

## Chapter 9: Leadership

### What is Leadership?

- The influence that a particular individuals exert on the goal achievement of others in an organizational context
- An influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes. Leaders cannot exist without followers
- Some people in organizations occupy formal or assigned leadership roles with authority to direct employees
- Individuals might also emerge to occupy informal leadership roles. They do not have formal authority.

### Why is leadership so important?

- Subordinates who work for managers with good leadership skills will generally:
  - Know how to achieve higher levels of performance
  - Want to achieve higher levels of performance
  - Like their jobs
  - Feel affectively committed to their organizations
  - Want to stay in the organization

### New reality for leadership:

OLD PARADIGM	NEW PARADIGN
Stability	Changes /crisis management
Control	Empowerment
Competition	Collaboration
Uniformity	Diversity
Self-cantered	Higher ethical purpose

**(Are leaders born or made?)Search for leadership traits:** the assumption that those who become leaders and do a goal job of it possess a special set of traits that distinguish them from others.  
**Traits associated with leadership effectiveness:** intelligence, energy, self-confidence, dominance, motivation lead, emotional stability, honesty & integrity, need for achievement

	Management	Leadership
<b>Direction</b>	Planning & budgeting Keeping eye on bottom line	Creating vision & strategy Keeping eye on horizon
<b>Alignment</b>	Organizing & staffing Directing & controlling Creating boundaries	Creating shared culture & values Helping other grow Reducing boundaries
<b>Relationships</b>	Focusing on objects – producing/selling goods/services Based on position power Acting as boss	Focusing on people- inspiring & motivating followers; Based on personal power; Acting as coach, facilitator, servant
<b>Personal qualities</b>	Emotional distance; talking; insight into organization	Emotional connections, listening, nonconformity, insight into self
<b>Outcomes</b>	Maintains stability; creates culture of efficiency	Creates change and a culture of integrity

**Research on leadership traits:** 3 of the big five dimensions of personality (agreeableness, extraversion, openness to experience) are related to leadership behaviors. Intelligence is related to leadership but not as strongly as previously thought

### Limitations of the trait approach

- Do traits make the leader of does the opportunity for leadership produces the traits?
- Does not tell us what leaders do to influence others successfully
- It does not take into account the situation in which leadership occurs

### The behaviour of leaders

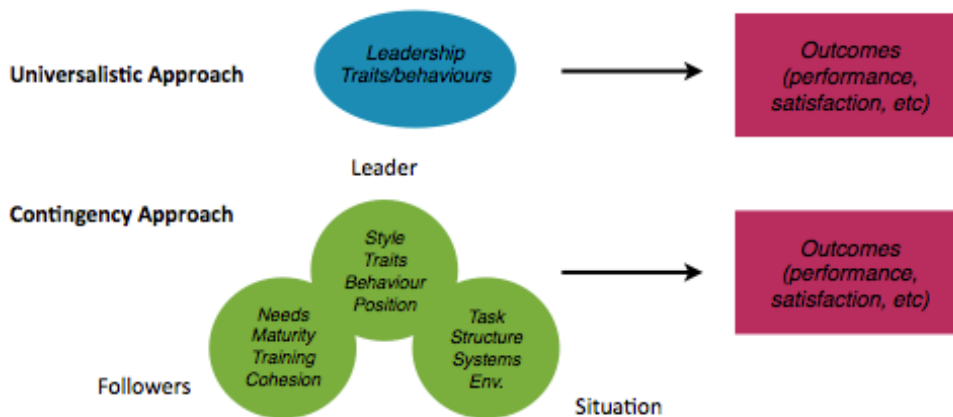
- The most involved, systematic study of leadership was begun at Ohio State University in the 1940s. Employees described their superiors along a number of behavioural dimensions
- **The results revealed two basic kinds of behaviour:** ( both contribute positively to employee's motivation, job satisfaction and leader effectiveness; the relatively importance of both varies according to the nature of the leadership situation.)
  - **Consideration**
    - The extent to which a leader is approachable and shows personal concern and respect for employees
    - The considerate leader is friendly and egalitarian (平等主义的), expressed appreciation (表示赞赏认同)and support, and is protective of group welfare
    - Consideration is more strongly related to follower satisfaction, motivation, and leader effectiveness.
  - **Initiating structure**
    - The degree to which a leader concentrates on group goal attainment
    - Initiating structure is slightly more strongly related to leader job performance and group performance

- The structuring leader:
  - Clearly defines and organizes her role and the roles of followers
  - Stresses standard procedures and schedules the work to be done
  - Assigns employees to particular tasks

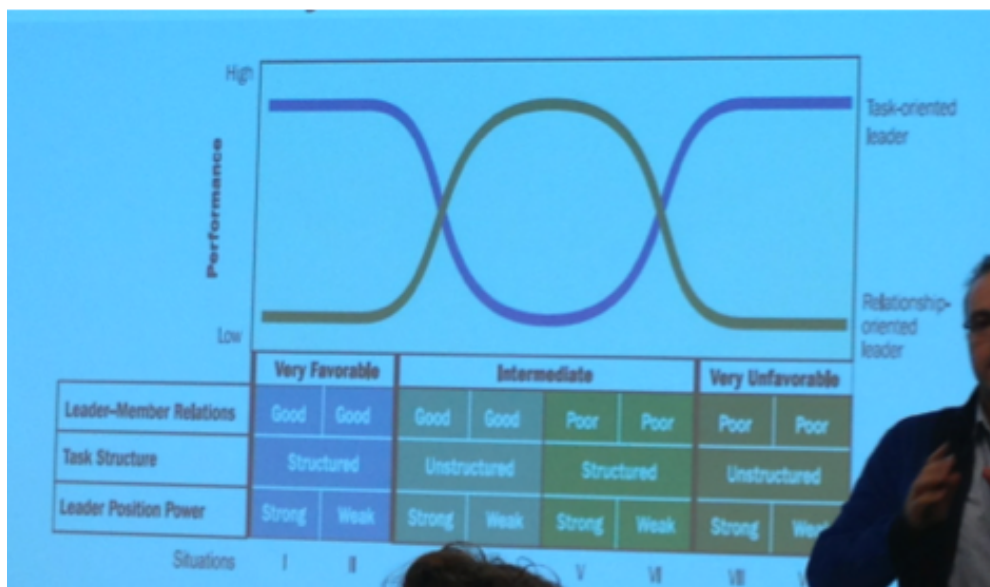
### The Consequences of Consideration and Structure: The Nature of the Situation

