

## Sexual Orientation and Gender Identity Diversity in the Workplace

Lesbian, bisexual, gay, transgender, and queer/questioning (LGBTQ) employees in the workplace have faced a number of challenges and barriers to employment throughout the years. Until recently, there was no federal law in the United States prohibiting discrimination based on sexual orientation. Nonetheless, in 2019, 21 states as well as the District of Columbia had laws prohibiting discrimination in employment based on sexual orientation and gender identity. In addition, 91% of the Fortune 500 companies have implemented non-discrimination policies that include sexual orientation and gender identity.<sup>[88]</sup> These policies seem to have benefits to organizations, as research has shown that firms that have LGBTQ-supportive policies had higher firm value, productivity, and profitability, and benefited more from Research and Development (R&D) activities.<sup>[89]</sup> On June 15, 2020, the United States Supreme Court made a monumental ruling, ensuring that the Civil Rights Act of 1964 would be extended to protect gay, lesbian, and transgender employees from sex-based discrimination at work, making discrimination in employment decisions based on sexual orientation and gender identity illegal.<sup>[90]</sup>

Research shows that one of the most important issues relating to sexual orientation is the disclosure of sexual identity in the workplace. According to one estimate, up to one-third of lesbian, gay, and bisexual employees do not disclose their sexual orientation at work. Employees may fear the reactions of their managers and coworkers, leading to keeping their sexual identity a secret. In reality, though, it seems that disclosing sexual orientation is not the key to explaining work attitudes of these employees—it is whether or not they are *afraid* to disclose their sexual identity. In other words, those employees who fear that full disclosure would lead to negative reactions experience lower job satisfaction, reduced organizational commitment, and higher intentions to leave their jobs.<sup>[91]</sup> Creating an environment where all employees feel welcome and respected regardless of their sexual orientation is the key to maintaining a positive work environment.

Two organizational resources that seem to make the most difference for LGBTQ employee attitudes, stress, perceived discrimination, and disclosures are LGBTQ-supportive organizational climates and supportive interpersonal relationships.<sup>[92]</sup> Companies such as Coca-Cola, Accenture, IBM, and Procter & Gamble create inclusive cultures by providing transgender-inclusive health-care coverage, removing barriers to fairness, and by providing a public commitment.<sup>[93]</sup>

### OB Toolbox: I Think I Am Being Asked Potentially Illegal Interview Questions. What Can I Do?

In the United States, demographic characteristics discussed in this chapter are protected by law. Yet according to a survey of 4,000 job seekers, about one-third of job applicants have been asked potentially illegal interview questions. How can you answer such questions?<sup>[94]</sup>

Here are your options.

- *Refuse to answer.* You may point out that the question is illegal and refuse to answer. This may cost you the job offer, because you are likely to seem confrontational and aggressive.
- *Answer shortly.* Instead of giving a full answer to a question such as "are you married," you could answer the question briefly and steer the conversation to the job. In some cases,

the interviewer may be trying to initiate small talk and may be unaware that the question is potentially illegal.

- *Answer the intent or potential concern behind the question.* Sometimes, the illegal question hides a legitimate concern. When you are being asked where you are from, the potential employer might be concerned that you do not have a work permit. Addressing the issue in your answer may be better than answering the question you are being asked.
- *Evaluate the situation and what is in your best interest.* Your next move should depend on a number of factors. For example, do you believe discrimination or just a mistake in what's legal was behind the offending question? Based on the answers you come up with, decide if this is the kind of company that you could work for or not.
- *Walk away from the interview.* If you feel that the intent of the question is discriminatory, and if you feel that you would rather not work at a company that would ask such questions, you can always walk away from the interview. If you feel that you are being discriminated against, you may also want to talk to a lawyer later on.

## Tools for Creating an Inclusive Workplace

What can organizations do to manage diversity more effectively and create an inclusive workplace? In this section, we review research findings and the best practices from different companies to create a list of suggestions for organizations.

### Inclusive Workplace Culture

In the most successful companies, diversity management is not the sole responsibility of the human resource department or a chief diversity officer. Starting from top management and including the lowest levels in the hierarchy, each person understands the importance of respecting others. If this respect is not part of an organization's culture, no amount of diversity training or other programs are likely to be effective. In fact, in the most successful companies, diversity and inclusion are viewed as everyone's responsibility. Companies with a strong culture—where people have a sense of shared values, loyalty to the organization is rewarded, and team performance is celebrated—enable employees with vastly different demographics and backgrounds to feel a sense of belonging.<sup>[95]</sup> The Black Lives Matter movement and protests of systemic racism resulted in increased expectations that businesses accept more accountability to tackle structural racism. The Broadway League, the coalition of U.S. theater owners, committed to performing a diversity audit of all aspects of their operations.<sup>[96]</sup>

According to DiversityInc, Marriott International, Inc. was the best company for diversity in 2020.

### Diversity Training Programs

Diversity training programs are popular. However, not all diversity programs are equal. Perhaps not surprisingly, more successful programs are those that occur in companies where a culture of diversity exists. A study of over 700 companies found that programs with a higher perceived success rate were those that occurred in companies where top management believed in the importance of diversity, where there were explicit rewards for increasing diversity of the company, and where managers were required to attend the diversity training programs.<sup>[97]</sup> Training features affect whether training results in a change in attitudes toward diversity. For example, active programs involving exercises are better than passive, lecture-type programs. Further, in-person training programs are better than computerized training.<sup>[98]</sup> In one field experiment, researchers have shown that a one-hour online training program resulted in behavioral changes only on the part of par-

ticipants who were already supportive of diversity prior to training.<sup>[99]</sup> One downside of diversity training programs is that they may put employees on the defensive, treating them as perpetrators of discrimination and harassment. Instead, designing training programs with the assumption that participants of the training program are victim's allies, and teaching them to identify problematic behaviors as well as how to intervene are promising approaches to diversity training.<sup>[100]</sup>

## Recruitment Practices

Companies may want to increase diversity by targeting a pool that is more diverse. There are many minority professional groups such as the National Black MBA Association or the Chinese Software Professionals Association. By building relations with these occupational groups, organizations may attract a more diverse group of candidates to choose from. Hiring based on a vague description of culture fit is also potentially problematic, as it may result in a tendency to hire people who are similar to the existing composition of the workplace while excluding people who are different.<sup>[101]</sup> The auditing company Ernst & Young Global Ltd. increases diversity of job candidates by mentoring undergraduate students.<sup>[102]</sup> Companies may also want to review their job advertisements to ensure that they are inclusive. For example, there is some evidence that words such as "competitive" and "dominate" may attract more men, whereas words such as "supportive" may be more appealing to women. These biases are likely to operate at an unconscious level, but in the end may yield an unbalanced candidate pool.<sup>[103]</sup>

## Idiosyncratic Deals (i-deals)

### i-deals

Negotiated arrangements between employees and managers that benefit the employee and the organization.

As workplaces become more diverse, companies may find that having standardized work arrangements where every employee is treated the same may no longer be fair. For example, having a standard work schedule of 9am to 5pm could be a hardship for employees with families, or employees who are interested in working fewer hours. Employees may have unique training, job content, or flexibility needs where it may be possible to tailor the job to the person more effectively. As a result, idiosyncratic deals, or i-deals are becoming more common. **I-deals** are negotiated arrangements between employees and managers that benefit the employee and the organization. I-deals have implications for workplace behaviors and attitudes. For example, one study has shown that flexibility i-deals were related to being more effective at home, which in turn predicted being more effective at work.<sup>[104]</sup> These individualized and negotiated deals may be especially useful for managing a diverse workforce. As a case in point, one study has shown that prevalence of i-deals were related to less emotional exhaustion and higher levels of collective commitment to the organization, and predicted better client outcomes in units with higher levels of age diversity.<sup>[105]</sup> In other words, being open to customizing work arrangements to fit the needs of the workforce by partnering with individual employees may help organizations manage a diverse workforce more effectively.

## Affirmative Action Programs

### affirmative action

Policies designed to recruit, promote, train, and retain employees belonging to a protected class.

Policies designed to recruit, promote, train, and retain employees belonging to a protected class are referred to as **affirmative action**. Based on Executive Order 11246 (1965), federal contractors are required to use affirmative action programs. In addition, the federal government, many state and local governments, and the U.S. military are required to have affirmative action plans. An organization may also be using affirmative action as a result of a court order or due to a past history of discrimination. Affirmative action programs are among the most controversial methods in diversity management because some people believe that they lead to an unfair advantage for minority members.

In many cases, the negative perceptions about affirmative action can be explained by misunderstandings relating to what such antidiscrimination policies entail. Moreover, affirmative action means different things to different people, and therefore it is inaccurate to discuss affirmative action as a uniform package.

Four groups of programs can be viewed as part of affirmative action programs:<sup>[106]</sup>

1. *Simple elimination of discrimination.* These programs are the least controversial and are received favorably by employees.
2. *Targeted recruitment.* These affirmative action plans involve ensuring that the candidate pool is diverse. These programs are also viewed as fair by most employees.
3. *Tie-breaker.* In these programs, if all other characteristics are equal, then preference may be given to a minority candidate. In fact, these programs are not widely used and their use needs to be justified by organizations. In other words, organizations need to have very specific reasons for why they are using this type of affirmative action, such as past illegal discrimination. Otherwise, their use may be illegal and lead to reverse discrimination. These programs are viewed as less fair by employees.
4. *Preferential treatment.* These programs involve hiring a less-qualified minority candidate. Strong preferential treatment programs are illegal in most cases. These programs are viewed as unfair by employees.

It is plausible that people who are against affirmative action programs may have unverified assumptions about the type of affirmative action program the company is using. Informing employees about the specifics of how affirmative action is being used may be a good way of dealing with any negative attitudes. In fact, a review of the past literature revealed that when specifics of affirmative action are not clearly defined, observers seem to draw their own conclusions about the particulars of the programs.<sup>[107]</sup>

In addition to employee reactions to affirmative action, there is some research indicating that affirmative action programs may lead to stigmatization of the perceived beneficiaries. For example, in companies using affirmative action, coworkers of new hires may make the assumption that the new hire was chosen due to sex or race as opposed to having the necessary qualifications. These effects may even occur in the new hires themselves, who may have doubts about the fact that they were chosen because they were the best candidate for the position. Research also shows that giving coworkers information about the qualifications and performance of the new hire eliminates these potentially negative effects of affirmative action programs.<sup>[108]</sup>

### OB Toolbox: How to Be an Effective Ally

Allies are individuals who are not part of an underrepresented group, but behave in ways that support that group. Achieving an inclusive culture in the workplace demands all employees to be effective allies for each other, use their voice when they see injustice, and support their colleagues. How can you be an effective ally?

- *Educate yourself.* Part of being an ally is to learn to identify systematic reasons why discrimination happens. Understand how unconscious biases, similarity-attraction, and recruitment and hiring practices may have unintended consequences. Being familiar with barriers to inclusion will help you identify them when you see them.

- *Be a good listener.* Your colleagues may choose not to confide in you about the day-to-day hurdles of how being a minority harms them in your workplace. But if they do, listen. Do not interrupt, do not act defensive or try to play the devil's advocate, and do not try to qualify their experiences by statements such as "Not all male managers do that." Their experiences may be different from what you experience, which is normal and expected. This is an opportunity to support your colleagues, and learn how different employees may be faced with a different environment at work.
- *Speak up.* If you witness injustice, speak up. Silently protesting someone does not have a lot of power or usefulness. For example, if you are a man and see that all invited speakers to an event are men, ask questions about the lack of diverse voices. Encourage those around you to do better. If you see a colleague being interrupted, lend your voice to them; politely call out the interrupter to let the speaker finish. If you witness your colleagues making ethnic jokes, tell them that their jokes are harmful and unacceptable.
- *Take concrete actions toward ending racism.* Systematic racism developed over a long period of time. It will not end unless action is taken toward changing these established practices. However, there are many solutions that might be taken and determining which specific actions you can take toward helping end racism collectively becomes a powerful force for change.
- *You do not need special qualifications.* You may think that you know little about racial injustice, or ageism, or ableism. You may worry about saying the wrong thing, or offending others. You may think that you do not understand all the issues. Remember that being an effective ally does not require special abilities beyond awareness of a particular issue and lending your voice to support your colleagues.

## Key Takeaway

Inclusive organizations benefit from diversity because they achieve higher creativity, better customer service, higher job satisfaction, higher stock prices, and lower litigation expenses. At the same time, managing a diverse workforce is challenging for several key reasons. Employees are more likely to associate with those who are similar to them early in a relationship, the distribution of demographic traits could create faultlines within a group, and stereotypes may act as barriers to advancement and fair treatment of employees. Organizations can manage demographic diversity more effectively by building a culture of respect, conducting diversity audits and goal setting, creating diversity training programs, reviewing recruitment practices, offering non-standard work arrangements such as i-deals, and under some conditions, utilizing affirmative action programs.

## What do you think?

1. What does it mean for a company to manage diversity effectively? How would you know if a company is doing a good job of managing diversity?
2. How can an organization create an inclusive workplace?
3. How can organizations deal with the "similarity-attraction" phenomenon? Left unchecked, what are the problems this tendency can cause?
4. What is the earnings gap? Who does it affect? What are the reasons behind the earnings gap?
5. Do you think that laws and regulations are successful in eliminating discrimination in the workplace? Why or why not?

## 2.3 Cultural Diversity

### Learning Objectives

1. Explain what culture is.
2. Define the four dimensions of culture that are part of Hofstede's framework.
3. Describe some ways in which national culture affects organizational behavior.

**Culture** refers to values, beliefs, and customs that exist in a society. In the United States, the workforce is increasingly multicultural and the world of work is becoming increasingly international. The world is going through a transformation in which China, India, and Brazil are establishing themselves as major players in world economics. Companies are realizing that doing international business provides access to raw materials, resources, and a wider customer base. For many companies, international business is where most of the profits lie; for example, at Intel Corporation, the majority of revenues come from outside the United States. For many businesses, international business is the main source of their earnings. As a case in point, *Avengers: Endgame* (2019) is the top grossing movie of all time. Of its \$2.797 billion gross earnings, \$1.939 billion was from outside the United States, where the movie was made.<sup>[109]</sup> As a result of these trends, understanding the role of national culture for organizational behavior may provide you with a competitive advantage in your career. In fact, sometime in your career, you may find yourself working as an expatriate. An **expatriate** is someone who is temporarily assigned to a position in a foreign country. Such an experience may be invaluable for your career and challenge you to increase your understanding and appreciation of differences across cultures.

How do cultures differ from each other? If you have ever visited a country different from your own, you probably have stories to tell about what aspects of the culture were different and which were similar. Maybe you have noticed that in many parts of the United States people routinely greet strangers with a smile when they step into an elevator or see them on the street, but the same behavior of saying hello and smiling at strangers would be considered odd in many parts of Europe. In India and other parts of Asia, traffic flows with rules of its own, with people disobeying red lights, stopping and loading passengers in highways, or honking continuously for no apparent reason. In fact, when it comes to culture, we are like fish in the sea: We may not realize how culture is shaping our behavior until we leave our own and go someplace else. Cultural differences may shape how people dress, how they act, how they form relationships, how they address each other, what they eat, and many other aspects of daily life. Of course, talking about national cultures does not mean that national cultures are uniform. In many countries, it is possible to talk about the existence of cultures based on region or geography. For example, in the United States, the southern, eastern, western, and midwestern regions of the country are associated with slightly different values.

Thinking about hundreds of different ways in which cultures may differ is not very practical when you are trying to understand how culture affects work behaviors. For this reason, the work of Geert Hofstede, a Dutch social scientist, is an important contribution to the literature. Hofstede studied IBM employees in 66 countries and showed that four dimensions of national culture explain an important source of variation among cultures. Research also shows that cultural variation with respect to these four dimensions influences employee job behaviors, attitudes, well-being, motivation, leadership, negotiations, and many other aspects of organizational behavior.<sup>[110]</sup>

**culture**

The values, beliefs, and customs that exist in a society.

**expatriate**

Someone who is temporarily assigned to a position in a foreign country.

**TABLE 2.1 Hofstede's Culture Framework**

<b>Individualism</b>	<b>Collectivism</b>
<b>Cultures in which people define themselves as individuals and form looser ties with their groups</b>	<b>Cultures where people have stronger bonds to their groups and group membership forms a person's self- identity</b>
USA	Guatemala
Australia	Ecuador
UK	Indonesia
Canada	Pakistan
Hungary	China

<b>Low Power Distance</b>	<b>High Power Distance</b>
<b>A society that views an unequal distribution of power as relatively unacceptable</b>	<b>A society that views an unequal distribution of power as relatively acceptable</b>
Austria	Malaysia
Denmark	Slovakia
Israel	Philippines
Ireland	Russia
New Zealand	Mexico

<b>Low Uncertainty Avoidance</b>	<b>High Uncertainty Avoidance</b>
<b>Cultures in which people are comfortable in unpredictable situations and have high tolerance for ambiguity</b>	<b>Cultures in which people prefer predictable situations and have low tolerance for ambiguity</b>
Denmark	Belgium
Jamaica	El Salvador
Singapore	Greece
China	Guatemala
Sweden	Portugal

<b>Masculinity</b>	<b>Femininity</b>
<b>Cultures in which people value achievement and competitiveness, as well as acquisition of money and other material objects</b>	<b>Cultures in which people value maintaining good relationships, caring for the weak, and quality of life</b>
Slovakia	Norway
Japan	Netherlands
Hungary	Sweden
Austria	Costa Rica
Venezuela	Chile

Hofstede's culture framework is a useful tool to understand the systematic differences across cultures on four key dimensions.

