**Teaching Note for High Heels and Low Morale**

**Critical Incident Overview**

This decision case is based on archival reports and highlights the experiences of an intern at a high-end fashion magazine in New York City. A series of layoffs and resignations resulted in an all-time low morale and concerns about the role of interns at the magazine. The Director of Internships has asked Maria, the protagonist intern, to do an exit interview on her last day. The case asks students to put themselves in the role of the intern and make a decision on how to respond to the Director. This case highlights the significance of low employee moral and organizational culture on performance.

This incident can be used to teach about low morale and its influence on an organization’s culture and employee performance in the context of Organizational Behavior or Human Resources courses. It is also suitable for general Principles of Management courses.

**Research Methods**

This critical incident was written based on archival research, including blogs and various fashion industry websites. The incident described is based on the experiences of intern blogs. The names of the individuals and the company have been disguised in the interest of anonymity. In addition, a literature review of the theories was conducted to support the teaching note with appropriate theoretical frameworks.

**Learning Objectives**

The learning objectives of this critical incident are for students to:

1. Comprehend the impact of an organization’s culture on the performance and morale of those who work for the organization.
2. Evaluate the long and short-term implications resulting from top-down organizational changes.
3. Analyze several types of effective employee motivation tactics.
4. Apply their understanding of the impact of organizational culture on creating an environment with high morale and motivational levels among employees.
5. Apply their understanding of the impact of morale and culture on their own search for an internship or job.

**Questions**

1. What is employee morale? What are its impacts on the organization? Identify the reasons for the low-morale seen at Fashion Couture Magazine? What are some consequences if the low-morale continues as is?

2. What are some things managers can do to overcome the all time low-morale at Fashion Couture?

3. Although rewarding employees with substantial material incentives can be motivating, what are some other ways to increase motivation? Do you think they might have produced better results?

4. Imagine you are Maria and the Director stopped by your desk. She asked for your analysis of the situation and some possible solutions. What would be your response?

5. As a student you are told that it is good for you to do an internship. Having read this case, what might be some factors you might want to consider while looking for an internship or prior to accepting an offer?

**Answers to Questions**

**1. What is employee morale? What are its impacts on the organization? Identify the reasons for the low-morale seen at Fashion Couture Magazine? What are some consequences if morale continues as is?**

Morale is the state of mind employees have at a company. It includes employee attitudes and approaches to their job, colleagues, customers and the organization as a whole. Morale is viewed as an intangible quality, but when high, it can have tremendous positive impact on the overall productivity of the organization. Low morale, however can lead to tremendous negatives. Glaser and colleagues (1987) posit that organizational climate as it relates to morale, is one of the essential dimensions of organizational culture, and has been shown to positively impact employee productivity and creativity. Cases of companies like Southwest (where employees came up with the money-saving 25 minute turn that is now a competitive advantage) and SAS (where low turnover and high productivity resulted in bottom-line savings of as much as $80 million in 2002) illustrate the positive impact of a high-morale.

Fashion Couture is on the opposite end of the spectrum compared with Southwest and SAS – their employees are exhibiting low morale. From an organizational perspective, it points to a culture where no one is willing to go beyond the limits of one’s job description, where others are not always treated with respect, there is an increased concern with one’s own outcomes rather than a focus on collective outcomes, an increase in unethical behavior, and increased absenteeism and employee turnover (Schermerhorn, 2013). The consequences of these actions for an organization extend beyond just the immediate impact on the bottom-line. It results in decreased earnings, due to the experience and training lost when employees leave along with the cost of hiring and training new employees. The financial cost of low morale can be quite high.

Low morale is typically observed in many top-down cultures. It is where managers are authoritative and “tell” their employees what to do rather than listening to what the employees have to say. Although the top-down command and control approach appears to increase efficiency, its unintended consequence is to alienate the employees and lead to the development of low-morale (Simonton, 2005). A lack of open dialogue and two-way communication usually accompanies the “do as I tell you approach”. Given that the employees are often closer to the front-line (customers and issues alike), by limiting communication to one-way (from manager to employee), managers are denying themselves valuable information that may be used to make better decisions for the organization. Thus their authoritative orders often do not resolve the issue creating greater frustration for the employees who could have helped develop a better solution.

The lack of respect for an employee’s perspective can also been seen as untrustworthy, which in turn leads the employee to feel skepticism about management and the organization (McGregor, 1967). This lack of trust and respect can become a self-fulfilling prophecy (Rosenthal, 1968) that usually ends in someone leaving or being fired. The constant six-month turnover of interns, who are responsible for many of the tasks fundamental to the efficient and effective functioning of the magazine, exacerbates this issue as there is no long-term commitment to the organization.

The employees at Fashion Couture want to help the magazine succeed to the best of their ability. Their ability to sufficiently influence change at the magazine is being hindered by the lack of information provided by higher management. Employees who don’t understand the roles they play in the company’s success are more likely to become disengaged. “Achieving goals is often about making tradeoffs when things don’t go as planned. [Employees] need to understand the bigger picture to make those tradeoffs when things go wrong” (Gallo, 2011). Fashion Couture needs to understand and eliminate their employees’ fear about conveying their ideas to higher management, because they are uncertain about their future at the magazine.

**2. What are some things managers can do to overcome the all time low-morale at Fashion Couture?**

Low morale is not a permanent state. Management can change it by taking a few basic steps including, open two-way communications, focus on building trust in relationships, recognizing employee contributions, supporting employee initiatives and providing appropriate rewards (tangible and intangible) for positive actions (Bartol, 2002). When mangers take the time to understand their employees’ potential and the nature of the work itself, they are able to ensure employees are being effectively utilized through job enrichment (Kahn, 2009).  The overall environment at Fashion Couture is top-down and true employee potential is being ignored.