- When employees are under a high degree of pressure due to deadline, unclear tasks, or external threat, initiating structure increases satisfaction and performance
- When the task is intrinsically satisfying, the need for high consideration and high structure is generally reduced
- When the goals and methods of performing the job are very clear and certain, consideration should promote employee satisfaction, while structure should promote dissatisfaction
- When employees lack knowledge as to how to perform a job, or the job itself has vague goals or methods, consideration becomes less important, while initiating structure takes on an additional importance
- The effects of consideration and initiating structure depend on the characteristics of the task, the employee, and the setting in which the work is performed

### Comparing the Universalistic and Contingency Approaches to Leadership



### Fiedler's Classification: How Leader Style Fits the Situation



## Situational theories of leadership

- The situation refers to the setting in which influence attempts occur
- The basic premise - the effectiveness of a leadership style is contingent on the setting
- The situational theories of leadership that are among the best known and most studied

### 1. Fiedler's contingency theory

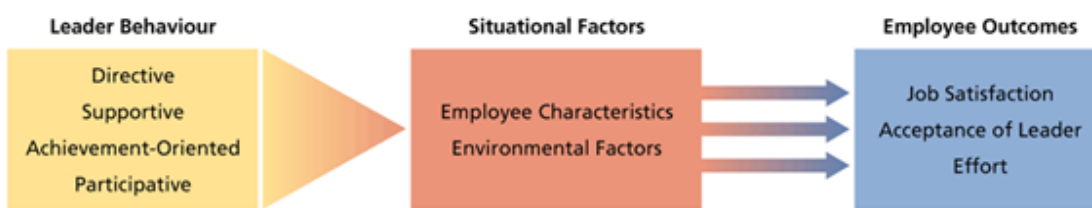
- Leader success is contingent upon (depends on) the extent to which the situation is favourable for exerting influence
  - Situational favourability:
    - **Leader-member relations:** when the relationship between the leader and the group members is good, the leader is in a favourable situation to exert influence. A poor relationship could lead to sabotage or insubordination.
    - **Task structure:** when the task at hand is highly structured, the leader should be able to exert considerable influence on the group.
    - **Position power:** the formal authority granted to the leader by the organization to tell others what to do. The more position power, the more favourable is the leadership situation.
- Some situations are more favourable than others, and these situations require different orientations on the part of the leader
  - Either a task or relationship. Something: @

Least preferred co-worker is a current or past co-worker with whom a leader has had a difficult time accomplishing a task.

### Predictions of leader effectiveness from Fiedler's Contingency theory of leadership (exhibit 9.2)

Favourableness	High ←————→ Low							
Leader-Member Relations	Good				Poor			
Task Structure	Structured		Unstructured		Structured		Unstructured	
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
	I	II	III	IV	V	VI	VII	VIII
Most Effective Leader Orientation	Task			Relationship				Task

### The Path-Goal Theory of Leadership (exhibit 9.3)



- The effective leader forms a connection between employee goals and the organizational goals. To provide job satisfaction and leader acceptance, leader behaviour must be perceived as immediately satisfying or as leading to future satisfaction (p.269 for more information on the diagram)

### Participative Leadership: Involving Employees in Decisions

- Participative Leadership means involving employees in making work-related decisions
- Leaders can vary in the extent to which they involve employees in decision making
- Minimally, participation involves obtaining employee opinions before making a decision.
- Maximally, it allows employees to make their own decisions within agreed-on limits
- Participation can involve individual employees or the entire group of employees
- The choice of an individual or group participation strategy should be tailored to specific situations
- Vroom and Jago look at a model of participation (see book p. 300)

Path clarification	Increase rewards
Leader defines what follower must do to attain work outcomes	Leader learns follower's needs
Leader clarifies follower's work role	Leader matches follower's needs to rewards if work outcomes are accomplished
Follower has increased knowledge & confidence to accomplish outcomes	Leader increases value of work outcomes for follower

Follower displays increased effort and motivation

Organizational work outcomes are accomplished

Situation	Leader behavior	Impact on follower	outcomes
Followers lack self-confidence	Supportive leadership	Increases confidence to achieve work outcomes	Increased effort; improved satisfaction and performance
Ambiguous job	Directive leadership	Clarifies path to reward	
Lack of job challenge	Achievement oriented L	Set and strive for high goals	
Incorrect reward	Participative L	Clarifies followers needs to change reward	

## Chapter 12: Power, Politics and Ethics

### I. What Is Power?

- **Power** is the capacity to influence others who are in a state of dependence.
- This does not necessarily imply that a poor relationship exists between the power holder and the target, as most friendships involve reciprocal influence processes. It is not always perceived or exercised.
- Power can flow in any direction in an organization, although members at higher levels typically have more power.
- Power is a broad concept that applies to individuals as well as to groups.

### II. The Bases of Individual Power

Power can be found in the position that you occupy in the organization or the resources that you are able to command.