Source: Adapted from information in Geert Hofstede cultural dimensions, accessed June 1, 2018, [http://www.geert-hofstede.com/hofstede\\_dimensions.php](http://www.geert-hofstede.com/hofstede_dimensions.php).

## Individualism-Collectivism

**Individualistic cultures** are cultures in which people define themselves as an individual and form looser ties with their groups. These cultures value autonomy and independence of the person, self-reliance, and creativity. Countries such as the United States, United Kingdom, and Australia are examples of individualistic cultures. In contrast, **collectivistic cultures** are cultures where people have stronger bonds to their groups and group membership forms a person's self-identity. Asian countries such as China and Japan, as well as countries in Latin America are higher in collectivism.

In collectivistic cultures, people define themselves as part of a group. In fact, this may be one way to detect people's individualism-collectivism level. When individualists are asked a question such as "Who are you? Tell me about yourself," they are more likely to talk about their likes and dislikes, personal goals, or accomplishments. When collectivists are asked the same question, they are more likely to define themselves in relation to others, such as "I am Chinese" or "I am the daughter of a doctor and a homemaker. I have two brothers." In other words, in collectivistic cultures, self-identity is shaped to a stronger extent by group memberships.<sup>[1]</sup>

In collectivistic societies, family bonds are highly influential in people's daily lives. While individualists often refer to their nuclear family when thinking about their families, collectivists are more likely to define family in a broader sense, including cousins, uncles, aunts, and second cousins. Family members are more involved in each others' lives. In many collectivistic societies, the language reflects the level of interaction among extended family members such that there may be different words used to refer to maternal versus paternal grandparents, aunts, or uncles. In addition to interacting with each other more often, family members have a strong sense of obligation toward each other. Children often expect to live with their parents until they get married. In collectivistic countries such as Thailand, Japan, and India, choosing a school, career, or finding a spouse are all family affairs. In these cultures, family members feel accountable for each others' behavior such that one person's misbehavior may be a cause of shame for the rest of the family.<sup>[12]</sup> Understanding the importance of family in collectivistic cultures is critical to understanding their work behaviors. For example, one multinational oil company in Mexico was suffering from low productivity. When the situation was investigated, it became clear that the new manager of the subsidiary had gotten rid of a monthly fiesta for company employees and their families under the assumption that it was a waste of time and money. Employees had interpreted this to mean that the company no longer cared about their families.<sup>[13]</sup> In India, companies such as Intel organize "take your parents to work day" and involve parents in recruitment efforts, understanding the role of parents in the career and job choices of prospective employees.<sup>[14]</sup>

Collectivists are more attached to their groups and have more permanent attachments to these groups. Conversely, individualists attempt to change groups more often and have weaker bonds to them. It is important to recognize that to collectivists the entire human universe is not considered to be their in-group. In other words, collectivists draw sharper distinctions between the groups they belong to and those they do not belong to. They may go above and beyond for their in-group members while acting much more competitively and aggressively toward out-group members. This tendency has important work implications. While individualists may evaluate the performance of their colleagues more accurately, collectivists are more likely to be generous when evaluating their in-group members. Freeborders, a software company based in San Francisco that eventually merged with the company Symbio,<sup>[15]</sup> found that even though it was against company policy, Chinese employees were routinely sharing salary information with their coworkers. This situation led them to change their pay system by standardizing pay at job levels and then giving raises after more frequent appraisals.<sup>[16]</sup>

Collectivistic societies emphasize conformity to the group. The Japanese saying "the nail that sticks up gets hammered down" illustrates that being different from the group is undesirable. In these cultures, disobeying or disagreeing with one's group is difficult and people may find it hard to say no to their colleagues or friends. Instead of saying no, which would be interpreted as rebellion

### individualistic cultures

Cultures in which people define themselves as individuals and form looser ties with their groups.

### collectivistic cultures

Cultures where people have stronger bonds to their groups, and group membership forms a person's self identity.

Due to increased globalization of businesses, understanding the role of culture for organizational behavior may provide you with a competitive advantage in your career.

or at least be considered rude, they may use indirect ways of disagreeing, such as saying "I have to think about this" or "this would be difficult." Such indirect communication prevents the other party from losing face but may cause misunderstandings in international communications with cultures that have a more direct style. Collectivist cultures may have a greater preference for team-based rewards as opposed to individual-based rewards.<sup>[117]</sup> Further, different management techniques are suitable in individualistic versus collectivistic cultures. For example, giving employees control over their jobs was more effective in reducing stress in individualistic cultures, whereas utilizing participative management was more effective in collectivistic cultures.<sup>[118]</sup>

## Power Distance

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### power distance

The degree to which the society views an unequal distribution of power as acceptable.

**Power distance** refers to the degree to which the society views an unequal distribution of power as acceptable. Simply put, some cultures are more egalitarian than others. In low power distance cultures, egalitarianism is the norm. In high power distance cultures, people occupying more powerful positions such as managers, teachers, or those who are older are viewed as more powerful and deserving of a higher level of respect. High power distance cultures are hierarchical cultures where everyone has their place. Powerful people are supposed to act powerful, while those in inferior positions are expected to show respect. For example, Thailand is a high power distance culture and, starting from childhood, people learn to recognize who is superior, equal, or inferior to them. When passing people who are more powerful, individuals are expected to bow, and the more powerful the other person, the deeper the bow would be.<sup>[119]</sup> Managers in high power distance cultures are treated with a higher degree of respect, which may surprise those in lower power distance cultures. A Citibank manager in Saudi Arabia was surprised when employees stood up every time he passed by.<sup>[120]</sup> Similarly, in Turkey, students in elementary and high schools greet their teacher by standing up every time the teacher walks into the classroom. In these cultures, referring to a manager or a teacher by their first name would be extremely rude. High power distance within a culture may easily cause misunderstandings with those from low power distance societies. For example, in the cases of a limp handshake from someone in India or a job candidate from Chad who is looking at the floor throughout the interview, these candidates are in fact showing their respect, but their behaviors may be interpreted as indicating a lack of confidence or even disrespect in low power distance cultures.

One of the most important ways in which power distance is manifested in the workplace is that in high power distance cultures, employees are unlikely to question the power and authority of their manager, and conformity to the manager will be expected. Managers in these cultures may be more used to an authoritarian style with lower levels of participative leadership demonstrated. People will be more submissive to their superiors and may take orders without questioning the manager.<sup>[121]</sup> In these cultures, management practices that encourage employee involvement are less effective.<sup>[122]</sup> Instead, these cultures seem to prefer paternalistic leaders—leaders who are authoritarian but make decisions while showing a high level of concern toward employees as if they were family members.<sup>[123]</sup> Further, in groups where power distance is high, displaying a humble leadership style involving admitting one's mistakes and limitations has not been found to be an effective leadership style for achieving psychological safety in the team.<sup>[124]</sup>

**FIGURE 2.3 Cultural Risk: When in Rome**

Do you pride yourself on your punctuality? You may be wasting your time in Latin American countries, where the locals tend to be about 20 minutes behind schedule.



In many Asian and Arabian countries, showing the sole of your shoe is considered rude.



Many Muslim countries consider a woman's clothing to be inappropriate if it reveals anything beside the face and hands.



If you want to signal "Check please!" to catch the attention of your garçon in France or Belgium, remember that snapping your fingers is vulgar there.



Do not eat with your left hand in India or Malaysia. That hand is associated with unclean activities reserved for the bathroom.



In Japan, direct eye contact is viewed as impolite.



If everything is OK when you're in Brazil, avoid making this hand signal. It's the equivalent to giving someone the middle finger.



Do not clean your plate in China. Leaving food on the plate indicates the host was so generous that the meal could not be finished.

## Uncertainty Avoidance

### uncertainty avoidance

The degree to which people feel threatened by ambiguous, risky, or unstructured situations.

**Uncertainty avoidance** refers to the degree to which people feel threatened by ambiguous, risky, or unstructured situations. Cultures high in uncertainty avoidance prefer predictable situations and have low tolerance for ambiguity. Employees in these cultures expect a clear set of instructions and clarity in expectations. Therefore, there will be a greater level of creating procedures to deal with problems and writing out expected behaviors in manuals.

Cultures high in uncertainty avoidance prefer to avoid risky situations and attempt to reduce uncertainty. For example, one study showed that when hiring new employees, companies in high uncertainty avoidance cultures are likely to use a larger number of tests, conduct a larger number of interviews, and use a fixed list of interview questions.<sup>[125]</sup> Employment contracts tend to be more popular in cultures higher in uncertainty avoidance compared to cultures low in uncertainty avoidance.<sup>[126]</sup> The level of change-oriented leadership seems to be lower in cultures higher in uncertainty avoidance.<sup>[127]</sup> Companies operating in high uncertainty avoidance cultures also tend to avoid risky endeavors such as entering foreign target markets unless the target market is very large.<sup>[128]</sup>

Germany is an example of a high uncertainty avoidance culture where people prefer structure in their lives and rely on rules and procedures to manage situations. Similarly, Greece is a culture relatively high in uncertainty avoidance, and Greek employees working in hierarchical and rule-oriented companies report lower levels of stress.<sup>[129]</sup> In contrast, cultures such as Iran and Russia are lower in uncertainty avoidance, and companies in these regions do not have rule-oriented cultures. When they create rules, they also selectively enforce rules and make a number of exceptions to them. In fact, rules may be viewed as constraining. Uncertainty avoidance may influence the type of organizations employees are attracted to. Japan's uncertainty avoidance is associated with valuing job security, while in uncertainty-avoidant Latin American cultures, many job candidates prefer the stability of bigger and well-known companies with established career paths.

## Aggressive-Nurturing (Masculinity–Femininity)

### masculine (aggressive) cultures

Cultures that value achievement, competitiveness, and acquisition of money and other material objects.

### feminine (nurturing) cultures

Cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life.

The terms masculinity and femininity may be misleading as gender is not a determinant of one's culture. Therefore, we are following the trend toward more accurately referring to this dimension as aggressive-nurturing. However, where the research exists using the other terms, we have included both. **Masculine (aggressive) cultures** are cultures that value achievement, competitiveness, and acquisition of money and other material objects. Japan and Hungary are examples of masculine cultures. Masculine cultures are also characterized by a separation of gender roles. In these cultures, men are more likely to be assertive and competitive compared to women. In contrast, **feminine (nurturing) cultures** are cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life. In these cultures, values are not separated by gender, and both women and men share the values of maintaining good relationships. Sweden and the Netherlands are examples of nurturing cultures. The level of masculinity inherent in the culture has implications for the behavior of individuals as well as organizations. For example, in aggressive cultures, the ratio of CEO pay to other management-level employees tends to be higher, indicating that these cultures are more likely to reward CEOs with higher levels of pay as opposed to other types of rewards.<sup>[130]</sup> The nurturing nature of a culture affects many work practices, such as the level of work/life balance. In cultures high in nurturing, such as Norway and Sweden, work arrangements such as telecommuting seem to be more popular compared to cultures higher in aggression such as Italy and the United Kingdom.

### OB Toolbox: Prepare Yourself for a Global Career

With the globalizing economy, boundaries with respect to careers are also blurring. How can you prepare yourself for a career that crosses national boundaries?

- *Learn a language.* If you already know that you want to live in China after you finish school, now may be the time to start learning the language. It is true that business is often conducted in English, but it is becoming increasingly ethnocentric to speak only one language while many in the rest of the world can speak two or more. For example, 20% of those living in the United States can speak their native language plus another language fluently, and 56% of Europeans speak two or more languages.<sup>[131]</sup> Plus, even if business is conducted in English and it is your first language, your adaptation to a different society, making friends, and leading a satisfying life will be much easier if you can speak more than one language.
- *Immerse yourself in different cultures.* Visit different cultures. This does not mean visiting five countries in five days. Plan on spending more time in one locale, and get to know, observe, and understand the culture. Better yet, take advantage of study abroad programs, doing an internship, or volunteering abroad. These programs give you a reason to get integrated into the culture and interact with locals in a professional capacity.
- *Develop an openness to different experiences.* Be open to different cuisines, different languages, and different norms of working and living. If you feel very strongly that your way of living and working is the right way, you will have a hard time adjusting to a different culture.
- *Develop a strong social support network.* Once you arrive in the culture you will live in, be proactive in making friends. Being connected to people in a different culture will have an influence on your ability to adjust to living there. If you are planning on taking family members with you, their level of readiness will also influence your ability to function within a different culture.
- *Develop a sense of humor.* Adjusting to a different culture is often easier if you can laugh at yourself and the mistakes you make. If you take every mistake too personally, your stay will be less enjoyable and more frustrating.
- *Plan your return.* If you have plans to come back and work in your home country, you will need to plan your return in advance. When people leave home for a long time, they often adapt to the foreign culture they live in and may miss many elements of it when they go back home. Your old friends may have moved on, local employers may not immediately appreciate your overseas experience, and you may even find that cultural aspects of your home country may have changed in your absence. Be ready for a reverse culture shock!

## Strength of Norms: Tightness-Looseness of Culture

Hofstede's five dimensional framework is influential and a useful way of thinking about culture. This framework describes cultural differences by referencing differences in five core values. A more recent and complementary way of thinking about culture instead describes it with respect to how tightly or loosely cultural values are held. This conceptualization is referred to as tightness-looseness of culture, which refers to strength of social norms that reside in a culture. In tight cultures, norms are highly pervasive, visible, and the society does not tolerate deviance from these norms. In

looser cultures, norms are more divergent, and there is a much greater tolerance for behavior that deviates from norms. Japan, Singapore, and South Korea are examples of tight cultures, whereas Estonia, Ukraine, and Hungary are loose, with the United States somewhere between two extremes. Research has shown that cultural tightness and looseness has past reasons such as historical conflicts, resource scarcity, and a history of contagious diseases tightening cultures.<sup>[132]</sup>

Tightness and looseness affects everyday behavior of people raised in a particular culture. Michele Gelfand, a cross-cultural psychologist at the University of Maryland who is well known for her work on tight and loose cultures and the author of the book *Rule Makers, Rule Breakers*, describes both tightness and looseness as having value at different times. The greater tolerance for a diverse set of values and behaviors grants loose cultures an advantage with respect to creativity and innovation. However, she explained that when dealing with a crisis such as COVID-19 where coordination across the whole nation is valuable, the same cultural traits serve as a downside. She attributed the difficulties local authorities experienced in controlling the COVID-19 pandemic in the United States to the looseness of culture.<sup>[133]</sup> Understanding tightness and looseness of a culture is also useful in understanding how open to change a society is, what type of leadership individuals in a society will feel more comfortable with, and how harsh they will be when they confront someone who deviates from norms.



### The Secret Life of Social Norms

Michele Gelfand, University of Maryland

View the video online at: <http://www.youtube.com/embed/oqkzp9C2Vyl?rel=0>

## Suggestions for Managing Cultural Diversity

With the increasing importance of international business as well as the culturally diverse domestic workforce, what can organizations do to manage cultural diversity?

## Develop a Global Mindset

**Global mindset** is a person's openness to learning about other cultures and ability to communicate across cultural boundaries. Developing a global mindset is important because the days when organizations could prepare their employees for international work simply by sending them to long seminars on a particular culture are gone. Presently, international business is not necessarily conducted between pairs of countries. A successful domestic manager is not necessarily assigned to work on a long-term assignment in China. Of course such assignments still happen, but it is more likely that the employees will continually work with others from diverse cultural backgrounds. This means employees will not necessarily have to become experts in one culture. Instead, they should have the ability to work with people from many diverse backgrounds all at the same time. For these types of assignments, employees will need to develop an awareness of overall cultural differences and learn how to recognize cultural principles that are operating in different situations. In other words, employees will need to be selected based on cultural sensitivity and understanding and trained to enhance such qualities.<sup>[134]</sup> For example, GlobeSmart by Aperian Global is an online tool that helps employees learn how to deal with people from around the world. The process starts by completing a survey about your cultural values, and then these values are compared to those of different cultures. The tool provides specific advice about interpersonal interactions with these cultures.<sup>[135]</sup>

**global mindset**

A person's openness to learning about other cultures and communicating effectively in different cultural contexts.

