less automated--referring to the amount of work performed completely by machines vs. amount of work performed by humans.
      ii) workflow is less rigid--degree to which the sequence of operations are tightly interconnected and unalterable and the degree to which there is a limited use range for knowledge, skills, and equipment.
      iii) measurement of output is less precise--nonquantitative, personal opinions of managers are used instead precise quantitative measures of output.
      iv) simultaneous production and consumption-service employees interact directly and frequently with customers. Customers are engaged during the production process. Service employees can be viewed as mini-factories which produce output during customer interactions. Manufacturing employees are characterized by separation of customers and production employees, so that direct interactions are rare if they occur at all.
      v) service is intangible. The service or knowledge is abstract and cannot be stored in inventory in contrast to a tangible, physical product provided by manufacturing firms.

   c) Corresponding structures
      Service firms are less bureaucratic and have lower specialization, standardization of processes, and centralization, but a higher supervisory ratio.

	Service	Service	Product & Product
Tech Employee Professionalization	High	Moderate	Low
Skill Emphasis Technical		Interpers.	Technical & Interpersonal
Centralized Dec Making	No	Some	Yes
Formalization	Low	Medium	High
Geographical Dispersion	Yes	Some	No
Boundary Roles	Few	Some	Many

(Linking Tech Area to Customer-e.g. sales, customer service)

4. Environment
   a) Defn: anything outside the boundaries of an organization.
   b) Complexity
        Defn: number and diversity of environmental elements that affect the organization.
     As environmental complexity increases, decentralization of decision making should increase,
ultimately divisionalization may be appropriate. The environment of the energy industry is extremely
complex as exemplified by the politics of energy rich regions, government regulations, and complex
market forces.
   c) Dynamism (also called environmental uncertainty)
        Defn: degree to which an organization's environmental elements change unpredictably over
time.
     As the environment becomes more dynamic or unpredictable, organization structure should become
more organic. In the energy industry, frequent and dramatic shifts in energy prices or the politics of
energy rich regions are signs of the dynamic environment.
   d) Hostility/munificence continuum
        Defn: degree to which the environment creates conflict, threat, or unexpected/overwhelming
competition for an organization.
     Hostile environments can result from the following conditions: extensive competition, threatened
obsolescence, a government investigation, new or unexpected government regulations, a threatened
takeover, or potential bankruptcy. When an organization faces a hostile environment, centralization of
decision making must occur, at least temporarily. A munificent environment is relatively free of
hostility and rich in necessary resources. When energy prices are low, the energy industry environment
is relatively hostile. When they are high, the environment is relatively munificent.
   e) Design dilemmas occur when an organization's environment has competing forces, ones which may
call for different and even opposing strategies. Ways to resolve this include i) creating diverse
structures within the organization (R&D may have a different structure from manufacturing), ii)
redesigning the structure within each unit as the environment changes, and iii) creating temporary
structures in times of crisis (top management may convene a management council to respond to hostile
events).

5. Strategy--the determination of the basic long-term goals and objectives of the organization and the
adoption of courses of action and allocation of resources necessary for carrying out those goals.

Organization Theory Problems

1. After placing the General Manager at the top, fill out the rest of the organizational chart for a hotel with a restaurant using the positions listed below.

Bar Manager
Restaurant Personnel
Bookkeeper
Food and Beverage Manager
Reservation Agent
Housekeeping Manager
Night Auditor
Payroll
Chef
Restaurant Manager
Room Attendant
Assistant Food and Beverage Manager
Financial Controller
Front Office Manager
Kitchen Personnel
Bell Attendant
Front Desk Clerk
Cashier
Purchasing
Telephone Operator
Assistant Housekeeping Manager
Bar Personnel
Human Resources Director
Marketing Director

2. The cover story of the September 19, 1994 edition of Fortune was "The End of the Job." As a way of organizing work, the job is a social artifact that has outlived its usefulness. The job is not going to be part of tomorrow's economic reality. Workers no longer take their cues from a job description or a supervisor's instructions. Signals come from the changing demands of the project. Workers learn to focus their individual efforts and collective resources on the work that needs doing, changing as that changes. Middle management as we know it will disappear. Three quarters of middle management will vanish. The rest will be process engineers and employee coaches. Most organizations need employees to stop acting like job holders, yet they only know how to hire, pay, communicate with, and manage job holders. Is trend universal? Are these prescriptions/analyses new?

3. Banks typically provide the following: commercial and consumer savings accounts, consumer and commercial checking accounts, certificates of deposit, consumer and commercial loans. For the following questions, assume a small bank which has five small branches scattered throughout Houston and has the Houston metropolitan area as its sole market. Each branch currently provides all services and must continue to do so. Note: a department can extend across more than one branch.
   a) How would the bank be structured if the bank was departmentalized by geographical location?
   b) How would the bank be structured if the bank was departmentalized by product?
   c) How would the bank be structured if the bank was departmentalized by customer or client?
   d) What arrangement would you recommend (you are not restricted to geographical, product or customer/client)? Why?