- **Legitimate power** derives from a **person's position** or job in the organization. It constitutes the organization's judgment about who is formally permitted to influence whom, and it is often called authority. As we move up the organization's hierarchy, we find that members possess more and more legitimate power. Legitimate power works because people have been socialized to accept its influence. Even across various cultures, employees cite legitimate power as a major reason for following their boss's directions.
- **Reward power** exists when the power holder can exert influence by **providing positive outcomes and preventing negative outcomes**. It corresponds to the concept of positive reinforcement. It is often used to back up legitimate power.
- **Coercive power** is available when the power holder can exert influence by the **use of punishment and threat**. Although it too is employed as a support for legitimate power, its use by managers is generally ineffective and can provoke employee resistance.
- **Referent power** exists when the power holder is **well liked** by others. It is potent because it stems from identification with the power holder and represents a truer or deeper base of power than reward or coercion. Second, anyone in the organization may possess referent power.
- **Expert power** is derived from **having special information or expertise** that is valued by an organization. This power can be obtained by lower-level organizational members and is especially likely to exist for those members in scientific and technical areas. Of all the bases of power, expertise is most consistently associated with employee effectiveness. Employees perceive women managers as more likely than male managers to be high on expert power. Employees will respond differently to the bases of power. Coercion is likely to produce resistance and lack of cooperation. Legitimate power and reward power are likely to produce compliance with the boss's wishes. Referent and expert power are most likely to generate true commitment and enthusiasm for the manager's agenda.

### III. How Do People Obtain Power?

People obtain power in organizations by doing certain activities and developing informal relationships with the right people.

**A. Doing the Right Things:** activities lead to power when they are extraordinary, highly visible, and especially relevant to the solution of organizational problems.

- *Extraordinary Activities.* Excellent performance in unusual or no routine activities is required to obtain power. Such activities include occupying new positions, managing substantial changes, and taking great risks.
- *Visible Activities.* Extraordinary activities will fail to generate power if no one knows about them. Therefore, people who seek power must try to publicize their efforts and ensure that they are visible.
- *Relevant Activities.* Extraordinary, visible work may fail to generate power if no one cares. Activities must be relevant to the needs of the organization for power to accrue. Therefore, being in the right place at the right time and doing the right things are important in the effort to gain power.

**B. Cultivating the Right People:** to obtain power, one must develop informal relationships with the right people. The right people can include organizational subordinates, peers, and superiors as well as crucial outsiders.

- *Outsiders*. Establishing good relationships with key people outside one's organization can lead to increased power within the organization.
- *Subordinates*. An individual can gain influence if she is closely identified with certain up-and-coming subordinates. Subordinates can also provide power when a manager can demonstrate that he or she is backed by a cohesive team.
- *Peers*. Cultivating good relationships with peers is mainly a means of ensuring that nothing gets in the way of one's future acquisition of power. As one moves up through the ranks, favours can be asked of former associates.
- *Superiors*. Liaisons with key superiors probably represent the best way of obtaining power through cultivating others. Mentors, for example, can provide special information and useful introductions to other "right people."

#### IV. Empowerment – Putting Power Where It Is Needed

Power need not be seen as something of fixed quantity that must necessarily be in short supply at the bottom of the organization if it is largely held at the top.

- **Empowerment** gives people the authority, opportunity, and motivation to take initiative and solve organizational problems.
- People who are empowered have a strong sense of self-efficacy.
- Empowering lower-level employees can be critical in service organization.
- Empowerment fosters job satisfaction and high performance

Authority comes from pushing legitimate power down to lower levels so that decisions can be made by those with the information to make them. Opportunity means freedom from bureaucratic barriers and any relevant training and information about the impact of one's actions on other parts of the organization. The motivation part of empowerment works when people are intrinsically motivated by power and opportunity and see their rewards linked to their performance. People who are empowered have a strong sense of self-efficacy, the feeling that they are capable of doing their jobs well and "making things happen." Empowering lower-level employees can be critical in service organizations, where providing customers with a good initial encounter or correcting any problems that develop can be essential for repeat business. There is also growing evidence that empowerment fosters job satisfaction and high performance. Used properly, empowerment puts power where it is needed to make the organization effective.

#### V. Influence Tactics-Putting Power to Work

Power is the potential to influence others. **Influence tactics** are tactics that are used to convert power into actual influence over others. These tactics include assertiveness, ingratiation, rationality, exchange, upward appeal, and coalition formation. Which tactics are used may be influenced by the power bases of the individual exercising power and who you are trying to influence. Men using rationality as an influence tactic received better performance evaluations, earned more money, and experienced less work stress. A particularly ineffective influence style is a "shotgun" style that is high on all tactics with particular emphasis on assertiveness and exchange.

#### VII. Controlling Strategic Contingencies - How Subunits Obtain Power

**Subunit power** is the degree of power held by various organizational subunits, such as departments. They obtain this power through the control of **strategic contingencies**, which are critical factors affecting organizational effectiveness that is controlled by a key subunit. This means that the work performed by other subunits is contingent on the activities and performance of a key subunit. Again, we see the critical role of dependence in power relationships. The conditions under which subunits can control strategic contingencies involve scarcity, uncertainty, centrality, and substitutability.

- **Scarcity**: Subunits tend to acquire power when they are able to secure scarce resources that are important to the organization as a whole. When resources such as budget dollars become scarce, subunits that are able to secure additional resources from outside the organization can obtain power. For example, university departments that have the ability to bring in external funding through consulting contracts and research grants gain power in this way.
- **Uncertainty**: Since organizations dislike uncertainty, those subunits with the ability to cope with the unexpected are most likely to obtain power. Those functions that can provide the organization with greater control over what it finds problematic and can create more certainty will acquire more power. The intervention of governments into human resource policies in recent years has allowed human resource departments to gain power by coping with the various uncertainties.
- **Centrality**: Subunits whose activities are most central to the workflow of the organization are more apt to obtain power than those whose activities are more peripheral. They are central to the extent that they influence the work of most other subunits; when they have an especially crucial impact on the quantity or quality of the organization's key product or service; or their impact is more immediate compared to other subunits.
- **Substitutability**: A subunit will have relatively little power if others inside or outside the organization can perform its activities. If the subunit's staff is no substitutable, however, it can acquire power. One crucial factor here is the general labour market for the specialty performed by the subunit. For example, engineers will have more power when there are few of them, than when their numbers increase. Having refined technical skills also impacts substitutability, as does the ability of an organization to subcontract for skills outside. If work can be contracted out, the power of the subunit that usually performs these activities is reduced.