## Avoid Ethnocentrism

**Ethnocentrism** is the belief that one's own culture is superior to other cultures one comes across. Ethnocentrism leads organizations to adopt universal principles when doing business around the globe, which may backfire. In this chapter, we highlighted research findings showing how culture affects employee expectations of work life such as work-life balance, job security, or the level of empowerment. Ignoring cultural differences, norms, and local habits may be costly for businesses and may lead to unmotivated and dissatisfied employees. Successful global companies modify their management styles, marketing, and communication campaigns to fit with the culture in which they are operating. For example, Disney-owned Pixar was praised for its culturally sensitive treatment of cultural traditions in the movie *Coco*. The company used numerous cultural consultants and sought feedback throughout all stages of the creative process.<sup>[136]</sup>

**ethnocentrism**

The belief that one's own culture is superior to other cultures one comes across.

## Listen to Locals

When doing cross-cultural business, locals are a key source of information. To get timely and accurate feedback, companies will need to open lines of communication and actively seek feedback. For example, Convergys, a Cincinnati-based call-center company that was acquired by Synnex Corporation in 2018,<sup>[137]</sup> built a cafeteria for the employees in India. During the planning phase, the Indian vice president pointed out that because Indian food is served hot and employees would expect to receive hot meals for lunch, building a cafeteria that served only sandwiches would create dissatisfied employees. By opening the lines of communication in the planning phase of the project, Convergys was alerted to this important cultural difference in time to change the plans.<sup>[138]</sup>

## Recognize That Culture Evolves

Cultures are not static—they evolve over the years. A piece of advice that was true five years ago may no longer hold true. For example, in the deeply conservative Saudi Arabia, the ban on women's driving was lifted in 2017, and the country allowed the screening of the movie *Black Panther* in 2018,

which was the first movie screening in more than 30 years. These changes are just two examples of how businesses need to continually update their knowledge about different cultures.<sup>[139]</sup>

## Do Not Always Assume That Culture Is the Problem

When doing business internationally, failure may occur due to culture as well as other problems. Attributing all misunderstandings or failures to culture may enlarge the cultural gap and shift the blame to others. In fact, managing people who have diverse personalities or functional backgrounds may create misunderstandings that are not necessarily due to cultural differences. When marketing people from the United States interact with engineers in India, misunderstandings may be caused by the differences in perceptions between marketing and engineering employees. While familiarizing employees about culture, emphasizing the importance of interpersonal skills regardless of cultural background will be important.

### Key Takeaway

With the increasing prevalence of international business as well as diversification of the domestic workforce in many countries, understanding how culture affects organizational behavior is becoming important. Individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity are four key dimensions in which cultures vary. The position of a culture on these dimensions affects the suitable type of management style, reward systems, employee selection, and ways of motivating employees.

### What do you think?

1. What is culture? Do countries have uniform national cultures?
2. How would you describe your own home country's values on the four dimensions of culture?
3. Reflect on a time when you experienced a different culture or interacted with someone from a different culture. How did the cultural differences influence your interaction?
4. How does culture influence the proper leadership style and reward system that would be suitable for organizations?
5. Imagine that you will be sent to live in a foreign country different from your own in a month. What are the types of preparations you would benefit from doing?

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## 2.4 Focus on Diversity, Ethics, Technology, and National Culture

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### Learning Objectives

1. Consider the relationship between diversity and ethics.
2. Consider the relationship between diversity and technology.
3. Consider the role of national culture in diversity.

## Diversity and Ethics

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When managing a diverse group of employees, ensuring the ethicality of organizational behavior will require special effort. This is because employees with different backgrounds or demographic traits may vary in their standards of ethics. For example, research shows that there are some gender differences when it comes to evaluating the degree of ethicality of hypothetical scenarios, with women utilizing higher standards. Men and women seem to have similar standards when judging the ethicality of monetary issues but differ on issues such as the ethicality of breaking organizational rules. Interestingly, gender differences seem to disappear as people grow older. Age is another demographic trait that influences the standards of ethics people use, with older employees being bothered more by unethical behaviors compared to younger employees. Similarly, one study showed that older respondents found some questionable negotiation behaviors such as misrepresenting information and bluffing to be more unethical compared to younger respondents.<sup>[140]</sup>

In addition to demographic diversity, cultural diversity introduces challenges to managing ethical behavior, given that cultures differ in the actions they view as ethical. Cultural differences are particularly important when doing cross-cultural business. For example, one study compared Russian and American subjects on their reactions to ethics scenarios. Americans viewed scenarios such as an auditing company sharing information regarding one client with another client as more unethical compared to how Russian subjects viewed the same scenarios.<sup>[141]</sup> A study comparing U.S., Korean, and Indian managers found differences in attitudes toward business ethics, particularly with Koreans thinking that being ethical was against the goal of being profitable. Indian and Korean subjects viewed questionable practices such as software piracy, nepotism, or the sharing of insider information as relatively more ethical compared to subjects in the United States. At the same time, Korean and Indian subjects viewed injury to the environment as more unethical compared to the U.S. subjects.<sup>[142]</sup> In other words, the ethical standards held in different societies may emphasize different behaviors as ethical or unethical.

When dealing with unethical behavior overseas, companies will need to consider the ethical context. Having internal reporting mechanisms may help, but research shows that in very high power distant societies, these mechanisms often go unused.<sup>[143]</sup> Even when a multinational company has ethical standards that are different from local standards, using the headquarters' standards in all cross-cultural interactions will not be possible or suitable. The right action often depends on the specifics of the situation and a consideration of the local culture. For example, in the 1990s, Levi-Strauss & Company found that some of its contractors in Bangladesh were using child labor consisting of children under 14 years old in its factories. One option they had was to demand that their contractors fire those children immediately. Yet, when they looked at the situation more closely, they found that it was common for young children to be employed in factories, and in many cases these children were the sole breadwinners in the family. Firing these children would have caused significant hardship for the families and could have pushed the children into more dangerous working conditions. Therefore, Levi-Strauss reached an agreement to send the children back to school while continuing to receive their wages partly from the contractor companies and partly from Levi-Strauss. The school expenses were met by Levi-Strauss and the children were promised work when they were older. In short, the diverse ethical standards of the world's cultures make it unlikely that one approach can lead to fair outcomes in all circumstances.

## Diversity and Technology

Artificial intelligence and machine learning are being quickly and enthusiastically embraced in the field of recruitment and selection. **Artificial intelligence (AI)** refers to technology that performs some of the decision making functions of humans, such as learning and problem solving. A subset of artificial intelligence is **machine learning**, or a computer algorithm that automatically learns and improves over time as it analyzes more data. Companies are able to use AI to sort through résumés, select which job candidates to interview, or even which job candidates see the company's job advertisements. No doubt these tools save companies time and money.

### artificial intelligence

Technology that performs some of the decision making functions of humans.

### machine learning

A computer algorithm that automatically learns and improves over time as it analyzes more data.

AI and machine learning have important implications for diversity and inclusion, and the quick and unquestioning embracing of these technologies necessitates caution. These technologies have the veneer of being scientific. They essentially analyze patterns in an existing dataset to identify the characteristics that are related to performance, retention, and other outcomes companies care about. However, these technologies are only as good as the data that are being used to train the algorithm. As a case in point, in 2018, Amazon abandoned work on their AI recruitment tool that had been in development for the past four years. The AI had learned to analyze résumés to decide which ones would be desirable to Amazon recruiters. However, the real data the AI was using to learn from and make predictions came from a highly male dominated workforce. Not surprisingly, the AI had learned that there was a preference for male résumés, and had decided to systematically downgrade résumés from women, assigning résumés revealing a female candidate (such as membership in women's chess club or graduation from an all-female college) lower scores. Amazon was willing to question and rectify what the AI was doing, which eventually meant abandoning the project. What is more troublesome is that these algorithms are not transparent to decision makers, and many end users are not as highly motivated or skilled to be able to look "under the hood" to see which criteria the algorithm is learning to use.<sup>[144]</sup>

AI and machine learning are here to stay and they have the promise to make positive contributions to organizations. For example, they can speed up résumé screening by quickly searching through particular keywords and eliminate some mistakes human decision makers can introduce. It can alert decision makers when a job posting contains male or female biased words.<sup>[145]</sup> Ultimately, how technology affects diversity and inclusion depends on how it is used, and its users need to be knowledgeable about their promise, as well as their limitations.

## Diversity Around the Globe

Demographic diversity is a fact of life in the United States. The situation is somewhat different in other parts of the world. Attitudes toward gender, race, disabilities, or sexual orientation differ around the world, and each country approaches the topic of diversity differently. As a case in point, Japan is a relatively homogeneous society that sees the need to diversify itself. With the increasing age of the population, the country expects to lose 650,000 workers per year. At the same time, the country famously underutilizes female employees. Overt sexism is rampant, and stereotypes about female employees as unable to lead are part of the culture. While there is anti-discrimination legislation and the desire of the Japanese government to deal with this issue, women are seriously underrepresented in management. The country has the second fewest percentage of women in managerial positions (11.5%), following S. Korea (10.7%).<sup>[146]</sup> At the same time, countries are not static, and they change and evolve over time in response to economic factors and current events. For example, Saudi Arabia's Vision 2030 initiative seeks to diversify the economy to make them less reliant on oil. The initiative seeks to increase women's labor force participation from 22 to 30%. The conservative country has been relaxing some barriers to employment such as allowing women to drive for the first time in 2017. These changes are slowly changing the face of workplaces there.<sup>[147]</sup>

Attitudes toward concepts such as affirmative action are also culturally determined. For example, France experiences different employment situations for employees with different backgrounds. According to one study conducted by a University of Paris professor in which fake résumés were sent to a large number of companies, even when all qualifications were the same, candidates with French-sounding names were three times more likely to get a callback compared to those with North African sounding names. However, affirmative action is viewed as unfair in French society, leaving the situation in the hands of corporations. Some companies such as PSA Peugeot Citroën started utilizing human resource management systems in which candidate names are automatically stripped from résumés before HR professionals personally investigate them.<sup>[148]</sup> In summary, due to differences in the legal environment as well as cultural context, "managing diversity effectively" may carry a different meaning across the globe.

### Key Takeaway

Ethical behavior is affected by the demographic and cultural composition of the workforce. Studies indicate that men and women, as well as younger and older employees, differ in the types of behaviors they view as ethical. Different cultures also hold different ethical standards, which become important when managing a diverse workforce or doing business within different cultures. Around the globe, diversity has a different meaning and different overtones. In addition to different legal frameworks protecting employee classes, the types of stereotypes that exist in different cultures and whether and how the society tackles prejudice against different demographic categories vary from region to region.

### What do you think?

1. Do you believe that multinational companies should have an ethics code that they enforce around the world? Why or why not?
2. What are the barriers to global organizations having uniform policies around diversity and inclusion in their offices around the world?
3. In your opinion, what is the connection between the technology industry's lack of diversity and the potential negative implications of technology for workplace diversity?
4. How can organizations manage a workforce with diverse personal ethical values?

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## **2.6 Conclusion**

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In conclusion, in this chapter we reviewed the implications of demographic and cultural diversity for organizational behavior. Management of diversity effectively promises a number of benefits for companies and may offer a competitive advantage. Yet challenges such as natural human tendencies to associate with those similar to us and using stereotypes in decision making often act as barriers to achieving this goal. By creating a work environment where people of all origins and traits feel welcome, organizations will make it possible for all employees to feel engaged with their work and remain productive members of the organization.

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## CHAPTER 2

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### Clarify What's Important to You

THE ESSENCE OF BEING REAL, of acting with authenticity, is in knowing what you care about and then doing your best to be true to these values and aspirations. The exercises you'll do in this chapter will help you articulate these most important aspects of your life's purpose, and so provide the foundation for everything else you'll do in the rest of this book.

You can't help but like Kerry Tanaka right from the start. She works in marketing for a pharmaceutical company, for which she travels a lot, especially to Europe. At twenty-seven, she's single and keeps her five-foot-four-inch frame fit by running in marathons. Kerry is a first-generation American, born in the United States to parents who were both from Japan. "Growing up as a Japanese American in an upper-middle-class, white community—looking different on the outside—forced me to focus on shaping the type of person that I am on the inside," she said. She lives alone in the pastel-colored condo she bought recently in San Francisco.

Her perky enthusiasm for everything she does makes her a real pleasure to be around.

When I asked Kerry, at the beginning of her Total Leadership journey, to describe in the best case what her future would look like, fifteen years hence, she wrote:

Fifteen years from now, I look back with some amazement on the growth of the ten-year-old company I am running, having overseen its expansion from seventeen people at the start to the nearly one thousand employees today. The executive team has fostered a culture of belonging. People feel like part of a family, and all employees know their contributions to the bottom line are essential. They look forward to coming to work each day and are committed not only to the products we are developing and marketing, but also to the people they work with. We are proud of our portfolio of innovative products, which makes a real difference to the physicians who prescribe them and the patients who use them.

People see me as a leader with integrity, humility, and compassion. They know I don't forget my roots. I remember my employees' names and know them as people, not just as workers. I know their families and they know me. Many women think of me as their mentor. I recognize the potential and abilities of the future stars of my company and care about cultivating the next generation of leaders.

I have a family of my own. My kids are in grade school. I have the type of relationship with them that I have had with my mom. I am involved in their lives—going on field trips, supporting them in their extracurricular activities, and being a friend, teacher, disciplinarian, and caregiver. My kids are growing up to be kind, compassionate adults. Helping to make this happen is the most important thing I've done.

Let me take you back from Kerry's imagined future to the present. Kerry typically puts in an eleven-hour day. Her hectic travel schedule doesn't get her to where she would most like to go: to see her parents and brother. They live far away; she misses them. She makes up for the absence of family, in part, with her diverse circle of friends, a few very close ones and many casual ones. Outgoing and social, Kerry loves to join her boyfriend and other friends for dinner, movies, and concerts. Yet, despite all of her activities, something's missing.

When I asked her to say why she wanted to try the Total Leadership program, Kerry answered that "being a single woman, I tend to focus like a laser on work and professional development. Ultimately, this has left me feeling empty. I want to make time for my close friends, so we can just have fun and chat about the things that are important in our lives. People at work are fairly supportive, but I don't think they understand my desire to better sync my home life with my life at work."

You just read excerpts from Kerry's responses to some of the exercises in this chapter, all of which are designed to help you to pay attention to yourself and your world—to see things in a new light. Clarifying what's important lets you identify gaps between what you value, how you're acting in your life, and how you are interacting with the people who matter most to you. This then enables you to imagine meaningful change.

By the end of this chapter, you'll have done some introspection about your life's important events, your heroes, your desired future, and your core values. All told, these exercises should take about three hours. (Some people spend more time and some less; you certainly don't have to do it all in one sitting.) My main advice is to take the time—don't rush it—and be honest with yourself. You'll get the most out of this important foundation building if you write openly and candidly. Keep in mind that the versions you produce in these exercises, for your own private use, need not be the same as the versions you might choose to show others.

## Where Have You Come From?

To deepen your awareness—of who you are and who you want to be—look back and assess what events and people have shaped you, and then write about them. You are addressing big questions here: Who am I? Where do I come from? Doing this will make it easier and more meaningful, in the following exercises, to write about where you’re going and what you care about most. And this, in turn, makes it easier for you to talk about these things in a comfortable and engaging way with the people who matter most.

### WHERE HAVE YOU COME FROM?

For this exercise, find a comfortable place to reflect, and then compose your responses—in a journal, in a blog (perhaps on [www.totalleadership.org](http://www.totalleadership.org)), on an audiotape, or anywhere—to the two questions below. Give yourself ample time to do both, in one sitting or in multiple sittings.

#### Your Story: Critical Events in Your Life

Think back over your personal history and identify the four or five most important events or episodes in your life, the moments that have defined who you are today. Tell the story of these events, in chronological order, and for each one, briefly describe the impact the event had on your values and on your direction in life.

#### Your Hero: Someone You Admire

In a paragraph or so, describe someone you admire. Think of this person as someone you see as heroic in an important way. It might be someone whom you know personally or someone you only know about but have never met. After you describe him or her, write a sentence or two about what makes this person admirable to you.

To convey a story that inspires others, you have to find a way, somehow, to make sense of your personal history and then connect it to the collective—whether that collective means people at work, your family, or friends and community members. Thinking through these connections starts with the events that have influenced the ideals you hold most dear.

Martin Luther King Jr. wove the strands of *his* own life into our collective history and passionately communicated an image of what an entire nation could achieve in his “I have a dream” speech—a call to action in 1963 that moved a generation of Americans to produce lasting change. It’s the best example I know of the power that comes from connecting a personal story with a collective narrative. When, at the start of that speech, he recounted the litany of historical injustices, we knew he had suffered them personally. And when he spoke about the future, it was his vision for *his* family, but also for *our* country: “I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin but by the content of their character.” None of us can be King, of course, but we can all emulate him, in our own way, because we all have the capacity to relate our own story to the larger one of which we’re a part.