4. Bank A is a functionally structured Houston bank with 20 branches scattered throughout the Houston metropolitan area. Bank A recently acquired Savings and Loan B, a functionally structured Houston institution with 51 branches scattered throughout the Houston metropolitan area. One half of Bank A's branches are located within 2 blocks of Savings and Loan B's branches. Bank A is faced with how to integrate Savings and Loan B into its present structure. Both organizations have only Houston branches. Assume that banks and savings and loans perform the same functions.
   a) What would be the pros and cons of making Savings and Loan B a division of Bank A (a multidivisional approach)? What would have to be done to use the multidivisional approach?
   b) Answer the questions from a) for a functional approach.
   c) Which would you recommend? Why?
   d) What if Savings and Loan B were located in Dallas, which structure would you recommend? Why?
   e) What if B was a brokerage firm, what structure would you recommend? Why?

5. Read the following passage from a <u>Newsweek</u> article titled "Asleep at the S&L Switch" and apply the concept of machine bureaucracy and its accompanying characteristics to explain how the government and Office of Thrift Supervision got into trouble.

Open your wallet. Take out a $20 bill. Now kiss it goodbye. You and every other American taxpayer will have to pay that amount to cover the losses of the bankrupt Lincoln Savings and Loan association--the largest failure in the $300 billion thrift crisis. Lincoln's fall could scar the reputations of many politicians, but the first political casualty is soon-to-be-former top thrift regulator M. Danny Wall. . . Calls for Wall's resignation have come from Senate Majority Leader George Mitchell and House Banking Committee chairman Henry P. Gonzalez, and President George Bush has suggested that Wall pack his bags.

Wall came to his job without formal training as a banker, accountant or lawyer. An urban planner, Wall was a loyal staffer to Utah Sen. Jake Garn, an influential member of the Senate Banking Committee. Support from Garn and other senators got him his job as a regulator in 1987.

As soon as he took office, Wall began working to postpone the loomimg crisis until after the 1988 elections. When U.S. Comptroller General Charles Bowsher warned about the growing losses, Wall asked for lower estimates. "What bothered me most was his arrogant, know-it-all attitude," says Bowsher. Wall came up with his own bailout proposal, the Southwest Plan, that called for merging sick Texas thrifts with healthy ones and attracting new investors with lucrative tax breaks. Gonzalez said: "They've taken a lot of dead horses and stitched them into one big horse that's just as dead and stinks even more."

Wall grew conspicuously chummy with the people he supposedly regulated. In an ethically questionable move, he met in private with Charles Keating, head of Lincoln's parent company. Though his underlings pushed hard to close Lincoln, Wall stalled for two years--in which time the thrift's losses apparently doubled. Only then did testimony and records from whistle blowers led by William Black, district counsel of the Office of Thrift Supervision in San Francisco, trigger an investigation of five senators who took $1.4 million in Keating political contributions and then bullied the regulators.

Teams

LEARNING OBJECTIVES: a) the forming, storming, norming, and performing model, b) Gersick's punctuated equilibrium model, c) the six variable model of team effectiveness and four trip wires, d) norms, e) sources of norms, enforcing norms, and breaking norms.

1. Definition: two or more individuals who perceive of themselves as interdependent and act as a single unit, typically with a common goal.

2. Stages of team development
  a) Forming (orientation to task)-initial stage of group development, represents the movement of an individual into group member status.

    Team member characteristics
      Determination of which behaviors will be appropriate
      Hestitant participation tempered with optimism,
      Organizational complaints and gripes common,
      Some suspicion and fear of team situation
      Looking for a sense of belonging
      Closely watching their team members' behaviors
      Learning what contributions members should be expected to make

    Facilitator behaviors
      Ensure that team members get acquainted
      Be sensitive to team members' needs
      Provide clear direction and information
      Give team simple tasks
      Provide training on team building tools

  b) Storming (redefinition of appropriate behavior)-this stage is characterized by conflicts that erupt as members seek agreement on the purpose, goals, and objectives of the group and the roles of its members. Although one would expect progress to pick up during this stage, little actually develops. This stage has great "downside" possibilities if not managed well.