#### IX. Ethics in Organizations

- **Ethics** can be defined as systematic thinking about the moral consequences of decisions.
  - Moral consequences can be framed in terms of the potential for harm to any stakeholders in the decision.
  - **Stakeholders** are people inside or outside of an organization who have the potential to be affected by organizational decisions.
- Research shows that managers overwhelmingly agree that unethical practices occur in business. Many report pressure to compromise their own ethical standards, but most feel that they are more ethical than average. Research also shows that business students have looser ethical standards than practicing managers, at least when responding to written descriptions of ethical issues.

#### Causes of Unethical Behaviour

Although difficult to research, evidence does suggest a number of causes of unethical behaviour.

- **Gain**. The anticipation of healthy reinforcement for following an unethical course of action, especially if no punishment is expected, should promote unethical decisions.

- **Role Conflict.** Many ethical dilemmas that occur in organizations are actually forms of role conflict that get resolved in an unethical way.
- **Competition.** Stiff competition for scarce resources and the absence of competition can stimulate unethical behaviour.
- **Personality.** An individual with a strong economic value orientation is more likely to behave unethically as well as those with a high need for personal power (especially a "high Mach"), and a relatively unsophisticated understanding of moral issues.
- **Organizational and Industry Culture.** Aspects of an organization's culture (and its subcultures) can influence ethics. The ethical values of a given organization are often shaped by how the behaviour of highly visible role models is rewarded. Also, some industries seem to have more ethical crises than others although competition may be a factor. Corporate cultures that reward unethical behaviour. A culture of greed and exclusive focus on positive financial results

### Chapter 13: Conflict and Stress

#### What is Conflict?

- Interpersonal conflict: the process that occurs when one person, group, or organizational subunit frustrates the goal attainment of another. Involves antagonistic attitudes and behaviours

#### Causes of conflict

- **Group identification and intergroup bias:**
  - The identification with a particular group or class of people
  - People develop a more positive view of their own "in group"
  - Self-esteem is a critical factor
- **Interdependence:**
  - When individuals or subunits are mutually dependent on each other to accomplish their own goals
  - It necessitates interaction and implies that each party has some power over the other
  - Interdependence does not always lead to conflict
- **Differences in power, status and culture**
  - Power: if dependence is not mutual, but one way
  - Status: status differences provide little impetus for conflict when people of lower status are dependent on those higher status
  - Culture: when two or more very different cultures develop in an organization, the clash in beliefs and values can result in over conflict
- **Ambiguity:** ambiguous goals, jurisdictions, or performance criteria can lead to conflict
- **Scarce resources**
  - Conflict often surfaces in the process of power jockeying
  - Limited budget money, secretarial support, or lab space can contribute to conflict

#### Types of conflict

- **Relationship:** conflict in relating to someone else (ex: personality clashes)
- **Task:** Conflict related to divergence on what needs to be done. Disagreements about the nature of work to be done. What the goals are, and what the output is. (ex: differences of opinion about goals or technical matters)
- **Process:** disagreements on how the work should be done. (ex: disagreements about responsibility, authority, resource allocation, and who does what)

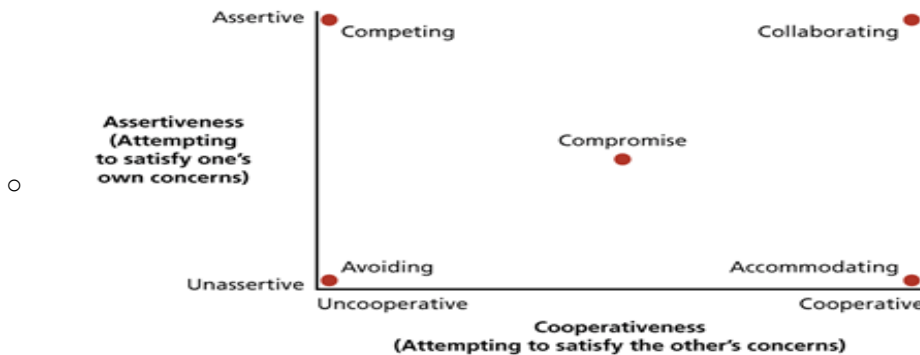
#### Conflict Dynamics (progression that escalates the conflict)

- When conflict begins, a number of events transpire:
  - 'winning' the conflict becomes most important. Now individuals are disagreeing in what should be done
  - The parties conceal information from each other or distort it. You conceal info from other. Might have info that might help others but won't do it
  - Each side becomes more cohesive
  - Contact with the opposite party is discouraged
  - The opposite party is negatively stereotyped while the image of one's own position is boosted
  - More aggressive people who are skilled at engaging in conflict may emerge as leader. Individuals who gain or prominent are the ones that will encourage the conflict.
  - When there is a conflict it tends to escalate. There's a tendency to escalate because the above things emphasize it

#### Approaches to Managing Organizations Conflict - Exhibit 13.1

- **Avoiding:** conflict is not dealt with. Not being proactive to find a solution. Low assertiveness, low cooperation.
  - Ex: When it's not worth it, then you can avoid it. If it seems trivial. When tempers are flared. When information is lacking. Your opponent is very powerful and very hostile. (If they are very powerful, you can't get very far) no need to be cooperative, because they are just going to do what they are going to do.
  - Sometimes it's a sensible solution.
  - When it's not worth it and the issue is trivial.
  - Very heated argument, it makes sense to back away and deal with it once people cool down.
  - When you are not certain of your facts.
  - Characteristic of the opponent, such as they are powerful.
- **Accommodating:** give more than you take, low assertiveness, high cooperative.
  - Ex: when you need to get a group assignment done? If there are two people of power, you decide to be very accommodating because you expect that you will be dealing with the person/company again. In a situational conflict where we are wrong.
  - Sometimes it's a sensible solution.