I really do mean for you to tell a story. “The story is a basic human cognitive form,” writes Howard Gardner in *Leading Minds*. “The artful creation and articulation of stories constitutes a fundamental part of the leader’s vocation.” Gardner adds, “Narratives that help individuals think about and feel who they are, where they come from, and where they are headed . . . constitute the single most powerful weapon in the leader’s literary arsenal.”<sup>1</sup>

When you tell your leadership story, you articulate your “defining moments,” as leadership scholar Joseph Badaracco calls them. They often involve choices you’ve made in your life in which your values are revealed, shaped, and put to the test. These episodes create clarity about the things that matter to you, about your abiding commitments. Steve

2005 and told a story about when he was fired at thirty years old from the company he'd created in his parents' garage ten years earlier:

It was a very public failure, and I even thought about running away from the Valley. But something slowly began to dawn on me—I still loved what I did. The turn of events at Apple had not changed that one bit. I had been rejected, but I was still in love. And so I decided to start over.

I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.<sup>2</sup>

**16** Jobs told this story to teach a lesson, to illustrate the importance of staying true to yourself, of authenticity, and choosing to pursue work that is meaningful. His story speaks volumes about persisting in the face of rejection to find the freedom to be the leader you want to be.

I'm convinced that the only thing that kept me going was that I loved what I did. You've got to find what you love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle.

### *Roxanne's Story*

When you meet Roxanne Pappas-Grant in a work situation, you are struck by her focus and the degree to which she is in control, and takes

control, of any situation. In her early forties, she has well-coiffed hair, perfect teeth, and subtle makeup that enhance the natural beauty of her soft eyes and nose. She's every inch the consummate business manager of the twenty-first century: strongly driven to succeed, Roxanne is an engineer heading up sales development for a division of a multinational chemical company. "I have always been incredibly focused on my career," she said about herself, "and on accomplishment through career progression."

Roxanne, though, has another side. She's also a wife and mother who, when I first met her, had been growing less and less satisfied with her life as she felt increasingly disconnected from her family, especially her children. Work is really important to Roxanne, but it's not everything: "I have learned through hardship that my career accomplishments do not define who I am, and I've discovered that I have a lot to offer in ways that are not always rewarded in the work world." When asked about her goals for Total Leadership, she said, "I believe that I should have a clearer vision of what I want to accomplish in my life, not only in my work life, and uncover what constitutes success in this arena. It is this journey to uncover what is most important to me—I am not sure I yet know—that has led me here."

Early in her Total Leadership experience, Roxanne came to see that the person she is at work—the values and interests she pursues in that area of her life—is not the person she wants to be outside of work. This disappointed her, and she looked to find ways to be her true self at work to build her relationship with her children, which would also enhance her sense of self and, she hoped, make her more effective in her career.

To begin the process of redefining her work persona, Roxanne wrote about the critical events in her life:

My father has had a strong impact on my life. He has very high standards for performance, believes there is no substitute for hard work, and believes one should always look inward to discover how

to improve. My birth was his last chance for a son—there was even a boy's name picked out for me. Instead of being disappointed, he decided I would be “the son he never had” by transferring a lot of his own hopes and dreams to me. He came to the United States as an immigrant from Greece and trained as an electrician’s apprentice. He guided me to become an electrical engineer, to learn how to think and to have more opportunity than he had.

In school, I wasn’t one of the popular kids, and I studied more than socialized. I found it liberating not to be part of the “cool crowd.” I could take actions that I thought were more principled; I didn’t have to concern myself with what my friends would think or do. This led me to value being respected over being liked—a value I’ve found important as a leader. I must admit, though, that it’s nice to be liked.

In college, I did become a “popular kid.” While I still valued being respected over being liked, I discovered that I had a knack for motivating people. In my senior year, I was president of four campus organizations and very active in four others. I found that I had a genuine desire to work with people, and although I was strongly pursued by the engineering school for the doctoral program in electrical engineering, I opted for a role in managing people and teams.

Writing about critical events in her life helped Roxanne see more clearly how she came to be who she is and what matters to her. For one thing, it reinforced her sense of being on the right track in her career. And it helped her to understand why she tends to focus on work in a way that detracts from achieving other important goals in her life.

Everyone has a story to tell, and each one is different. Everyone’s leadership journey is, and must be, a unique one. Further, the more you’re able to draw on the actual story of your life, and tell it, when you’re trying to convey what’s important to you and where you’re headed, the more the people around you will know, understand, and relate well to you.

I urge you to practice so that you can become a good storyteller. Learn to tell inspiring stories about who you are and where you are going. As Noel Tichy explains in his classic, *The Leadership Engine*, “The most effective leaders are those who are in touch with their leadership stories . . . When we know our stories, we know ourselves.” Your stories, though, are not just for you. They are important because, as Tichy writes, “they allow other people to know us. Stories create real, human connections by allowing others to get inside our minds and our lives.”<sup>3</sup>

### *Heroes of Kerry and André*

It’s also useful to explore the people you have admired and their stories. Describing a hero of yours and explaining what you admire about him or her helps you visualize a real person who embodies qualities you’d like to emulate. It’s another window on the leader you want to become. Kerry chose as her hero her younger brother, Dan.

At the age of twenty-four, Dan enlisted in the U.S. Army. Throughout his tour of duty, he has shown incredible resolve and discipline. Since enlisting, he has been completely focused on two things: finishing up his college degree and becoming a Green Beret. He is well on the way to accomplishing both goals. After researching the details of the strenuous Green Beret/Special Forces qualifying course, he trained for several months to prepare himself both physically and mentally. Dan was selected and begins his Green Beret/Combat Medic training in three weeks. I have no doubt that he will successfully complete the rigorous two-year training program. Dan is my hero because he has relentlessly pursued his objectives. But more importantly, I have a great deal of respect for how he has pursued them. He has demonstrated character and passion throughout.

Kerry’s choice reflects not only the importance of her brother to her, but the value of perseverance, pursuing goals that matter, and doing so

in a way that generates respect. Describing her brother as her hero led her to see more clearly that these are important values for her own life.

André Washington chose his mother as his hero.

She was born in the segregated South, and is the third of ten children. Her mother died from a respiratory illness resulting from poor working conditions, and at the age of sixteen my mother moved to Chicago, where she was then raised by her aunt. After marrying my father and moving west—and after suffering several years of spousal abuse—she divorced him and found herself alone raising two children. Over the next several years, working for wages below the poverty line, she successfully sent her two children to college and, following their graduation, earned her own BA in social work. All personal, professional, and spiritual growth I have achieved over my lifetime I owe to the selfless dedication and determination of my mother. Her life continues to inspire my every motivation to achieve.

36

André sees his mother as a model for how to persevere in the face of adversity. Reflecting on people you admire taps into strong emotions, because people we admire usually demonstrate a dramatic triumph of resolve over harsh realities. Everyone can relate to this kind of struggle and, in itself, it's useful as a reminder that the achievements of most leaders—people who aim to change things, to make things better—are hard won.

Telling the story of people who matter to you, and why they matter, is also a powerful means for conveying your values to others. It's a way of revealing things about yourself in an authentic way—in a way to which others can easily relate. You'll see just how useful this is as we move along in the Total Leadership process, when you talk with the people closest to you about what's most important to you.

## Your Leadership Vision

The next step in clarifying what's important is to write what I'll refer to as your *leadership vision*—a *compelling image of an achievable future*. It is an essential means for focusing your attention on what matters most to you—what you want to accomplish in your life and what kind of leader you wish to become. A useful leadership vision must be rooted in your past and address the future while dealing with today's realities. It represents who you are and what you stand for, and it inspires you, and the people whose commitment you need, to act to make constructive change toward a future you all want to see.

It's important that this story of the future you're inventing is indeed a compelling image of an achievable future. Let's examine each of the four key words.

- A *compelling* story of the future is engaging; it captures the heart, forces you to pay attention. Those who hear it want to be a part of it somehow. And they are moved. Think of King's stirring language and the ideas—freedom and justice—that appeal to our highest aspirations.
- And if others could travel into the future with you, what would they find? What does your future look like—what's the *image*? A well-crafted leadership vision is described in concrete terms that are easy to visualize and remember. Think of King again: "One day right there in Alabama little black boys and black girls will be able to join hands with little white boys and white girls as sisters and brothers." Everyone can picture that and know what it means.
- Your vision, the story of your future, should be a stretch, but it must be *achievable*, too. If it were not achievable, you would have little motivation to even bother trying. Again, King: "With

this faith, we will be able to work together, to pray together, to struggle together, to go to jail together, to stand up for freedom together, knowing that we will be free one day." It's not a pie in the sky. It is possible.

- Finally, *future* simply means out there—some time from this moment forward, but not so far away that's it's out of reach. In his sensational conclusion, King calls for sounding the chimes of freedom *now* so that a new, changed world arrives, faster: "When we let it ring from every village and every hamlet, from every state and every city, we will be able to speed up that day."

4

While you may want to write the story of your future in the form of a detailed plan that charts specific milestones for the road ahead, don't get so hung up on particular targets that if you fail to hit them, you'll be disappointed. This isn't meant to be an exercise in project management but, rather, an opportunity for you to dream, with your head in the clouds and your feet on the ground. So, while you should say a few things about how you've gotten to where you are fifteen years hence—the journey, that is—write as much in this story about the destination, what your everyday life actually looks like once you're there.

Also, understand that inspiration is a function of great aspirations. What contributions to our world do you dream of making? Try to focus part of what you compose on how you will, in the future, be making the world a better place in some way, for other people. You might think of this as your legacy. If, in other words, fifteen years more is all you have, what you will leave behind after you're gone? What will your life have meant to others?

Like all the exercises here in this first part of the book, describing your leadership vision in writing raises your awareness of what is important to you. It will likely give you new ideas for what you might do to better align your actions with your values. It should provide inspiration

## YOUR LEADERSHIP VISION

In this exercise, describe the kind of leader you want to become by writing a short story of your life between now and fifteen years in the future.

Take your time to think about it and start writing as soon as you're ready. Write vividly. Make it come alive and don't hold back. The more of yourself you can pour into this, the more valuable it will be to you as you progress through this book.

What if you don't even know where you want to go with your life or what you want it to look like? Give it your best shot. Open your mind to your imagination, and try not to be constrained by what you think others want and need from you. (In the next part of the book, we'll deal with the expectations of others.) Take the leap.

Ideally, your finished draft will be about one page. It will be a compelling image of an achievable future. It will also describe the journey, how you got there, and the destination, what a typical day looks like. Finally, it will show how you're making the world better in some way.

for the choices you're making now—and in the long run—about how to spend your precious time.

It's natural to have some trepidation about writing the story of your future. (In fact, it's natural to have some anxiety about many of the exercises in the Total Leadership process.) There are risks involved when you articulate your leadership vision: what if it doesn't come true? Another possibly inhibiting thought is what others might make of it. How much of what's inside—your goals and aspirations—can you trust other people to respect? Don't worry about that for now. I'll get to the subject

of how to communicate your vision to others after you've written your first draft. Remember that throughout this whole process, you control your information, and you need not reveal anything to anyone if you don't want to.

Some people find it difficult to write a story about the future because they do not want to make the choices it requires. A leader chooses goals, after all, a purpose that establishes something to aim for and move toward, even if it's only to help focus on what matters most right now. The aim of doing this exercise here, at the start, is to build your foundation: a story of your future is a point of departure and, as you'll see later, a point of return.

This leadership vision is not fixed or immutable. You will adjust it as you change and as things change around you. New information, new opportunities, new obstacles will compel you to revise it. And when you put the story of your future out there for others to comment on it, you might hear some things you don't want to hear. People might say you can't do it or that it's foolish. But if you don't let others know about it, then the likelihood of achieving it is reduced.

The more genuine your story of your future and the more people that know it, the more others will want, and know how, to contribute to making it come true, even if they may not value it now. A real leadership challenge is to show how *your* vision is the one that *others* also want, need, and will find real value in. Indeed, what is the essence of leadership if not in finding creative ways of describing a vision that others see as what they are trying to achieve?

### *Victor's Leadership Vision*

Victor Gardner wrote the story of his future when he was in his midthirties. A classic Englishman, Victor is reserved and inscrutable, with a wry sense of humor. His wire-rimmed glasses and sharply parted blond hair give him an air of thoughtful authority, befitting his role as direc-

tor of an information technology unit in a major investment bank in New York, where he resides with his wife and two children—a six-year-old boy and three-year-old daughter.

Victor's job involves important responsibilities: he comanages a group that is building a new trading software system, he coordinates the interactions of this group with users at the executive level, and he is responsible for driving this team of twenty high-performing engineers while nurturing their careers. Yet he doesn't always feel stretched. He yearns to do something that allows him to "be able to build new things—computer systems, houses, companies, anything." Further, he wants to feel that his work is "making a meaningful difference to something or someone." He wants to "spark the passion" he once felt.

Some of Victor's leadership vision appears below. This was his first draft, less important as a model of what a "good" leadership vision *should* be, than an illustration of what it *might* be.

Fifteen years ago, I turned the corner in my working life. I climbed out of my "going through the motions" rut and rediscovered what I liked about working in technology. I also managed to crack the code of how to inspire people by making them feel good about themselves and the work they were doing. I actually learned this by working with my kids, teaching them to read and to play their first musical instruments.

The team was very successful, and its software went on to become my company's dominant desktop platform . . . [Its success] gave me freedom to focus on working in a more entrepreneurial way within the bank, building and delivering systems for many of our new business ventures . . .

I continued to work at the bank for the next five years, but I was able to embark on a couple of side ventures with colleagues

and friends. In one I was able to leverage my interest in real estate to put together a syndicate that purchased an old warehouse building, renovated it, and turned it into upscale residential apartments. Each member of my family was involved in these ventures, and this was one of the ways in which I managed to teach the kids that they could do pretty much anything that they choose to, if they set their mind to it.

I finally moved from the large corporate world to a smaller entrepreneurial situation. I had been tinkering with some artificial intelligence applications and had built a prototype of software I believed had real market value. I set up shop with a small group of people who had complementary skills, and we built a company that revolutionized how new technology is constructed.

A couple of years ago, I felt that it was time to step aside from day-to-day operations. I love gardening and began overseeing restoration projects in my local park. I also started fund-raising efforts for local botanical gardens.

96 Victor's leadership vision says a lot about what mattered to him at the time he wrote it. And it shows that he was beginning to see new ways of applying resources gained from his experiences in one life domain (teaching his children) to get things done in another (inspiring his employees). Writing the story of his future transformation—from working in a senior managerial position at a large bank to being his own boss, working with friends in non-bank-like settings—helped propel him faster in that direction. In reflecting about it afterward, he began to see that the task of integrating the domains of his life is an ongoing challenge and that he need not wait until he's retired to do the things he enjoys in life. And he came to see new meaning in, and opportunities for, contributions to community and society. Most importantly, writing his vision, and

then talking about it, encouraged Victor to make constructive changes in the present.

When it comes to communicating your leadership vision, you've got to have some passion. And when you paint an image of the future for others to see, you want your excitement to be contagious. It takes practice to do this in a way that is natural for you. And you will get better at it, if you try, even if you're not a gifted speaker.

The source of passion about the future you're creating is in your past. The trick is to tap into feelings about the past, which people spontaneously do when they talk about the most meaningful incidents in their lives. When you tell the story of your future, to yourself and to others, it's useful to include a story from your real past. Doing so makes the story of your future authentic, grounded as it is in the truth of your own real experience.

The answer to a common question, "What if I don't feel passionate about my career?" is to think back on our lives and focus on what has been most meaningful—and, preferably, enjoyable—so far. This leads to fruitful ideas about how to create a future in which talents and passions find outlets.

As a leader in all areas of life, you've got to look back in order to move forward.

### Your Core Values

Just as every organization has its own unique set of values, so does every person. Your values—what you hold most dear and are willing to strive or even fight for—determine your actions as a leader and how you view the world around you. In order to act in a way that is consistent with your values—to be authentic, that is—you have to be conscious of what those values are. You'll describe yours in this next exercise, which can be done quickly but merits enough time to be done completely.

## YOUR CORE VALUES

On one page, list the values (between five and nine is ideal) that are most important to you. For each one, explain why it's important to you in one or two sentences. To spur your thinking, here is a list of values excerpted from Robert Lee and Sara King's *Discovering the Leader in You*.<sup>6</sup> Of course, you may choose terms that don't appear on this list.