Team member characteristics
  Conflict between team members begins to show.
  One upmanship can develop
  Continuing confusion over team member roles

  Facilitator behaviors
  Continue to be positive and informative
  Reassure team that current conflict is normal
  Deal openly with conflict
  Give team more responsible tasks
  Continue to train on team building and team tools

  c) Norming (coordination of group behaviors)-this stage is focused on reestablishing the central purpose of the team in light of the structure of roles developed during the storming stage. Team begins to come together. Conflict is subsequently reduced as the teams grows in confidence and begins to find that the team concept is working

  Team member characteristics
  Over reliance on team leader/facilitator is possible.
  Conflicts reduced among team members
  Sharing and discussing become team norms
  Greater team cohesiveness develops
  Harmony among team members becomes common

  Facilitator behaviors
  Provide less structure as team matures
  Give team even more responsibility
  Ensure that team does not over rely on one member
  Continue to provide team development and training opportunities

  d) Performing (formalization of functional group behavior)-members fulfill their prescribed roles and work toward attaining team goals. "Team" behavior becomes the norm. While team members may occasionally be replaced, the team has become self functioning. The team routinely defines and solves difficult issues.

Team member characteristics
  Intense loyalty among team members develops
  Teams may mask individual dysfunctional members
  Teams can become competitive with other teams
  Teams become more innovative
  Team members become more confident

  Facilitator behaviors
  Ensure that team information needs are fulfilled
  Ensure that team celebrates its successes
  Encourage team toward continued growth
  Continue to train and ensure that new members are trained
  Reduce your involvement as team grows
  Continue to foster trust and commitment among team members

3. Group may recycle through the stages especially if changes in membership, task or environment occur.

4. Alternate approach--Gersick's punctuated equilibrium model (perhaps better described as the "mid-life crisis" model). The team spends first half of its time working toward direction set by team at end of its first meeting. At half-way point, group experiences transition, in which it uses learning gained in first phase to change direction and generate work for second phase.

5. A model of team effectiveness
  a) Six leverage points for effective team performance: to perform well, a team must
    1) exert sufficient effort to accomplish the task at an acceptable level of performance--motivational structure of task. Is the task clear, consistent with a team's purpose, and high on intrinsic motivation?
    2) bring adequate knowledge and skill to bear on the task work--team composition. Critical skills for team members include i) technical or functional expertise, ii) problem solving and decision making skills, and iii) interpersonal skills. Is the team well staffed? Do members have sufficient expertise? Do they have sufficient interpersonal skill to interact as a team? Are they so similar as to no be able to learn from one another or so different that they can't work together?
    3) employ task strategies that are appropriate to the work and to the setting in which it is being performed--team norms that regulate behavior and foster scanning and planning. Are team norms clear and strong enough to regulate behavior efficiently, thereby making coordinated

action possible? Do they actively promote continuous scanning of the performance situation and proactive planning of the team performance strategies?

    4) agree upon a common purpose which translates into specific team and individual performance goals--put a demand or opportunity in the team's path. Devote large amounts of time and effort to exploring, shaping, and agreeing upon a purpose that belongs to team members collectively and individually.

    5) coordinate time management strategies--facilitate the efforts of organized and deadline driven members by recognizing differences and setting intermediate deadlines.

    6) Size--Is it the right size given the work to be done?

b) Trip wires which cause teams to fail

    1. Call the performing unit a team but really manage members as individuals.

    2. Fall off authority balance beam (too much or too little) How to avoid it: Managers should assign direction   (end state to be pursued) and outer-limit constraints (what should always or never be   done) but delegate means to the team.

      Assemble a large team of people, tell them in general terms what needs to be done, and let them "work out the details." How to avoid it: Provide an enabling structure. Well-designed team task that engages and sustains member motivation.

          As small a size as possible.

          Clear boundaries

          Members with adequate task and interpersonal skills.

          Good mix of members-varied skills.

          Clear and explicit specification of the extent and limits of team authority and accountability.

   3. Specify challenging objectives, but skimp on organizational support.

          How to avoid it provide key supports

          Reward system that recognizes and reinforces excellent team (not merely individual) performance.

          Educational system that provides teams, at their initiative, with training & technical cooperation needed to supplement members' knowledge and expertise.

          Information system that provides needed data and forecasts in a timely fashion

          Mundane material resources such as equipment, tools, money, staff, etc.

   4. Assume that members already have all the competence they need to work as a team.

          How to avoid it: Provide key supports

          Create favorable performance conditions for the team.

          Build and maintain the team as a unit.

          Coach and help the team in real time, timing help efforts carefully.

6. Some guidelines
   a) Establish urgent, demanding performance standards and direction.
   b) Select members for skill and skill potential not personality.
   c) Pay particular attention to first meetings and actions (first impressions).
   d) Set some clear rules of behavior.
   e) Set and seize immediate performance oriented tasks and goals.
   f) Challenge the team regularly with fresh facts and information (team enriches and redefines its understanding of the performance challenge).
   g) Spend lots of time together (time to learn to be a team).
   h) Exploit the power of positive feedback, recognition and reward.
   i) Providing a vision: transformational leadership-leader motivates followers to do more than originally expected. It is achieved by (i) raising an awareness of the importance and value of desired outcomes and (ii) getting followers to transcend their own self interests.