- When you have work to be done, and if the issue is trivial and not going to affect the outcome
- Powerful other party: they will assert themselves. If you want to build a relationship or goodwill thus you become more assertive.
- When a situation where we are wrong. Thus it's better to be more assertive.
- **Competing:** is the actual opposite of accommodation. High assertiveness, low cooperation.
  - Ex. When you know you are right. When you're very powerful and you have the final say. When the outcome is only dependent on your effort, and it is truly a win lose situation. (Being interviewed for a job) Not going to be any future interaction)
  - Sometimes it's a sensible solution.
  - When you know you are right and know your facts
  - When you are very powerful. You have the final say.
  - c. When the outcome is dependent only on your effort and truly a win lost situation. (interview)
- **Compromise:** Medium assertiveness, medium cooperativeness.
- **Collaborating:** it's a plausible solution if you are not in a heated situation. If the other party has useful info and maximize both of the outcomes. Its win-win situation. High assertiveness, high cooperation
  - Ex. If the conflict is not too intense. Each party has information that can be used, a win-win situation



**Is all conflict bad?**

- No! Process & task is useful
- Conflict -> change -> adaptation -> survival
- When conflict happens, people are watching each other more carefully - doing their job better
- It might show that there needs to be new management
- You would stimulate relationship conflict. Task and Process Conflict can be positive. First it goes to consider new ideas. Thinking stimulated when there are different POV's are discussed and leads us to think about new ideas. When there's conflict people are watching each other. It can signal rearrangement of power and tasks. Because of change, we are more able to adapt to new circumstances, thus they can survive.

**Stress in Organizations**

- Stress has become a serious concern for individuals and organizations
- Levels of workplace stress are at and all time high
- The implications of this for individuals and organizations are alarming
- The cost of stress is high, both for the individual and that organization
- Most individual will experience moderate to high levels of stress at work.
- When you have high stressed worker it can lower productivity.
- Stress is serious. And the cost of it is high, for both the individual and the organization



More interesting is the fact that the individual personality often determines the extent to which a potential stressor becomes a real stressor and actually induces stress.

- Stressor: anything that has the potential to lead to stress. Not that leads to stress but leads to stress. Some are universal; anyone will get stressed. Physical conditions

- Some stressors can relate to everyone
- Personality: some personality types are more prone to stress. Personality has the potential to affect the stress to the extent to which the stress will be.
- Stress: a feeling of tension or anxiety, Not all stress is bad. Low to moderate level of stress can lead to positive outcome.
- Stress reactions:
  - Try to reduce anxiety: try to deal with the stress - meditation, yoga, dealing with stress in a cooler calmer way
  - Deal with the stressor directly (better in the long run):
  - Stress reaction: two main way to react when you are experiencing stress, you try to deal with the stress you take up meditation or yoga. Dealing with it in a cooler calmer way. Another way to deal with it is by dealing with the stressor directly. Maybe discussing the issue with the person.
- **Personality and Stress**
  - Personality can affect the extent to which potential stressors are perceived as stressful, and the types of stress reactions that occur
  - *Three key personality traits:*
    - Locus of control : external more prone to stress
      - Internal deal with the stressor directly
      - external – stress deduction method.
      - Internal – more likely to deal with it directly.
    - Type A behaviour pattern: Associated with success. Type A's experience more stress, longer work loads, and hours, etc. Exhibit higher level of stress? Aggressiveness, competitiveness, high sense of time eagerness. High executives or CEOs. They experience more stress, yet they tend to report heavier word report. They tend to experience more physiological stress
      - Type B is a low score.
    - Negative affectivity: Individuals who have a way to see the world in a negative way. More prone to stress than people with positive affectivity

### Common Stressors (Source) in Organizational Life

- Role ambiguity: not know what your tasks are
- Intra-role conflict (1 role... more than 1 demand): You have one role, but more than one demand. Part of your role is sales for the org. another role is taking good care of the customers. Who's interest do u satisfy
- Workload (overload/underload): too many tasks to be performed in too short a period of time
- Work constraints/lack of control: not having the autonomy. physical set of the organization
- Interpersonal conflict: conflict with other coworkers.
- Work Conditions
- Work- Family conflict (inter-role conflict)
- Job insecurity and change

### Burnout

- Emotional exhaustion, depersonalization, and reduced personal accomplishment among those who work with others
- Burnout follows a process:
  - Emotional exhaustion -> depersonalization -> low personal accomplishment
- It is most common among people who entered their jobs with especially high ideals
- Extreme form of stress that's related to working with other.
- Emotional exhaustion – you become cynical – sense of low self-efficacy
- Emotional labour work that requires you to manage your emotions. Complaints department

### Reactions to stress

- The reactions of people who experience organizational stress can be divided into three types:
  - Behavioural reactions: overt activities that the stressed individual uses in an attempt to cope with the stress. They include problem solving, seeking social support, modified performance, withdrawal, and the use of addictive substances.
  - Psychological reactions: if you have two roles, you can psychologically remove yourself from the other role. Primarily involve emotions and thought processes rather than overt behaviour
  - Physiological reactions: usually mean unintended reactions. Things that we can't control. Elevated pulse (blood pressure) ex. Heart attack. Palms get sweaty. There are extreme cases

### Reducing or Coping with Stress

- Some of the things that organizations can do to reduce workplace stress and assist employees in coping with stress include:
  - Job redesign
  - Social support: having friends support you. And having network of co-workers
  - Family-friendly human resource policies: friends and family that are close by, social support, material support, and increased flexibility to adapt to employee needs
  - Stress management programs
  - Work-life balance programs : include alternative work arrangement

### Organizational strategies for managing stress:

Strategies that either reduce demands on employees or enhance their resources: job redesign; “family-friendly” human resource policies; stress management programs; work-life balance, fitness, and wellness program