Managers need to become role models – when they trust their employees and give them credit, their employees will return that same trust (McGregor, 1967). Trust is created when management is willing to openly share information about how resources will be allocated, how employees will be rewarded, and the criteria used for recruiting, promoting, and firing people.. The main issue at Fashion Couture is that the environment is not open – employees are not told the criteria for any of the decision, nor are they asked for input in resolving problems. Management either does not say anything at all, or does not do what it says it will do.

The best way for management to earn trust and improve employee morale is by being accessible. They need to be willing to listen and consider all opinions, while creating an open thoughtful environment. Fashion Couture could consider regular meetings (short and virtual) that focus everyone’s attention on mutual goals and problems, as well as past successes. This is an easy method to make everyone feel a sense of unity and thus will allow them to focus on the collective benefits rather than just their individual benefits. Management strategies that implement the innovations and ideas of their employees reinforce the employee’s sense of value.  A second avenue is to provide opportunities to discuss organizational strategy and goals. When people feel that they are being listened to, they take the time to think through the issues and provide the organization the benefit of their creativity.

One hurdle Fashion Couture has to overcome is that the recent firings were not handled with transparency. Management needs to acknowledge the issue and make a commitment to the current employees that in the future they will be open and consistent in their criteria. The magazine is clearly undergoing changes, and this means there may be more layoffs in the future. But when people know that the process will be fair and thoughtful, they are more likely to stay and do their best rather than spend their time doing the bare minimum required to keep their job so they can focus on finding another one (Hom & Kinicki, 2001).

In addition, given the recent high level of employee turnover, the magazine also needs to deal with the fact that people doing certain jobs may not have been trained for those positions. Proper training or a transfer of values embedded in organizational culture allows the employees to feel appreciated and supported, and can act as a morale-booster.

**3. Although rewarding employees with substantial material incentives can be motivating, what are some other ways to increase motivation? Do you think they might have produced better results?**

Firms need to balance extrinsic sources of motivation such as salary increases, expensive merchandise and other incentives, with intrinsic sources of motivation. Intrinsic motivation encourages creative problem solving, going beyond the literal job description and create a focus on the big-picture by appealing to people’s innate desire to master something and feel a sense of purpose at work (Andrade & Ariely, 2009). Although extrinsic sources are important and encourage greater efficiency by increasing productivity in routine tasks, intrinsic motivation links the employee with the larger organizational purpose and allows their social and psychological needs of community, self esteem and mastery to be met. Thus both sources of motivation need to be balanced (Pink, 2011).

Ways to increase intrinsic motivation are encouraging employees and praising work well done, allowing employees some time to pursue their creative interests (that also further the mission of the firm), and ensuring everyone feels linked to the greater purpose of the organization. People who work in the fashion industry usually do so because they believe that it will provide an outlet for their creativity, and desires for glamour. The motivational tactics used should facilitate these internal needs. Since higher management does not seem to care and has not invested itself into creating personal relationships with the staff, this has created an environment where the staff does not feel linked to the organization. Their daily work is just a job to pay the bills.

**4. Imagine you are Maria and the Director stopped by your desk. She asked for your analysis of the situation and some possible solutions. What would be your response?**

Maria’s response should balance the positives her experience has gained with constructive feedback on specific organizational issues that might have helped increase her ability to add value in her job. She should highlight solutions to the organizational culture, management efficiency and employee motivation, such as an investment in the training of all staff, including interns, who serve a vital function. The staff they hire must possess all the qualities they want their brand to portray and their training must encourage them to live those qualities.

Given the magazine’s dependence on interns, ensuring there is overlap between the trained interns who are ending their six-months and the new group coming in is vital. It will secure that critical procedures are transferred to the new group, and will also allow the new group to feel like they are coming into a community rather than being thrown in into the deep end to figure things out on their own. Also, the magazine should consider preparing a training manual for the new intern: tips for success, what a typical day is like, how to write a good daily report, history and mission of company, job expectations, organizational chart and any other method that supports the intern’s experience.

A standard form of motivation is through the promise of career growth and promotions. However, given the small size of the magazine offices, there is not much room for promotions unless someone leaves. The company needs to find a way to inspire their employees by using means that are imperative to the kind of creative and glamour seeking person who is drawn to work in the fashion industry. Thus asking for feedback regularly, creating a forum where problems are posted and the solutions can be crowd-sourced (with the best idea winning a small tangible award), a week of cross training, dinners with important senior management where strategy is discussed, or even increased responsibilities that do not fall in the guidelines of their job description should be considered. All of these will allow employees to feel a sense of purpose encouraging growth and creativity.

These changes will start to change the top-down management and while its important that the bottom-line be maintained, the introduction of a more team-like feel (we are all in this together) will reduce turnover as well as encourage collaborations. Both of these positive consequences have been shown to increase productivity, morale and creativity while reducing costs. Social events for employees could be developed to increase a tense of team, such as “Intern Night” or a “Staff Dinner”. It will allow workers to develop relationships with one another and make greater emotional investments in the company. This emotional investment will allow for greater efforts in establishing a staff that wants the company to succeed as if it were their own.

**5. As a student you are told that it is good for you to do an internship. Having read this case, what might be some factors you might want to consider while looking for an internship or prior to accepting an offer?**

This question is an open general discussion question that does not have a right or wrong answer. The instructor should encourage all students to use this question to think about what is important to them. Students often emphasize finding the best corporate name one can to put on one’s resume, or the highest paying position for an internship. This case can be used to help them understand the value of organizational culture and fit. Though intangibles, factors like morale, hierarchy, and openness in the organizational environment will greatly influence their actual experience and their performance.

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