Achievement: a sense of accomplishment or mastery

Advancement: growth, seniority, and promotion resulting from work well done

Adventure: new and challenging opportunities, excitement, risk

Aesthetics: appreciation of beauty in things, ideas, surroundings

Affiliation: interaction with other people, recognition as a member of a group, belonging

Affluence: high income, financial success, prosperity

Authority: position and power to control events and other people's activities

Autonomy: ability to act independently with few constraints, self-reliance

Challenge: continually facing complex and demanding tasks and problems

Change and variation: absence of routine, unpredictability

Collaboration: close, cooperative working relationships with groups

Community: serving and supporting a purpose that supersedes personal desires

Competency: demonstrating high proficiency and knowledge

Competition: rivalry with winning as the goal

Courage: willingness to stand up for beliefs

Creativity: discovering, developing, or designing new ideas or things; demonstrating imagination

Diverse perspectives: unusual ideas and opinions that may not seem right or be popular at first

Duty: respect for authority, rules, and regulations

Economic security: steady and secure employment, adequate reward, low risk

Enjoyment: fun, joy, and laughter

Family: spending time with partner, children, parents, extended family

Friendship: close personal relationships with others

Health: physical and mental well-being, vitality

Helping others: helping people attain their goals, providing care and support

Humor: the ability to laugh at myself and at life

Influence: having an impact on attitudes or opinions of others

Inner harmony: happiness, contentment, being at peace with yourself

Justice: fairness, doing the right thing

Knowledge: the pursuit of understanding, skill, and expertise; continual learning

Location: choice of a place to live that is conducive to a desired lifestyle

- Love: involvement in close, affectionate relationships; intimacy
- Loyalty: faithfulness; dedication to individuals, traditions, or organizations
- Order: stability, routine, predictability, clear lines of authority, standardization
- Personal development: dedication to maximizing potential
- Physical fitness: staying in shape through physical activity and healthy nutrition
- Recognition: positive feedback and public credit for work well done; respect and admiration
- Responsibility: dependability, accountability for results
- Self-respect: pride, self-esteem, sense of knowing oneself
- Spirituality: strong spiritual or religious beliefs, moral fulfillment
- Status: being respected for a job or an association with a prestigious group or organization
- Trustworthiness: being known as reliable and sincere
- Wisdom: sound judgment based on knowledge, experience, and understanding

a. Adapted from Robert J. Lee and Sara N. King, *Discovering the Leader in You* (San Francisco: Jossey-Bass, 2001), 60–61. Reprinted with permission of John Wiley & Sons, Inc.

86

Most people don't change their values during the course of the Total Leadership program. Core values spring, indeed, from your *core*—they are usually long-standing and resistant to change. Like all the work you've done so far in this chapter, what you just wrote is a unique list, particular to your constitution, background, and experience.

I'm sure it's different from Victor's. Here's the list of his most important values, with his reason for each entry.

**Authenticity**—I must believe in what I am doing. Without that, people can see the lack of passion, and leadership becomes ineffective.

**Honesty and trust**—With honesty comes trust, and without trust, the only effective leadership style is coercion. Conversely, I think it's also important to trust others: to get their job done, to do the right thing.

**Inspiration**—The most effective leaders can make people feel that they want to show up every day and give it their best shot. They make people feel good about who they are and the work that they are doing. They inspire the best out of people.

**Respect and being respected**—It is important to respect others, from all walks of life. Everyone has something worthy of respect; it's important to find that.

**Courage**—Too many leaders avoid the hard questions, avoid the groundbreaking moves. Courage and the willingness to be wrong is a must-have.

**Family**—Work is work, but your family is your life. When all is said and done, my wife and kids are the most important things to me. Apparently, this is not a credo I live by every minute of every day, but when the chips are down, they are the most important.

Your distinctive values are an important part of what will make your own particular brand of leader. At this point it's useful to think about how your everyday life squares with what you said was important to you here, and what you might try to do that would result in a better fit than currently exists.

## Pause and Reflect

Having completed the exercises so far, you have taken important steps in building your leadership capacity, improving your performance, and integrating the different parts of your life. You've spent time clarifying your motivations for reading this book, depicting important events in your life and their meaning to you, characterizing someone you've admired and what you've learned from him or her, inventing a story of your desired future, and identifying your core values.

You've become familiar with terms that might be new for you and that I'll be using the rest of the way—like leadership vision—and you may have started to think about things you can do now to make changes that will strengthen your sense of yourself as a leader who acts with authenticity, integrity, and creativity. Jot down any such ideas as they're percolating. Some people find it useful to keep a file, "Ideas for Action," that will become especially useful when you're designing your experiments.

66 You've met others who, each starting from a different place, have taken a journey of their own. (You'll meet the rest of the group in coming chapters.) You might think of these fellow travelers as making up a virtual learning community. They are people from whom you can learn by comparing your thoughts and reactions with theirs.

And if you're working on Total Leadership with people you know—with a coaching trio or with another person—now is a good time to speak with them about what you've been thinking and writing. Ideally, you'll have two conversations. First, find a mutually convenient time, about an hour, to review the material you've produced in this chapter with your coach. Then find another time to serve as a coach for someone else who's just completed the exercises so far. Appendix A is a guide for how to get the most out of your Total Leadership experience through serving as both a coach and a client.

## PAUSE AND REFLECT ON WHAT'S IMPORTANT

Whether you pause and reflect on your own or supplement your thinking with coaching conversations, in person or online at [www.totaleadership.org](http://www.totaleadership.org), here are things to keep in mind as you synthesize what you've done in chapter 2 before moving on to chapter 3.

Read through your responses to the previous exercises in this chapter. Consider the following questions. Write about them and then, if possible, talk about them with your coach.

1. What are the main ideas you take away from what you've just read?
2. Tell the story of your critical events and your leadership vision to someone. What do you learn from how they react?
3. What are the main connections between your past and your vision for the future?
4. What changes might you make to live more closely in accord with what really matters to you?

# Harvard Business Review



APRIL 2011  
REPRINT R1104C

FAILURE: UNDERSTAND IT

## Ethical Breakdowns

**Good people often let bad things happen. Why?**

by Max H. Bazerman and Ann E. Tenbrunsel

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## Failure Understand It

Good people often let bad things happen. Why? *by Max H. Bazerman and Ann E. Tenbrunsel*

# Ethical Breakdowns

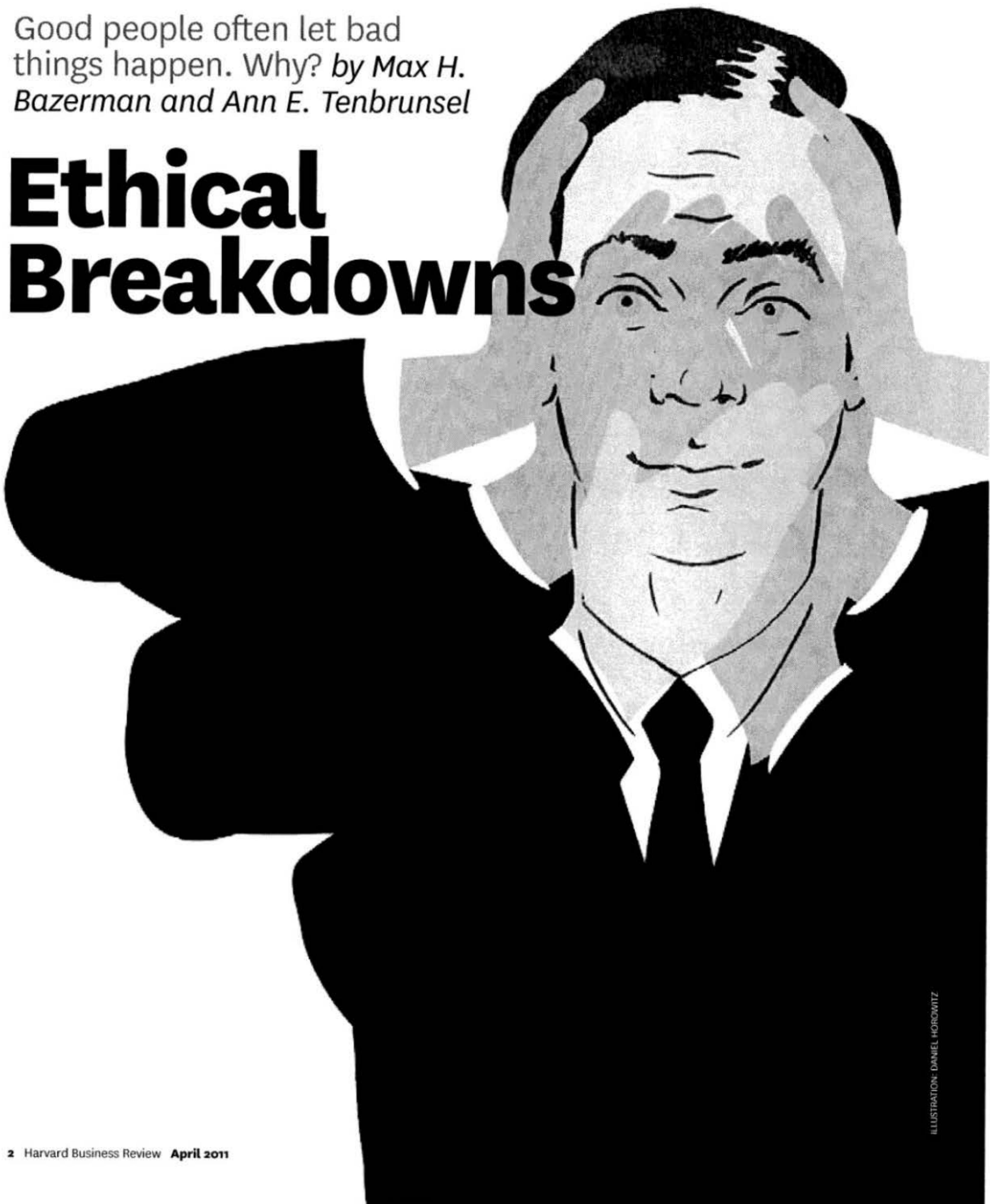


ILLUSTRATION: DANIEL HOROWITZ



**THE VAST MAJORITY** of managers mean to run ethical organizations, yet corporate corruption is widespread. Part of the problem, of course, is that some leaders are out-and-out crooks, and they direct the malfeasance from the top. But that is rare. Much more often, we believe, employees bend or break ethics rules because those in charge are blind to unethical behavior and may even unknowingly encourage it.

Consider an infamous case that, when it broke, had all the earmarks of conscious top-down corruption. The Ford Pinto, a compact car produced during the 1970s, became notorious for its tendency in rear-end collisions to leak fuel and explode into flames. More than two dozen people were killed or injured in Pinto fires before the company issued a recall to correct the problem. Scrutiny of the decision process behind the model's launch revealed that under intense competition from Volkswagen and other small-car manufacturers, Ford had rushed the Pinto into production. Engineers had discovered the potential danger of ruptured fuel tanks in preproduction crash tests, but the assembly line was ready to go, and the company's leaders decided to proceed. Many saw the decision as evidence of the callousness, greed, and mendacity of Ford's leaders—in short, their deep unethicality.

But looking at their decision through a modern lens—one that takes into account a growing understanding of how cognitive biases distort ethical decision making—we come to a different conclusion. We suspect that few if any of the executives involved in the Pinto decision believed that they were making an unethical choice. Why? Apparently because they thought of it as purely a business decision rather than an ethical one.

Taking an approach heralded as rational in most business school curricula, they conducted a formal cost-benefit analysis—putting dollar amounts on a redesign, potential lawsuits, and even lives—and determined that it would be cheaper to pay off lawsuits than to make the repair. That methodical process colored how they viewed and made their choice. The moral dimension was not part of the equation. Such “ethical fading,” a phenomenon first described by Ann Tenbrunsel and her colleague David Messick, takes ethics out of consideration and even increases unconscious unethical behavior.

What about Lee Iacocca, then a Ford executive VP who was closely involved in the Pinto launch? When the potentially dangerous design flaw was first discovered, did anyone tell him? “Hell no,” said one high company official who worked on the Pinto, according to a 1977 article in *Mother Jones*. “That person would have been fired. Safety wasn’t a popular subject around Ford in those days. With Lee it was taboo.

## FOCUS ON FAILURE



**My life has been nothing but a failure, and all that's left for me to do is to destroy my paintings before I disappear."**



**CLAUDE MONET**

PAINTER

Whenever a problem was raised that meant a delay on the Pinto, Lee would chomp on his cigar, look out the window and say ‘Read the product objectives and get back to work.’”

We don’t believe that either Iacocca or the executives in charge of the Pinto were consciously unethical or that they intentionally sanctioned unethical behavior by people further down the chain of command. The decades since the Pinto case have allowed us to dissect Ford’s decision-making process and apply the latest behavioral ethics theory to it. We believe that the patterns evident there continue to recur in organizations. A host of psychological and organizational factors diverted the Ford executives’ attention from the ethical dimensions of the problem, and executives today are swayed by similar

rather than profits. The lesson is clear: When employees behave in undesirable ways, it’s a good idea to look at what you’re encouraging them to do. Consider what happened at Sears, Roebuck in the 1990s, when management gave automotive mechanics a sales goal of \$147 an hour—presumably to increase the speed of repairs. Rather than work faster, however, employees met the goal by overcharging for their services and “repairing” things that weren’t broken.

Sears is certainly not unique. The pressure at accounting, consulting, and law firms to maximize billable hours creates similarly perverse incentives. Employees engage in unnecessary and expensive projects and creative bookkeeping to reach their goals. Many law firms, increasingly aware that goals are driving some unethical billing practices, have made billing more transparent to encourage honest reporting. Of course, this requires a detailed allotment of time spent, so some firms have assigned codes to hundreds of specific activities. What is the effect? Deciding where in a multitude of categories an activity falls and assigning a precise number of minutes to it involves some guesswork—which becomes a component of the billable hour. Research shows that as the uncertainty involved in completing a task increases, the guesswork becomes more unconsciously self-serving. Even without an intention to pad hours, overbilling is the outcome. A system designed to promote ethical behavior backfires.

**It’s a good idea to look at what you’re encouraging employees to do. A sales goal of \$147 an hour led auto mechanics to “repair” things that weren’t broken.**

forces. However, few grasp how their own cognitive biases and the incentive systems they create can conspire to negatively skew behavior and obscure it from view. Only by understanding these influences can leaders create the ethical organizations they aspire to run.

### Ill-Conceived Goals

In our teaching we often deal with sales executives. By far the most common problem they report is that their sales forces maximize sales rather than profits. We ask them what incentives they give their salespeople, and they confess to actually rewarding sales

Let’s look at another case in which a well-intentioned goal led to unethical behavior, this time helping to drive the recent financial crisis. At the heart of the problem was President Bill Clinton’s desire to increase homeownership. In 2008 the *BusinessWeek* editor Peter Coy wrote:

Add President Clinton to the long list of people who deserve a share of the blame for the housing bubble and bust. A recently re-exposed document shows that his administration went to ridiculous lengths to increase the national homeownership rate. It promoted paper-thin down payments and pushed for ways to get lenders to give mortgage

**Idea in Brief**

Companies have poured time and money into ethics training and compliance programs, but unethical behavior in business is nevertheless widespread. That's because cognitive biases and organizational systems blind managers to unethical behavior, whether their own or that of others.

- All these serve to derail even the best-intentioned managers:**
- Goals that reward unethical behavior
  - Conflicts of interest that motivate people to ignore bad behavior when they have something to lose by recognizing it
  - A tendency to overlook dirty work that's been outsourced to others
  - An inability to notice when behavior deteriorates gradually
  - A tendency to overlook unethical decisions when the outcome is good

Surveillance and sanctioning systems won't work by themselves to improve the ethics of your organization. You must be aware of these biases and incentives and carefully consider the ethical implications of every decision.

loans to first-time buyers with shaky financing and incomes. It's clear now that the erosion of lending standards pushed prices up by increasing demand, and later led to waves of defaults by people who never should have bought a home in the first place.

The Sears executives seeking to boost repair rates, the partners devising billing policies at law firms, and the Clinton administration officials intending to increase homeownership never meant to inspire unethical behavior. But by failing to consider the effects of the goals and reward systems they created, they did.

Part of the managerial challenge is that employees and organizations require goals in order to excel. Indeed, among the best-replicated results in research on managerial behavior is that providing specific, moderately difficult goals is more effective than vague exhortations to "do your best." But research also shows that rewarding employees for achieving narrow goals such as exact production quantities may encourage them to neglect other areas, take undesirable "ends justify the means" risks, or—most important from our perspective—engage in more unethical behavior than they would otherwise.

Leaders setting goals should take the perspective of those whose behavior they are trying to influence and think through their potential responses. This will help head off unintended consequences and prevent employees from overlooking alternative goals, such as honest reporting, that are just as important to reward if not more so. When leaders fail to meet this responsibility, they can be viewed as not only promoting unethical behavior but blindly engaging in it themselves.

**Motivated Blindness**

It's well documented that people see what they want to see and easily miss contradictory information when it's in their interest to remain ignorant—a psy-

chological phenomenon known as motivated blindness. This bias applies dramatically with respect to unethical behavior. At Ford the senior-most executives involved in the decision to rush the flawed Pinto into production not only seemed unable to clearly see the ethical dimensions of their own decision but failed to recognize the unethical behavior of the subordinates who implemented it.

Let's return to the 2008 financial collapse, in which motivated blindness contributed to some bad decision making. The "independent" credit rating agencies that famously gave AAA ratings to collateralized mortgage securities of demonstrably low quality helped build a house of cards that ultimately came crashing down, driving a wave of foreclosures that pushed thousands of people out of their homes. Why did the agencies vouch for those risky securities?