## Chapter 11: Decision Making

### What is Decision Making?

- Decision making is the process of developing a commitment to some course of action
- Three things are noteworthy about decision making:
  - It involves making a choice among several action alternatives
  - It is a process
  - It involves a commitment of resources

### Well vs. Ill-structured problems

- Well-structured problem
  - Existing (A), and the desired (B) states, and path from A-B are clear
  - Simple, repetitive, familiar
  - Offer shortcuts - rules, routines, SOPs, rules of thumb
- Ill structured problem
  - Existing (A), and desired (B) states, and path from A-B are unclear
  - Unique and unusual
  - Complex, high degree of uncertainty
  - Arouse controversy or conflict
  - Programs don't work

### The complete decision maker - a rational decision making model

- A rational decision maker might use a model that involves a sequence of steps that are followed when making a decision
- The rational decision making process - exhibit 11.1



Real decision makers suffer from...

- Bounded rationality
- Herbert Simon recognized that the rational characteristics of Economic Person do not exist in real decision makers
- He suggested that managers use bounded rationality
- Bounded rationality is a decision strategy that relies on limited information that reflects time constraints and political considerations

### Decision Making Process

- Step 1: Problem Identification and Framing
  - Bounded
    - Perceptual defense: Often we just see what we want to see, and not things that can affect us
    - Problems defined as:
      - Functional specialty: ex. Accountant might think high turnover is because of salary. An HR person might see high turnover as stress.
      - Solution: you come across a problem, and you immediately solve it. It hasn't been thought through enough
      - Symptoms: Organization has low productivity. You may think it's turnover, but it might just be they symptom of that stress? HUR?
- Step 2: Information Search
  - Bounded
    - Too little information:
      - Memory Bias: tend to rely on the most readily available information
      - Confirmation bias: things that confirm what we want are related, and what we don't want we say it's not related to it?
    - Too much information:
      - Overload
- Step 3, 4, 5: Alternative development, evaluation & choice
  - Bounded
    - Satisfices
      - Chooses the one that exceeds an adequate level of value

- Framing is important
- Anchoring Effect: the inadequate adjustments of subsequent estimates from an initial estimate that serves as an anchor
  - First given a statement, then asks for your opinion. Your guess will be close to the value given to you
  - Ex. Some would say that there are 25,000 words where the 3rd letter is "r". What would you estimate the amount of words to be? Actual amount = 40, 747
- Step 6: Solution implementation
  - Bounded
    - More difficult because implementation depends on others
- Step 7: Solution evaluation
  - Bounded
    - Subject to:
      - Justification
        - Escalation of commitment: the tendency to invest additional resources in an apparently failing course of action
      - Faulty hindsight: the tendency to review the decision-making process to find what was done right or wrong
        - 'knew-it-all-along' effect

### How emotion affects decision making

- Strong emotions:
  - Corrects ethical errors (ex. Whistleblowing)
  - Creative decision making
  - Hindrance (Ex: family business, auctions)
- Positive moods:
  - Remember positive information
  - Give positive evaluation to objects, people, events
  - Overestimate that good events will occur
  - More likely to violate rational decision making model
  - Creative

### Why use groups?

- They make:
  - Better quality decisions
  - Better acceptance levels
  - Diffusion of responsibility
- Occurs if members:
  - Have different skills
  - Division of labour can occur
  - Memory of facts is important
  - Can judge based on their expertise

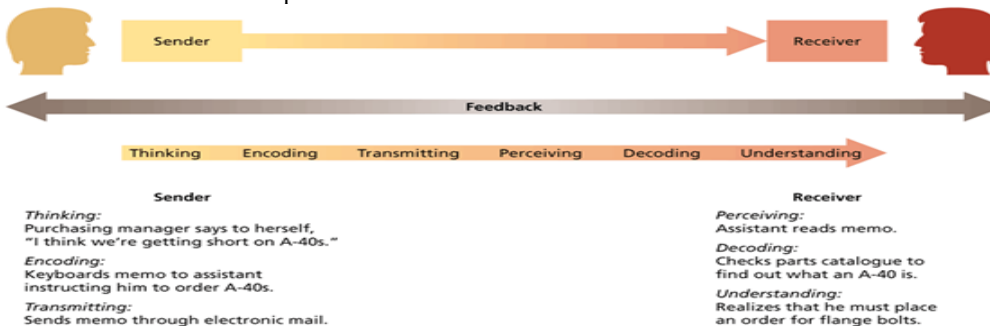
### Disadvantages of group decision-making

- Time
- Conflict
- Domination
- Groupthink: relax their moral standards because they are in a like minded thinking group?
  - The capacity for group pressure to damage the mental efficiency, reality testing, and moral judgement of decision-making groups

## Chapter 10: Communication

### What is Communication?

- The process by which information is exchanged between a sender and a receiver
- Interpersonal communication involves the exchange of information between people
- The simplest prototype for interpersonal communication is a one-on-one exchange between two individuals
- A model of the communication process - exhibit 10.1



The model demonstrates a number of points at which errors can occur. Effective communication occurs when the right people receive the right information in a timely manner. Violating any of these three conditions results in a communication episode that is ineffective

### Superior-subordinate relationships: some barriers

- Conflicting role demands
  - Balancing task and social-emotional functions
- The mum effect
  - The tendency to avoid communicating unfavourable news to others

### Flow direction (How communication flow's):

- Downward
  - From higher to lower levels in organization hierarchy
    - E.g.: From supervisors to subordinates
    - types of information
      - Information about organizational rules/policies
      - Instructions concerning job
      - Feedback concerning job performance
- Upward
  - From lower to higher in organization hierarchy
    - e.g. from subordinates to supervisors
  - Types of information
    - Routine information about lower-level operations
    - Notifications about problems
    - Complaints and suggestions
    - Feedback about ways to improve processes
- Lateral/ Horizontal
  - At the same level in organizational hierarchy
    - Between employees of same rank
    - ... in same department or different departments
  - Types of information:
    - Exchange of news and information
    - Related to interpersonal relationships
    - Informal - does not follow the official chain of command

### Deficiencies in the chain of command:

- The formal chain of command is an incomplete and sometimes ineffective path of communication
- Managers need to consider: informal communication; filtering; slowness

### The Grapevine:

- An organization's informal communication network
- The grapevine cuts across formal line of communication
- The grapevine does not just communicate information through word of mouth
- Organizations often have several grapevine systems
- Transmits information that is relevant to the performance of the organization as well as personal gossip
- Personal information and emotionally charged information are most likely to be distorted
- Only a proportion of those who receive grapevine news pass it on.