7. Leverage points

Teams: Norms

1. Defn: unwritten, informal behavioral expectations that guide behavior.
    a) apply to behavior not thought
    b) developed gradually
    c) developed only for behaviors the group considers important

2. Why do norms exist?
  a) They provide an easy frame of reference for understanding the world.
  b) They standardize behaviors needed for a group to survive and reach goals.

3. Development
  a) Supervisors or coworkers may explicitly state certain expectations.
  b) Critical events in a group's history may establish norms.
  c) Initial pattern of behavior may become a norm.
  d) Group members may transfer the behavior from other situations to the group.

4. Enforcing norms
  a) Use sanctions against violating party
  b) Help group members see how conformity helps the group accomplish its purposes.
  c) Arouse desire for members to remain in group.
  d) Participation in establishment of norms will produce better compliance.
  e) Increase involvement by asking members to give up individual gains for the group.

5. Opposing norms
  a) Recognize like minded individuals and join with them.
  b) Identify rewards/coercions offered by others and decide whether you will accept them.
  c) Conceal from others what you do or think.
  d) Do not give up legitimate preferences merely to prevent disharmony in the group.

6. Ascertaining norms in a new work environment
   a) Sources of information
      Peers (esp. veteran coworkers)
      Supervisor
      Other newcomers
      Customers
   b) Strategies for assessing norms
      Overt and direct questioning (when feel comfortable with source)
      Indirect questioning to allow face saving for source on sensitive subjects or on subjects source does
         not feel expert
      Question third parties when primary sources are unavailable or when need assistance interpreting
         messages from a primary source
      Test limits by breaking rules or otherwise deviating to gain understandings of rules about work and
         relationships
      Disguised conversations by putting others at ease and getting them to talk open endedly about a topic
      Monitoring what whatever happens to be going on, scanning broadly.

7. Leverage points

Teams Problems

1. Sam is the chairperson of a department "morale boosting" team whose focus is promotion of an atmosphere conducive to teamwork, communication, and individual development. The eight members of the team are selected from the eight work groups in the 60 person department. Members are drafted to the team. Some want to be on it, others do not. Sam has no control over performance appraisals or raises.
   Sam needs to have motivated and creative members in order to have "fun" and get things done. Historically, there has not been much enthusiasm about joining the team because it is not seen as being fun and people do not want to find the time to do it.
   a) Using the team model and trip wires, how would you select and lead this team?

2. The setting is the engineering department of a small oil and gas company. Key players are the student case author Steve, his supervisor Ed, and his co-worker Pat. Pat comes to work late most days, sometimes as late as 10:00 a.m. Although Pat's work can rarely tolerate close scrutiny, Ed trusts him almost to the point of "rubber stamping" his reports. In meetings with managers from other parts of the company, Pat quietly leaves the table minutes before his work is discussed. When present during discussions of his work, his explanations are shallow and repetitious. Ed realizes there may be a problem but neglects to address it. Morale has fallen within the group, total productivity has decreased, and bickering among group members has increased.

    a) Why have morale and productivity fallen? Why has bickering increased among group members because of Pat's behavior?

    b) Most groups use powerful norms to influence members' behavior. Explain the inability of Steve's group to use norms to influence Pat's behavior. What can Steve and his group do to rectify the situation?

3. In a department which is responsible for development and support of all computer systems used for business processing in a large corporation, the departmental manager has selected five of the best employees for a special project. The project objective is to deliver a set of techniques and standards for use in all future systems development and support efforts. One of the team members serves as an informal team leader. The team reports to a panel of five supervisors in the department. The team members cannot seem to agree on anything. Each team member wants to promote a different approach to the solution. After three months, the team still has not agreed to a single technique or standard.

    Apply relevant team concepts to diagnose the problem and suggest a solution.

4. The technical writing group within the Manufacturing and Engineering Services Department of a mid-sized engineering firm. The group is responsible for producing and maintaining the company's written documents (e.g., maintenance manuals, procedures, technical notes). The technical writing group is composed of four men in their mid to late twenties. All members have salary-nonexempt status and have been employed by the firm for two to five years.

   None of the team members possess the leadership skills necessary for team leadership of the group. The team reports to a supervisor who is not a member of the team. The group members want to be treated professionally but do not act accordingly. They abuse sick leave and have low productivity. When told they would be learning a new software package, they complained that they were not getting a raise. They felt that if their skills increase the company should pay them more. Meetings have been held with the team to improve their attitude and morale but to no avail.

   Apply relevant team concepts to diagnose the problem and suggest a solution.