Part of the answer lies in powerful conflicts of interest that helped blind them to their own unethical behavior and that of the companies they rated. The agencies' purpose is to provide stakeholders with an objective determination of the creditworthiness of financial institutions and the debt instruments they sell. The largest agencies, Standard & Poor's, Moody's, and Fitch, were—and still are—paid by the companies they rate. These agencies made their profits by staying in the good graces of rated companies, not by providing the most accurate assessments of them, and the agency that was perceived to have the laxest rating standards had the best shot at winning new clients. Furthermore, the agencies provide consulting services to the same firms whose securities they rate.

Research reveals that motivated blindness can be just as pernicious in other domains. It suggests, for instance, that a hiring manager is less likely to notice ethical infractions by a new employee than are people who have no need to justify the hire—

particularly when the infractions help the employee's performance. (We've personally heard many executives describe this phenomenon.) The manager may either not see the behavior at all or quickly explain away any hint of a problem.

Consider the world of sports. In 2007 Barry Bonds, an outfielder for the San Francisco Giants, surpassed Hank Aaron to become the all-time leader in career home runs—perhaps the most coveted status in Major League Baseball. (Bonds racked up 762 versus Aaron's 755.) Although it was well known that the use of performance-enhancing drugs was common in baseball, the Giants' management, the players' union, and other interested MLB groups failed to fully investigate the rapid changes in Bonds's physical appearance, enhanced strength, and dramatically increased power at the plate. Today Bonds stands accused of illegally using steroids and lying to a grand jury about it; his perjury trial is set for this spring. If steroid use did help bring the home runs that swelled ballpark attendance and profits, those with a stake in Bonds's performance had a powerful motivation to look the other way: They all stood to benefit financially.

## Managers routinely delegate unethical behaviors to others, and not always consciously.

It does little good to simply note that conflicts of interest exist in an organization. A decade of research shows that awareness of them doesn't necessarily reduce their untoward impact on decision making. Nor will integrity alone prevent them from spurring unethical behavior, because honest people can suffer from motivated blindness. Executives should be mindful that conflicts of interest are often not readily visible and should work to remove them from the organization entirely, looking particularly at existing incentive systems.

### Indirect Blindness

In August 2005 Merck sold off two cancer drugs, Mustargen and Cosmegen, to Ovation, a smaller pharmaceutical firm. The drugs were used by fewer than 5,000 patients and generated annual sales of only about \$1 million, so there appeared to be a clear logic to divesting them. But after selling the rights to manufacture and market the drugs to Ovation, Merck

continued to make Mustargen and Cosmegen on a contract basis. If small-market drugs weren't worth the effort, why did Merck keep producing them?

Soon after the deal was completed, Ovation raised Mustargen's wholesale price by about 1,000% and Cosmogen's even more. (In fact, Ovation had a history of buying and raising the prices on small-market drugs from large firms that would have had public-relations problems with conspicuous price increases.) Why didn't Merck retain ownership and raise the prices itself? We don't know for sure, but we assume that the company preferred a headline like "Merck Sells Two Products to Ovation" to one like "Merck Increases Cancer Drug Prices by 1,000%."

We are not concerned here with whether pharmaceutical companies are entitled to gigantic profit margins. Rather, we want to know why managers and consumers tend not to hold people and organizations accountable for unethical behavior carried out through third parties, even when the intent is clear. Assuming that Merck knew a tenfold price increase on a cancer drug would attract negative publicity, we believe most people would agree that using an intermediary to hide the increase was unethical. At the same time, we believe that the strategy worked because people have a cognitive bias that blinds them to the unethicallity of outsourcing dirty work.

Consider an experiment devised by Max Bazerman and his colleagues that shows how such indirectness colors our perception of unethical behavior. The study participants read a story, inspired by the Merck case, that began this way: "A major pharmaceutical company, X, had a cancer drug that was minimally profitable. The fixed costs were high and the market was limited. But the patients who used the drug really needed it. The pharmaceutical was making the drug for \$2.50/pill (all costs included), and was only selling it for \$3/pill."

Then a subgroup of study participants was asked to assess the ethicality of "A: The major pharmaceutical firm raised the price of the drug from \$3/pill to \$9/pill," and another subgroup was asked to assess the ethicality of "B: The major pharmaceutical X sold the rights to a smaller pharmaceutical. In order to recoup costs, company Y increased the price of the drug to \$15/pill."

Participants who read version A, in which company X itself raised the price, judged the company more harshly than did those who read version B, even though the patients in that version ended up paying more. We asked a third subgroup to read both versions and judge which scenario was more

# Five Barriers to an Ethical Organization

Even the best-intentioned executives are often unaware of their own or their employees' unethical behavior. Here are some of the reasons—and what to do about them.

DESCRIPTION	ILL-CONCEIVED GOALS	MOTIVATED BLINDNESS	INDIRECT BLINDNESS	THE SLIPPERY SLOPE	OVERVALUING OUTCOMES
EXAMPLE	We set goals and incentives to promote a desired behavior, but they encourage a negative one.	We overlook the unethical behavior of others when it's in our interest to remain ignorant.	We hold others less accountable for unethical behavior when it's carried out through third parties.	We are less able to see others' unethical behavior when it develops gradually.	We give a pass to unethical behavior if the outcome is good.
REMEDIES	The pressure to maximize billable hours in accounting, consulting, and law firms leads to unconscious padding.	Baseball officials failed to notice they'd created conditions that encouraged steroid use.	A drug company deflects attention from a price increase by selling rights to another company, which imposes the increase.	Auditors may be more likely to accept a client firm's questionable financial statements if infractions have accrued over time.	A researcher whose fraudulent clinical trial saves lives is considered more ethical than one whose fraudulent trial leads to deaths.

unethical. Those people saw company X's behavior as less ethical in version B than in version A. Further experiments using different stories from inside and outside business revealed the same general pattern: Participants judging on the basis of just one scenario rated actors more harshly when they carried out an ethically questionable action themselves (directly) than when they used an intermediary (indirectly). But participants who compared a direct and an indirect action based their assessment on the outcome.

These experiments suggest that we are instinctively more lenient in our judgment of a person or an organization when an unethical action has been delegated to a third party—particularly when we have incomplete information about the effects of the outsourcing. But the results also reveal that when we're presented with complete information and reflect on it, we can overcome such "indirect blindness" and see unethical actions—and actors—for what they are.

Managers routinely delegate unethical behaviors to others, and not always consciously. They may tell subordinates, or agents such as lawyers and accountants, to "do whatever it takes" to achieve some goal, all but inviting questionable tactics. For example, many organizations outsource production to countries with lower costs, often by hiring another company to do the manufacturing. But the offshore

manufacturer frequently has lower labor, environmental, and safety standards.

When an executive hands off work to anyone else, it is that executive's responsibility to take ownership of the assignment's ethical implications and be alert to the indirect blindness that can obscure unethical behavior. Executives should ask, "When other people or organizations do work for me, am I creating an environment that increases the likelihood of unethical actions?"

## The Slippery Slope

You've probably heard that if you place a frog in a pot of boiling water, the frog will jump out. But if you put it in a pot of warm water and raise the temperature gradually, the frog will not react to the slow change and will cook to death. Neither scenario is correct, but they make a fine analogy for our failure to notice the gradual erosion of others' ethical standards. If we find minor infractions acceptable, research suggests, we are likely to accept increasingly major infractions as long as each violation is only incrementally more serious than the preceding one.

Bazerman and the Harvard Business School professor Francesca Gino explored this in an experiment in which the participants—"auditors"—were asked to decide whether to approve guesses provided by "estimators" of the amount of money in jars. The



Rewarding unethical decisions because they have good outcomes is a recipe for disaster over the long term.

auditors could earn a percentage of a jar's contents each time they approved an estimator's guess—and thus had an incentive to approve high estimates—but if they were caught approving an exaggerated estimate, they'd be fined \$5. Over the course of 16 rounds, the estimates rose to suspiciously high levels either incrementally or abruptly; all of them finished at the same high level. The researchers found that auditors were twice as likely to approve the high final estimates if they'd been arrived at through small incremental increases. The slippery-slope change blinded them to the estimators' dishonesty.

Now imagine an accountant who is in charge of auditing a large company. For many years the client's financial statements are clean. In the first of two scenarios, the company then commits some clear transgressions in its financial statements, even breaking the law in certain areas. In the second scenario, the auditor notices that the company stretched but did not appear to break the law in a few areas. The next year the company's accounting is worse and includes a minor violation of federal accounting standards. By the third year the violation has become more severe. In the fourth year the client commits the same clear transgressions as in the first scenario.

The auditors-and-estimators experiment, along with numerous similar ones by other researchers, suggest that the accountant above would be more likely to reject the financial statements in the first scenario. Bazerman and colleagues explored this effect in depth in "Why Good Accountants Do Bad Audits" (HBR November 2002).

To avoid the slow emergence of unethical behavior, managers should be on heightened alert for even trivial-seeming infractions and address them immediately. They should investigate whether there has been a change in behavior over time. And if something seems amiss, they should consider inviting a colleague to take a look at all the relevant data and evidence together—in effect creating an "abrupt" experience, and therefore a clearer analysis, of the ethics infraction.

### **Overvaluing Outcomes**

Many managers are guilty of rewarding results rather than high-quality decisions. An employee may make a poor decision that turns out well and be rewarded for it, or a good decision that turns out poorly and be punished. Rewarding unethical decisions because they have good outcomes is a recipe for disaster over the long term.

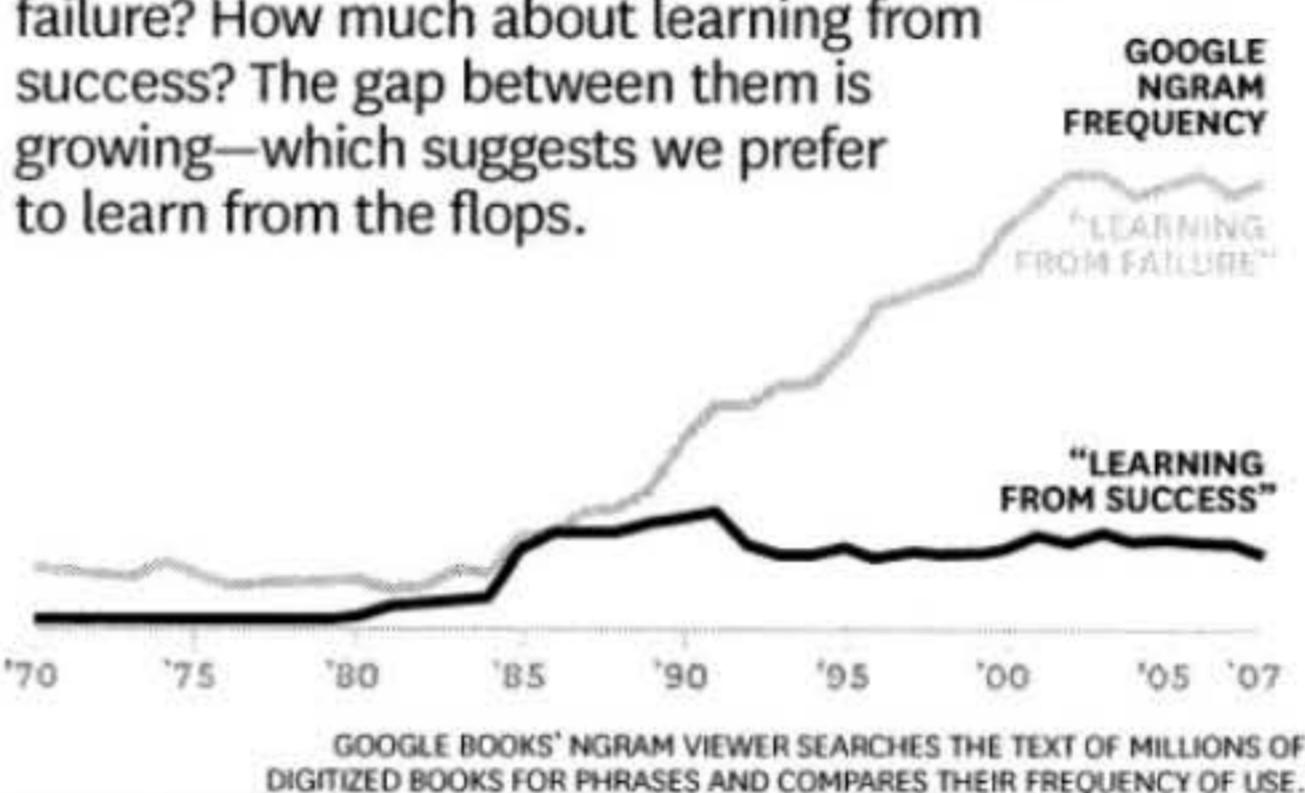
The Harvard psychologist Fiery Cushman and his colleagues tell the story of two quick-tempered brothers, Jon and Mark, neither of whom has a criminal record. A man insults their family. Jon wants to kill the guy: He pulls out and fires a gun but misses, and the target is unharmed. Matt wants only to scare the man but accidentally shoots and kills him. In the United States and many other countries, Matt can expect a far more serious penalty than Jon. It is clear that laws often punish bad outcomes more aggressively than bad intentions.

Bazerman's research with Francesca Gino and Don Moore, of Carnegie Mellon University, high-

## FOCUS ON FAILURE

### SCHOOL OF HARD KNOCKS

How much do we talk about learning from failure? How much about learning from success? The gap between them is growing—which suggests we prefer to learn from the flops.



lights people's inclination to judge actions on the basis of whether harm follows rather than on their actual ethicality. We presented the following stories to two groups of participants.

Both stories begin: "A pharmaceutical researcher defines a clear protocol for determining whether or not to include clinical patients as data points in a study. He is running short of time to collect sufficient data points for his study within an important budgetary cycle in his firm."

Story A continues: "As the deadline approaches, he notices that four subjects were withdrawn from the analysis due to technicalities. He believes that the data in fact are appropriate to use, and when he adds those data points, the results move from not quite statistically significant to significant. He adds these data points, and soon the drug goes to market. This drug is later withdrawn from the market after it kills six patients and injures hundreds of others."

Story B continues: "He believes that the product is safe and effective. As the deadline approaches, he notices that if he had four more data points for how subjects are likely to behave, the analysis would be significant. He makes up these data points, and soon the drug goes to market. This drug is a profitable and effective drug, and years later shows no significant side effects."

After participants read one or the other story, we asked them, "How unethical do you view the researcher to be?" Those who read story A were much more critical of the researcher than were those who read story B, and felt that he should be punished more harshly. Yet as we see it, the researcher's behavior was more unethical in story B than in story A. And that is how other study participants saw it when we removed the last sentence—the outcome—from each story.

Managers can make the same kind of judgment mistake, overlooking unethical behaviors when outcomes are good and unconsciously helping to undermine the ethicality of their organizations. They should beware this bias, examine the behaviors that drive good outcomes, and reward quality decisions, not just results.

### The Managerial Challenge

Companies are putting a great deal of energy into efforts to improve their ethicality—installing codes of ethics, ethics training, compliance programs, and in-house watchdogs. Initiatives like these don't

come cheap. A recent survey of 217 large companies indicated that for every billion dollars of revenue, a company spends, on average, \$1 million on compliance initiatives. If these efforts worked, one might argue that the money—a drop in the bucket for many organizations—was well spent. But that's a big if. Despite all the time and money that have gone toward these efforts, and all the laws and regulations that have been enacted, observed unethical behavior is on the rise.

This is disappointing but unsurprising. Even the best-intentioned ethics programs will fail if they don't take into account the biases that can blind us to unethical behavior, whether ours or that of others. What can you do to head off rather than exacerbate unethical behavior in your organization? Avoid "forcing" ethics through surveillance and sanctioning systems. Instead ensure that managers and employees are aware of the biases that can lead to unethical behavior. (This simple step might have headed off the disastrous decisions Ford managers made—and employees obeyed—in the Pinto case.) And encourage your staff to ask this important question when considering various options: "What ethical implications might arise from this decision?"

Above all, be aware as a leader of your own blind spots, which may permit, or even encourage, the unethical behaviors you are trying to extinguish. □

**HBR Reprint R1104C**



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Robbins, Stephen P. and Timothy A. Judge. "Chapter 7: Motivation Concepts" *Organizational Behavior*, 17/e. Pearson Education, Inc., 2017, 207-233. Reprinted by permission of the publisher.

## Chapter 7: Motivation Concepts

### MOTIVATED TOWARD CORPORATE SOCIAL RESPONSIBILITY

As organizations face increasing public pressure for sustainability, corporate social responsibility (CSR) has become a major part of most CEOs' agendas. The motivation for these CEOs is clear: the media, customers, employees, and governments herald sustainability initiatives like GE's Ecomagination, which pioneers technology efficiency, and philanthropy programs like Richard Branson's Re<sup>\*</sup>Generation, which supports homeless youth. But how does an organization motivate employees for huge and ongoing volunteer efforts like Lowe's Heroes, shown in the picture, which helps rebuild homes after disasters and revitalize communities?