Pros	Cons
<ul style="list-style-type: none"><li>• Is the grapevine desirable from the organization's point of view?</li><li>• It can keep employees informed about important organizational matters</li><li>• It can provide a test of employee reactions to proposed changes without making formal commitments</li><li>• It can serve as a potent informal recruiting source</li></ul>	<ul style="list-style-type: none"><li>• The grapevine can become a problem when it becomes a constant pipeline for rumours</li><li>• A rumour is an unverified belief that is in general circulation</li><li>• Because people cannot verify the information as accurate, rumours are susceptible to severe distortion as they are passed from person to person</li><li>• Rumours spread fastest and farthest when:<ul style="list-style-type: none"><li>• the information is especially ambiguous,</li><li>• the content of the rumour is important to those involved,</li><li>• the rumour seems credible, and</li><li>• the recipient is anxious</li></ul></li></ul>

### Cross-culture communication:

- Many of the failures in business and management stem from problems in cross-cultural communication.
- Important dimensions of cross-cultural communication include: language differences; non-verbal communication; etiquette & politeness; social conventions

### Basic principles of effective communication:

- Take the time
- Be accepting of the other person
- Do not confuse the person with the problem
- Say what you feel
- Listen actively
  - Watch your body language
  - Paraphrase what the speaker means
  - Show empathy
  - Ask question
  - Wait out pauses
- Give timely and specific feedback
- Assume differences until you know otherwise
- Watch your language and theirs (speak clearly, slowly, and simply)

### Chapter 14: Organizational Structure

**Organizational Structure:** the manner in which an organization divides its labour into specific tasks and achieves coordination among these tasks

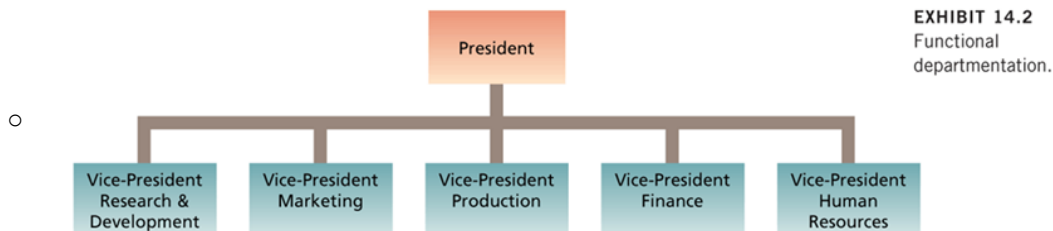
- How job tasks are formally divided, grouped and coordinated

### Two basic dimensions to the division of labour:

- Vertical division of labour
  - Apportioning authority for planning and decision making
    - President --> VPs --> ...
  - Two important concepts:
    - Chain of command
    - Span of control
  - Flat and tall organizations
    - A flat organization has relatively few levels in its hierarchy of authority
    - A tall organization has relatively many levels in its hierarchy of authority
- Horizontal division of labour
  - The horizontal division of labour groups the basic tasks that must be performed into jobs and then into departments

**Departmentalization:** The basis on which jobs are grouped together; Core aspect of the horizontal division of labour

**Functional:** Employees with closely related skills and responsibilities are assigned to the same department.

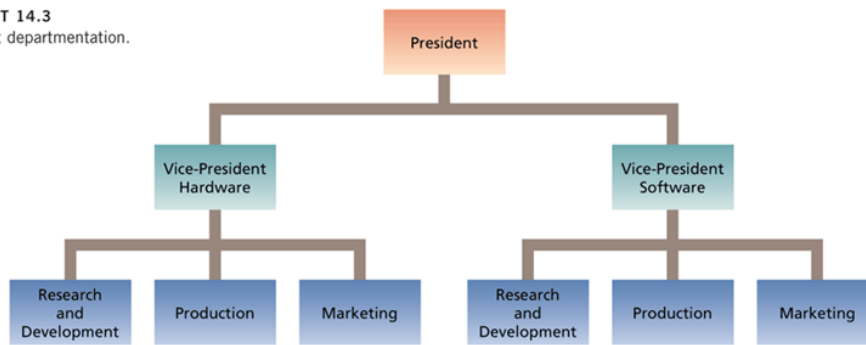


- Small to medium organizations use functional structure.
- When the scale gets bigger and the output of the organization gets more complex, most firms gravitate to product departmentalization or it variation.
- Advantages: efficiency; enhanced communication; enhanced career ladders and training opportunities; easier to measure and evaluate performance
- Disadvantages: a high degree of differentiation; poor coordination and slow response to organizational problems; conflicts between departments; department empires built at expense of organizational goals
- Benefits: People in the particular section can develop expertise in the specific department

**Product:** departments are formed on the basis of a particular product, product line, or service. Each of these departments can operate fairly autonomously because it has own set of functional specialists dedicated to the output of the department.