According to research in the United Kingdom, a good portion of employees may already be motivated toward CSR work. Some employees are motivated by a sense of reciprocity, giving back to the communities in which they live or aiding organizations from which they've previously benefited. An example is Lowe's Hero James Jackson, who helped revitalize an Indianapolis park. "I'm so thrilled to have been a part of this transformational journey for the JV Hill Park," he said.

"The community has new life again, which impacts so many youth for years to come." Other employees are motivated by the opportunity to socialize with people within the organization and community, while still others want to develop business networks for future use. Many seem to like exercising the networks they already have, drawing upon their contacts for CSR

projects. And most like to use volunteering opportunities to learn more. For example, one study participant who has been mentoring students in business said, “It’s nice to meet other people in Derby and around, see how they do things, get tips and lots of business information.”

How do organizations influence their employees to volunteer? Research suggests that half the organizations in Canada actively encourage employee volunteering. As a result, fully one-quarter of all the volunteer work in the country is done by employee volunteers. The study found that the availability of organizational support—use of work time, paid time to volunteer, facility space, organizational resources—was critical to employee CSR motivation. Such support was correlated with an increase in annual volunteer hours, particularly among women. Furthermore, support yielded higher participation for almost all types of organizational volunteer CSR activities.

However, the study found employees age 35 and older, with less education than a high school diploma, or who were married, received less support. The reasons for these differences are not known. Women also received less support than men when it came to flexible hours and time off needed for volunteering. It also seems that women might make fewer requests for support. Although these findings are from just one study, the message is clear: Organizations may increase their overall CSR contributions by clearly offering tangible support for everyone, along with opportunities to serve.

One final employee motivator is the intrinsic reward from working with your organization’s team to accomplish a worthy project. After a tough day cleaning up in the aftermath of the 2014 tornado in Tupelo, Mississippi, Tad Agoglia of the First Response Team of America told the Lowe’s Heroes team, “You guys, your attitudes, [you do] just anything and everything to get it done, just do it, you really took your time to help this family, and it meant a lot. So this was a great day, and you guys made it a great day. Thank you.”

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Sources: Lowe’s in the Community, May 5, 2015, <http://LowesintheCommunity.Tumblr.Com/Post/118215046887/The-Week-Leading-Up-To-The-Final-Four>; F. Macphail and P. Bowles, “Corporate Social Responsibility as Support for Employee Volunteers: Impacts, Gender Puzzles and Policy Implications in Canada,” *Journal of Business Ethics* 84 (2009): 405–16; and J. N. Muthuri, D. Matten, and J. Moon, “Employee Volunteering and Social Capital: Contributions to Corporate Social Responsibility,” *British Journal of Management* 20 (2009): 75–89.

As we read in the opening story, employees don’t always volunteer just because it’s a good thing to do; they have to be motivated. A significant part of their motivation comes from an internal desire to contribute, but organizations can also play an important role by encouraging and enabling them. Motivating employees—to volunteer *and* to work—is one of the most important and challenging aspects of management. As we will see, there is no shortage of advice about how to do it.

**OB POLL****Asking for a Raise: Business Executives**

**When you asked for a pay raise, did you receive one?**



Note: Survey of 3,900 executives from 31 countries.

Source: Based on Accenture, "The Path Forward" (2012), <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-IWD-Research-Deck-2012-FINAL.pdf#zoom=50,36>.

Motivation is one of the most frequently researched topics in organizational behavior (OB).<sup>1</sup> In one survey, 69 percent of workers reported wasting time at work every day, and nearly a quarter said they waste between 30 and 60 minutes each day. How? Usually by surfing the Internet (checking the news and visiting social network sites) and chatting with coworkers.<sup>2</sup> So, though times change, the problem of motivating a workforce stays the same.

In this chapter, we'll review the basics of motivation, assess motivation theories, and provide an integrative model that fits theories together. But first, take a look at the potential that a little motivation to ask for a raise can yield, shown in the OB Poll.

## Motivation and Early Theories

- 7-1** Describe the three key elements of motivation.

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

Some individuals seem driven to succeed. The same young student who struggles to read a textbook for more than 20 minutes may devour a *Harry Potter* book in a day. The difference is the situation. As we analyze the concept of motivation, keep in mind that the level of motivation varies both between individuals and within individuals at different times.

We define **motivation** as the processes that account for an individual's *intensity*, *direction*, and *persistence* of effort toward attaining a goal.<sup>3</sup> While general motivation is concerned with effort toward *any* goal, we'll narrow the focus to *organizational* goals.

*Intensity* describes how hard a person tries. This is the element most of us focus on when we talk about motivation. However, high intensity is unlikely to lead to favorable job-performance outcomes unless the effort is channeled in a *direction* that benefits the organization. Therefore, we consider the quality of effort as well as its intensity. Effort directed toward, and consistent with, the organization's goals is the kind of effort we should be seeking. Finally, motivation has a *persistence* dimension. This measures how long a person can maintain effort. Motivated individuals stay with a task long enough to achieve their goals.

**7-2**

Compare the early theories of motivation.

**hierarchy of needs** Abraham Maslow's hierarchy of five needs—physiological, safety, social, esteem, and self-actualization—in which, as each need is substantially satisfied, the next need becomes dominant.

## Early Theories of Motivation

Three theories of employee motivation formulated during the 1950s are probably the best known. Although they are now of questionable validity (as we'll discuss), they represent a foundation, and practicing managers still use their terminology.

### Hierarchy of Needs Theory

The best-known theory of motivation is Abraham Maslow's **hierarchy of needs**,<sup>4</sup> which hypothesizes that within every human being there is a hierarchy of five needs. Recently, a sixth need has been proposed for a highest level—*intrinsic values*—which is said to have originated from Maslow, but it has yet to gain widespread acceptance.<sup>5</sup> The original five needs are:

- 1. Physiological.** Includes hunger, thirst, shelter, sex, and other bodily needs.
- 2. Safety-security.** Security and protection from physical and emotional harm.
- 3. Social-belongingness.** Affection, belongingness, acceptance, and friendship.
- 4. Esteem.** Internal factors such as self-respect, autonomy, and achievement, and external factors such as status, recognition, and attention.
- 5. Self-actualization.** Drive to become what we are capable of becoming; includes growth, achieving our potential, and self-fulfillment.

According to Maslow, as each need becomes substantially satisfied, the next one becomes dominant. So if you want to motivate someone, you need to understand what level of the hierarchy that person is currently on and focus on satisfying needs at or above that level. We depict the hierarchy as a pyramid in Exhibit 7-1 since this is its best-known presentation, but Maslow referred to the needs only in terms of levels.

Maslow's theory has received long-standing wide recognition, particularly among practicing managers. It is intuitively logical and easy to understand, and some research has validated it.<sup>6</sup> Unfortunately, however, most research does not, especially when the theory is applied to diverse cultures,<sup>7</sup> with the possible exception of physiological needs.<sup>8</sup> But old theories, especially intuitively

Exhibit 7-1

Maslow's Hierarchy of Needs



Source: H. Skelsey, "Maslow's Hierarchy of Needs—the Sixth Level," *Psychologist* (2014): 982–83.

logical ones, die hard. It is thus important to be aware of the prevailing public acceptance of the hierarchy when discussing motivation.

## Two-Factor Theory

**two-factor theory** A theory that relates intrinsic factors to job satisfaction and associates extrinsic factors with dissatisfaction. Also called motivation-hygiene theory.

**hygiene factors** Factors—such as company policy and administration, supervision, and salary—that, when adequate in a job, placate workers. When these factors are adequate, people will not be dissatisfied.

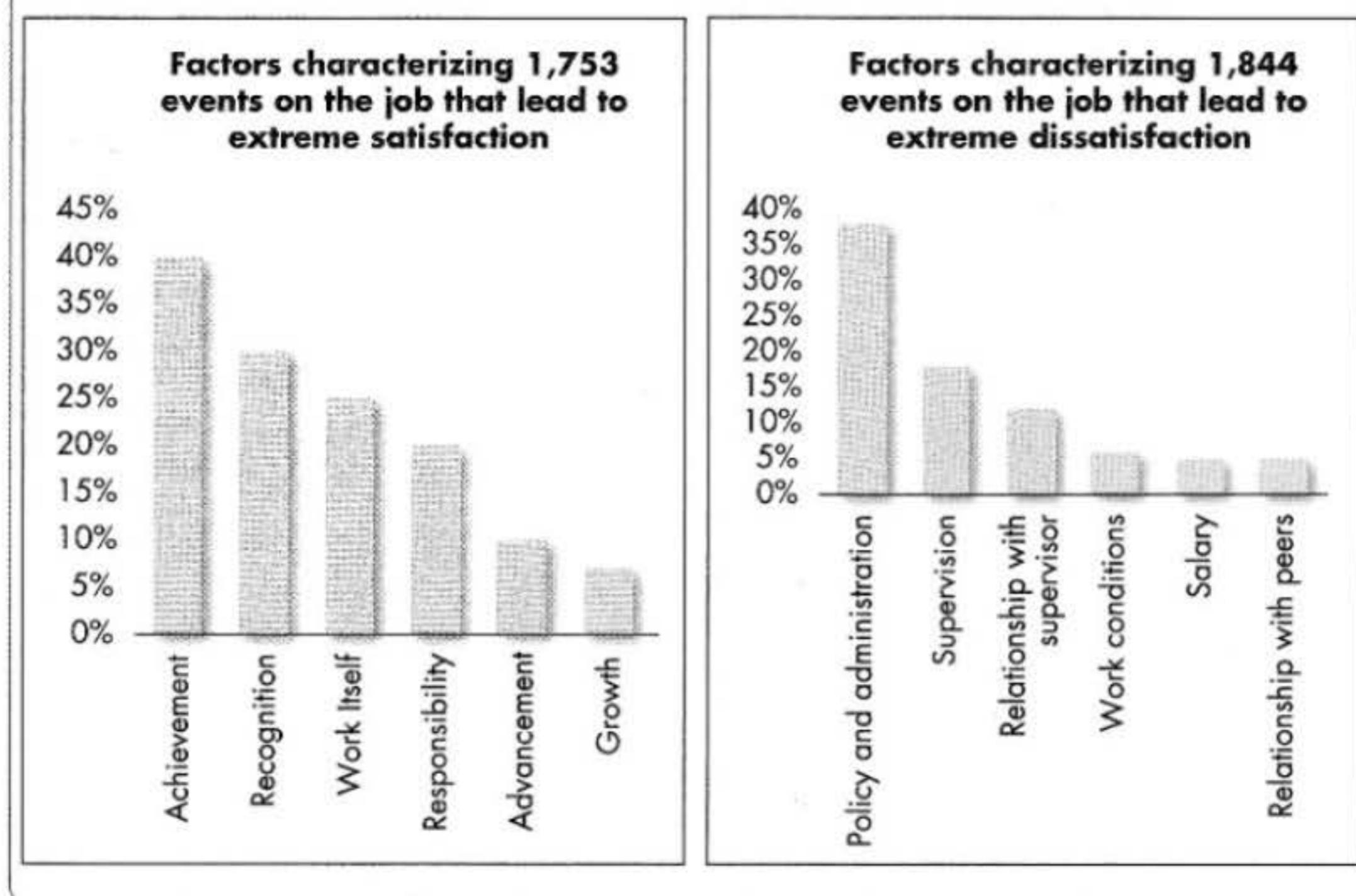
Believing an individual's relationship to work is basic, and that the attitude toward work can determine success or failure, psychologist Frederick Herzberg wondered, "What do people want from their jobs?" He asked people to describe, in detail, situations in which they felt exceptionally *good* or *bad* about their jobs. The responses differed significantly and led Herzberg to his **two-factor theory** (also called *motivation-hygiene theory*, but this term is not used much today).<sup>9</sup>

As shown in Exhibit 7-2, intrinsic factors such as advancement, recognition, responsibility, and achievement seem related to job satisfaction. Respondents who felt good about their work tended to attribute these factors to their situations, while dissatisfied respondents tended to cite extrinsic factors, such as supervision, pay, company policies, and work conditions.

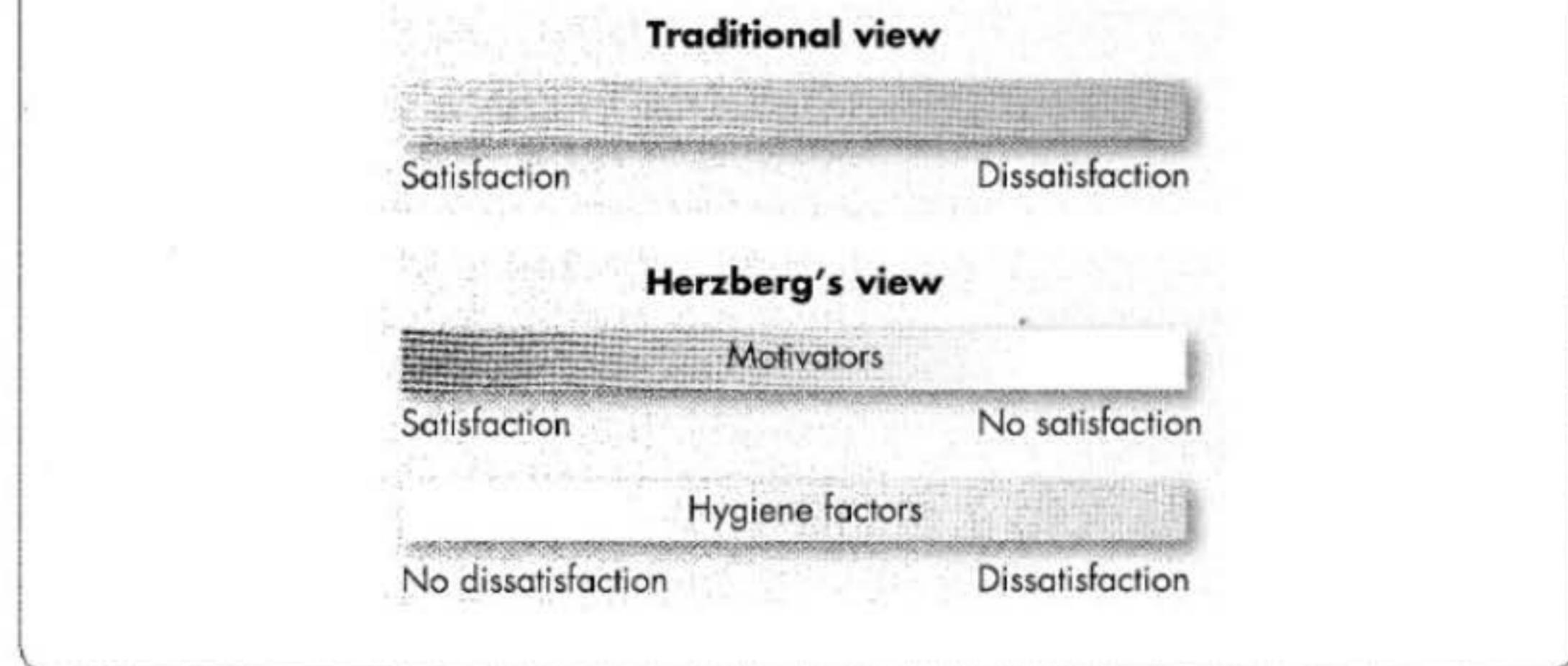
To Herzberg, the data suggest that the opposite of satisfaction is not dissatisfaction, as was traditionally believed. Removing dissatisfying characteristics from a job does not necessarily make the job satisfying. Herzberg proposed a dual continuum: The opposite of "satisfaction" is "no satisfaction," and the opposite of "dissatisfaction" is "no dissatisfaction" (see Exhibit 7-3).

Under two-factor theory, the factors that lead to job satisfaction are separate and distinct from those that lead to job dissatisfaction. Therefore, managers who seek to eliminate factors that can create job dissatisfaction may bring about peace, but not necessarily motivation. They will be placating rather than motivating their workers. Conditions such as quality of supervision, pay, company policies, physical work conditions, relationships with others, and job security are **hygiene factors**. When they're adequate, people will not be dissatisfied; neither

**Exhibit 7-2 Comparison of Satisfiers and Dissatisfiers**



Source: Based on Harvard Business Review, "Comparison of Satisfiers and Dissatisfiers." An exhibit from One More Time: How Do You Motivate Employees? by Frederick Herzberg, January 2003. Copyright © 2003 by the Harvard Business School Publishing Corporation. All rights reserved.

**Exhibit 7-3 Contrasting View of Satisfaction and Dissatisfaction**


will they be satisfied. If we want to *motivate* people on their jobs, we should emphasize factors associated with the work itself or with outcomes directly derived from it, such as promotional opportunities, personal growth opportunities, recognition, responsibility, and achievement. These are the characteristics people find intrinsically rewarding.

The two-factor theory has not been well supported in research. Criticisms center on Herzberg's original methodology and his assumptions, such as the statement that satisfaction is strongly related to productivity. Subsequent research has also shown that if hygiene and motivational factors are equally important to a person, both are capable of motivating.