- Advantages: better coordination and communication among functional specialists who work on a particular product line; flexibility; departments can be evaluated as profit centers; serves the customers or client better; more timely response to consumers
- Disadvantages: professional development might suffer; economies of scale might suffer; inefficiency; departments might work at cross purposes

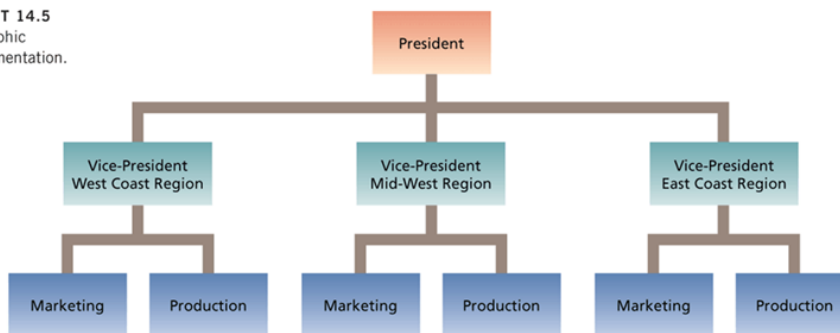
EXHIBIT 14.3  
Product departmentation.



**Geographic:** relatively self-contained units deliver an organization's products or services in a specific geographic territory.

- Advantages: shortens communication channels; caters to regional tastes; some local control to clients and customers
- Disadvantages: the same as the production department.

EXHIBIT 14.5  
Geographic departmentation.



**Hybrid:** a structure based on some mixture of functional, product, geographic, or customer departmentation

**Customer:** relatively self-contained units deliver an organization's products or services to specific customer groups.

- Advantages: better service to customers through specialization
- Disadvantages: the same as the product department

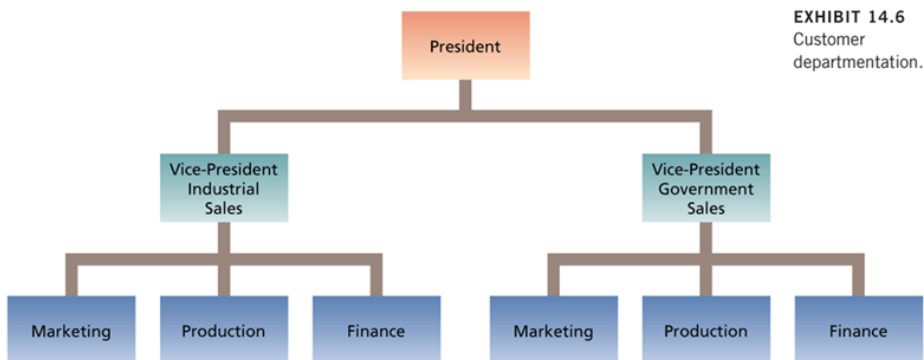
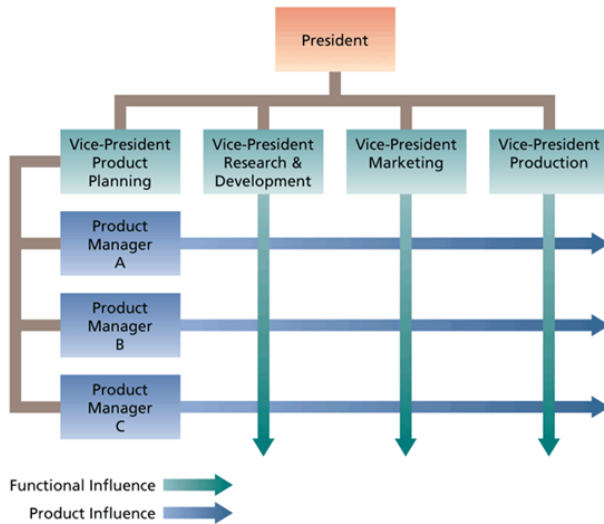


EXHIBIT 14.6  
Customer departmentation.

### Matrix departmentalization

- Employees remain members of a functional department while also reporting to a product or project manager
- Variations exist but most boil down to what exactly gets crossed with functional areas to form the matrix and the degree of stability of the matrix relationships
- It could be based on shorter-term projects.
- Advantages: Balance between the demands of the product or project and the people who do the work very flexible; better communication among the representatives from the various functional areas
- Disadvantages: conflict between product or project managers and functional managers; role conflict and stress because employees must report to functional manager as well as a product or project manager; managers need to be well trained understructures
- Best in a medium-sized organization
- Sharing resources

EXHIBIT 14.4  
Matrix departmentation.



### Basic methods of coordinating divided labour:

- Coordination: a process of facilitating timing, communication, and feedback among work tasks.
- Methods:
  - Direct supervision
  - Standardization of work processes
  - Standardization of outputs
  - Standardization of skills
  - Mutual adjustment
  - Liaison roles: a person who is assigned to help achieve coordination between his or her department and another department
  - Task forces: temporary groups set up to solve coordination problems across several departments
  - Integrators: organizational members permanently assigned to facilitate coordination between departments.

### Traditional structural characteristics:

- Span of control: the number of subordinates supervised by a manager
- Flat organization: an organization with relatively few levels in its hierarchy of authority
- Tall organization: an organization with relatively many levels in its hierarchy of authority
- Formalization: the extent to which work roles are highly defined by an organization
- Centralization: the extent to which decision-making power is localized part of an organization.
- Complexity: the extent to which an organization divides labour vertically, horizontally, and geographically.

### Mechanistic structures:

- Organizational structures characterized by narrow spans of control, specialization, centralization, and formalization.

### Organic structures:

- Organic structures are characterized by wider spans of control, fewer authority levels, less specialization, less formalization, and decentralization.
- Flexibility and informal communication are favored.
- They are more in line with the dictates of the human relations movement. The matrix form is organic.

- There is no "one best way" to organize.
- In general, more mechanistic structures are called for when an organization's environment is more stable and its technology is more routine.
- Organic structures work better when the environment is uncertain, the technology is less routine, and innovation is important.
- Many organizations have more than one structure.
- Structures can and should change over time.
- Innovation is one factor that often dictates multiple structures.