Regardless of the criticisms, Herzberg's theory has been quite influential and currently is very much in use in research in Asia.<sup>10</sup> Few managers worldwide are unfamiliar with its recommendations.

### McClelland's Theory of Needs

You have one beanbag and five targets set up in front of you, each farther away than the last. Target A sits almost within arm's reach. If you hit it, you get \$2. Target B is a bit farther out and pays \$4, but only about 80 percent of the people who try can hit it. Target C pays \$8, and about half the people who try can hit it. Very few people can hit Target D, but the payoff is \$16 for those who do. Finally, Target E pays \$32, but it's almost impossible to achieve. Which would you try for? If you selected C, you're likely to be a high achiever. Why? Read on.

**McClelland's theory of needs** was developed by David McClelland and his associates.<sup>11</sup> As opposed to, say, Maslow's hierarchy, these needs are more like motivating factors than strict needs for survival. There are three:

- **Need for achievement (nAch)** is the drive to excel, to achieve in relationship to a set of standards.
- **Need for power (nPow)** is the need to make others behave in a way they would not have otherwise.
- **Need for affiliation (nAff)** is the desire for friendly and close interpersonal relationships.

McClelland and subsequent researchers focused most of their attention on nAch. High achievers perform best when they perceive their probability of success as 0.5—that is, a 50–50 chance. They dislike gambling with high odds because they get no achievement satisfaction from success that comes by pure chance. Similarly, they dislike low odds (high probability of success) because

**McClelland's theory of needs** A theory that states achievement, power, and affiliation are three important needs that help explain motivation.

**need for achievement (nAch)** The drive to excel, to achieve in relationship to a set of standards, and to strive to succeed.

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

**need for affiliation (nAff)** The desire for friendly and close interpersonal relationships.

then there is no challenge to their skills. They like to set goals that require stretching themselves a little.

Relying on an extensive amount of research, we can predict some relationships between achievement need and job performance. First, when jobs have a high degree of personal responsibility, feedback, and an intermediate degree of risk, high achievers are strongly motivated. Second, a high need to achieve does not necessarily make someone a good manager, especially in large organizations. People with a high achievement need are interested in how well they do personally, and not in influencing others to do well. Third, needs for affiliation and power tend to be closely related to managerial success. The best managers may be high in their need for power and low in their need for affiliation.<sup>12</sup>

The view that a high achievement need acts as an internal motivator presupposes two cultural characteristics—willingness to accept a moderate degree of risk (which excludes countries with strong uncertainty-avoidance characteristics), and concern with performance (which applies to countries with strong achievement characteristics). This combination is found in Anglo-American countries such as the United States, Canada, and Great Britain, and much less in Chile and Portugal.

McClelland's theory has research support, particularly cross-culturally (when cultural dimensions including power distance are taken into account).<sup>13</sup> The concept of the need for achievement has received a great deal of research attention and acceptance in a wide array of fields, including organizational behavior, psychology, and general business.<sup>14</sup> Therefore, in this text we utilize the concept descriptively. The need for power also has research support, but it may be more familiar to people in broad terms than in relation to the original definition.<sup>15</sup> We will discuss power much more in Chapter 13. The need for affiliation is well established and accepted in research. Although it may seem like an updated version of Maslow's social need, it is actually quite separate. Many people take for granted the idea that human beings have a drive toward relationships, so none of us may completely lack this motivation. However, recent research of Cameroonian and German adults suggests we may be

**Career OBjectives**

## Why won't he take my advice?

**The new guy in the office is nice enough, but he's straight out of college, and I have 20 years of experience in the field. I'd like to help him out, but he won't take it no matter how I approach him. Is there anything I can do to motivate him to accept my advice? He badly needs a few pointers.**

—James

Dear James:

It's great that you want to help, and surely you have wisdom to offer. But let's start with this: When is the last time you took someone else's advice? Chances are it's easier for you to remember the last time you *didn't* take someone's advice than when you did. That's because we want success on our own terms, and we don't like the idea that a ready answer was out there all along (and we missed it). "When somebody says, 'You should do something,' the subtext is: 'You're an idiot for not already doing it,'" said psychologist Alan Goldberg. "Nobody takes advice under those conditions." So under what conditions do people take advice?

There are two parts to the motivation equation for advice: what your coworker wants to hear, and how you can

approach him. For the first part, keep this rule in mind: He wants to hear that whatever decisions he's made are brilliant. If he hears anything different from that, he's likely to tune you out or keep talking until you come over to his side.

For the second part, your coworker's motivation to accept and, more importantly, act on advice has a lot to do with how you approach him. Are you likely to "impart your wisdom to the younger generation?" Anything like "I wish I had known this when I was just starting out like you" advice will likely have him thinking you (and your advice) are out of date. Are you going to give "if I were you, I would do this" advice? He may resent your intrusion. According to research, what is most likely to work is a gentle suggestion, phrased as a request. Ravi Dhar, a director at Yale, said, "Interrogatives have less reactance and may be more effective." You might say, for instance, "Would you consider trying out this idea?"

Take heart, the problem isn't that we don't like advice—we do, as long as we seek it. According to research, we are more motivated toward advice when

we are facing important decisions, so good timing may work in your favor. When he does ask, you may suggest that he writes down the parameters of his choices and his interpretations of the ethics of each decision. Researcher Dan Ariely has found that we are much more motivated to make morally right decisions when we've considered the moral implications in a forthright manner. In this way, your coworker may motivate himself to make the right decisions.

Keep trying!

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Sources: D. Ariely, "What Price for the Soul of a Stranger?" *The Wall Street Journal*, May 10–11, 2014, C12; J. Queenan, "A Word to the Wise," *The Wall Street Journal*, February 8–9, 2014, C1–C2; and S. Reddy, "The Trick to Getting People to Take the Stairs? Just Ask," *The Wall Street Journal*, February 17, 2015, R4.

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constrained by our personalities to the extent that we are high in neuroticism. Agreeableness supports our pursuit of affiliation, while extraversion has no significant effect.<sup>16</sup>

The degree to which we have each of the three needs is difficult to measure, and therefore the theory is difficult to put into practice. It is more common to find situations in which managers aware of these motivational drivers label employees based on observations made over time. Therefore, the concepts are helpful, but not often used objectively.

## Contemporary Theories of Motivation

### 7-3

Contrast the elements of self-determination theory and goal-setting theory.

Contemporary theories of motivation have one thing in common: Each has a reasonable degree of valid supporting documentation. We call them "contemporary theories" because they represent the latest thinking in explaining employee motivation. This doesn't mean they are unquestionably right.

## Self-Determination Theory

"It's strange," said Marcia. "I started work at the Humane Society as a volunteer. I put in 15 hours a week helping people adopt pets. And I loved coming to work. Then, 3 months ago, they hired me full-time at \$11 an hour. I'm doing the same work I did before. But I'm not finding it as much fun."

Does Marcia's reaction seem counterintuitive? There's an explanation for it. It's called **self-determination theory**, which proposes that people prefer to feel they have control over their actions, so anything that makes a previously enjoyed task feel more like an obligation than a freely chosen activity will undermine motivation.<sup>17</sup> The theory is widely used in psychology, management, education, and medical research.

Much research on self-determination theory in OB has focused on **cognitive evaluation theory**, a complementary theory hypothesizing that extrinsic rewards will reduce intrinsic interest in a task. When people are paid for work, it feels less like something they *want* to do and more like something they *have* to do. Self-determination theory proposes that in addition to being driven by a need for autonomy, people seek ways to achieve competence and make positive connections with others. Its major implications relate to work rewards.

What does self-determination theory suggest about providing rewards? It suggests that some caution in the use of extrinsic rewards to motivate is wise, and that pursuing goals from intrinsic motives (such as a strong interest in the work itself) is more sustaining to human motivation than are extrinsic rewards. Similarly, cognitive evaluation theory suggests that providing extrinsic incentives may, in many cases, undermine intrinsic motivation. For example, if a computer programmer values writing code because she likes to solve problems, a bonus for writing a certain number of lines of code every day could feel coercive, and her intrinsic motivation would suffer. She may or may not increase her number of lines of code per day in response to the extrinsic motivator. In support, a recent meta-analysis confirms that intrinsic motivation contributes to the quality of work, while incentives contribute to the quantity of work. Although intrinsic motivation predicts performance whether or not there are incentives, it may be less of a predictor when incentives are tied to performance directly (such as with monetary bonuses) rather than indirectly.<sup>18</sup>

A more recent outgrowth of self-determination theory is **self-concordance**, which considers how strongly people's reasons for pursuing goals are consistent with their interests and core values. OB research suggests that people who pursue work goals for intrinsic reasons are more satisfied with their jobs, feel they fit into their organizations better, and may perform better.<sup>19</sup> Across cultures, if individuals pursue goals because of intrinsic interest, they are more likely to attain goals, are happier when they do, and are happy even if they do not.<sup>20</sup> Why? Because the process of striving toward goals is fun whether or not the goal is achieved. Recent research reveals that when people do not enjoy their work for intrinsic reasons, those who work because they feel obligated to do so can still perform acceptably, though they experience higher levels of strain as a result.<sup>21</sup> In contrast, people who pursue goals for extrinsic reasons (money, status, or other benefits) are less likely to attain goals and less happy even when they do. Why? Because the goals are less meaningful to them.<sup>22</sup>

What does all this mean? For individuals, it means you should choose your job for reasons other than extrinsic rewards. For organizations, it means managers should provide intrinsic as well as extrinsic incentives. Managers need to make the work interesting, provide recognition, and support employee growth and development. Employees who feel that what they do is within their control and a result of free choice are likely to be more motivated by their work and committed to their employers.<sup>23</sup>

**self-determination theory** A theory of motivation that is concerned with the beneficial effects of intrinsic motivation and the harmful effects of extrinsic motivation.

**cognitive evaluation theory** A version of self-determination theory that holds that allocating extrinsic rewards for behavior that had been previously intrinsically rewarding tends to decrease the overall level of motivation if the rewards are seen as controlling.

**self-concordance** The degree to which people's reasons for pursuing goals are consistent with their interests and core values.

## Myth or Science?

## Helping Others and Being a Good Citizen Is Good for Your Career

We might think we should motivate employees to display organizational citizenship behavior (OCB), and that helping others would benefit their careers. We would probably also believe our own OCB will yield us career benefits. Surprisingly, there is some evidence that these assumptions are false, at least in certain organizations. Why?

In some organizations, employees are evaluated more on *how* their work gets done than on *how much*. If they possess the requisite knowledge and skills, or if they demonstrate the right behaviors on the job (for example, always greeting customers with a smile), they are determined by management to be motivated, “good” performers. In these

situations, OCBs are considered as the next higher level of good employee behavior. Employees’ careers thus benefit as a result of their helpfulness toward coworkers.

However, in other organizations, employees are evaluated more on what gets done. Here, employees are determined to be “good” performers if they meet objective goals such as billing clients a certain number of hours or reaching a certain sales volume. When managers overlook employee OCB, frown on helpful behaviors, or create an overly competitive organizational culture, employees become unmotivated to continue their helpful actions. Those who still engage in OCB can find their career progress is

slowed when they take time away from core tasks to be helpful.

The upshot? There may be a trade-off between being a good performer and being a good citizen. In organizations that focus more on behaviors, following your motivation to be a good citizen can help to accomplish your career goals. However, in organizations that focus more on objective outcomes, you may need to consider the cost of your good deeds.

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Sources: D. M. Bergeron, “The Potential Paradox of Organizational Citizenship Behavior: Good Citizens at What Cost?” *Academy of Management Review* 32, no. 4 (2007); and D. M. Bergeron, A. J. Shipp, B. Rosen, and S. A. Furst, “Organizational Citizenship Behavior and Career Outcomes: The Cost of Being a Good Citizen,” *Journal of Management* 39, no. 4 (2013): 958–84.

## Goal-Setting Theory

**goal-setting theory** A theory that says that specific and difficult goals, with feedback, lead to higher performance.

You’ve likely heard the sentiment a number of times: “Just do your best. That’s all anyone can ask.” But what does “do your best” mean? Do we ever know whether we’ve achieved that vague goal? Research on **goal-setting theory**, proposed by Edwin Locke, reveals the impressive effects of goal specificity, challenge, and feedback on performance. Under the theory, intentions to work toward a goal are considered a major source of work motivation.<sup>24</sup>

Goal-setting theory is well supported. Evidence strongly suggests that *specific* goals increase performance; that *difficult* goals, when accepted, result in higher performance than do easy goals; and that *feedback* leads to higher performance than does nonfeedback.<sup>25</sup> Why? First, specificity itself seems to act as an internal stimulus. When a trucker commits to making 12 round-trip hauls between Toronto and New York each week, this intention gives him a specific objective to attain. All things being equal, he will outperform a counterpart with no goals or the generalized goal “do your best.”

Second, if factors such as acceptance of goals are held constant, the more difficult the goal, the higher the level of performance. Of course, it’s logical to assume easier goals are more likely to be accepted. But once a hard task has been accepted, we can expect the employee to exert a high level of effort to try to achieve it.

Third, people do better when they get feedback on how well they are progressing toward their goals because it helps identify discrepancies between what they have done and what they want to do next—that is, feedback guides behavior. But all feedback is not equally potent. Self-generated feedback—with which

employees are able to monitor their own progress or receive feedback from the task process itself—is more powerful than externally generated feedback.<sup>26</sup>

If employees can participate in the setting of their own goals, will they try harder? The evidence is mixed. In some studies, participatively set goals yielded superior performance; in others, individuals performed best when assigned goals by their boss. One study in China found, for instance, that participative team goal setting improved team outcomes.<sup>27</sup> Another study found that participation results in more achievable goals for individuals.<sup>28</sup> Without participation, the individual pursuing the goal needs to clearly understand its purpose and importance.<sup>29</sup>

Three personal factors influence the goals–performance relationship: *goal commitment*, *task characteristics*, and *national culture*.

**Goal Commitment** Goal-setting theory assumes an individual is committed to the goal and determined not to lower or abandon it. The individual (1) believes he or she can achieve the goal and (2) wants to achieve it.<sup>30</sup> Goal commitment is most likely to occur when goals are made public, when the individual has an internal locus of control, when the goals are self-set rather than assigned, and when they are based at least partially on individual ability.<sup>31</sup>

**Task Characteristics** Goals themselves seem to affect performance more strongly when tasks are simple rather than complex, well learned rather than novel, independent rather than interdependent, and on the high end of achievable.<sup>32</sup> On interdependent tasks, group goals are preferable. Paradoxically, goal abandonment following an initial failure is more likely for individuals who self-affirm their core values, possibly because they more strongly internalize the implications of failure than others.<sup>33</sup>

**National Culture** Setting specific, difficult, individual goals may have different effects in different cultures. In collectivistic and high-power-distance cultures, achievable moderate goals can be more motivating than difficult ones.<sup>34</sup> Finally, assigned goals appear to generate greater goal commitment in high than in low

power-distance cultures.<sup>35</sup> However, research has not shown that group-based goals are more effective in collectivist than in individualist cultures. More research is needed to assess how goal constructs might differ across cultures.

Although goal-setting has positive outcomes, it's not unequivocally beneficial. For example, some goals may be *too* effective.<sup>36</sup> When learning something is important, goals related to performance undermine adaptation and creativity because people become too focused on outcomes and ignore the learning process. Nor are all goals equally effective. For rote tasks with quantifiable standards of productivity, goals that reward quantity can be highly motivating. For other jobs that require complex thinking and personal investment, goals and rewards for quantity may not be effective.<sup>37</sup> Finally, individuals may fail to give up on an unattainable goal even when it might be beneficial to do so.

Research has found that people differ in the way they regulate their thoughts and behaviors during goal pursuit. Generally, people fall into one of two categories, though they could belong to both. Those with a **promotion focus** strive for advancement and accomplishment and approach conditions that move them closer toward desired goals. This concept is similar to the approach side of the approach-avoidance framework discussed in Chapter 5. Those with a **prevention focus** strive to fulfill duties and obligations and avoid conditions that pull them away from desired goals. Aspects of this concept are similar to the avoidance side of the approach-avoidance framework. Although you would be right in noting that both strategies are in the service of goal accomplishment, the manner in which they get there is quite different. As an example, consider studying for an exam. You could engage in promotion-focused activities such as reading class materials, or you could engage in prevention-focused activities such as refraining from doing things that would get in the way of studying, such as playing video games.

You may ask, "Which is the better strategy?" Well, the answer depends on the outcome you are striving for. While a promotion (but not a prevention) focus is related to higher levels of task performance, citizenship behavior, and innovation, a prevention (but not a promotion) focus is related to safety performance. Ideally, it's probably best to be both promotion *and* prevention oriented.<sup>38</sup> Keep in mind a person's job satisfaction will be more heavily impacted by low success when that person has an avoidance (prevention) outlook,<sup>39</sup> so set achievable goals, remove distractions, and provide structure for these individuals.<sup>40</sup>

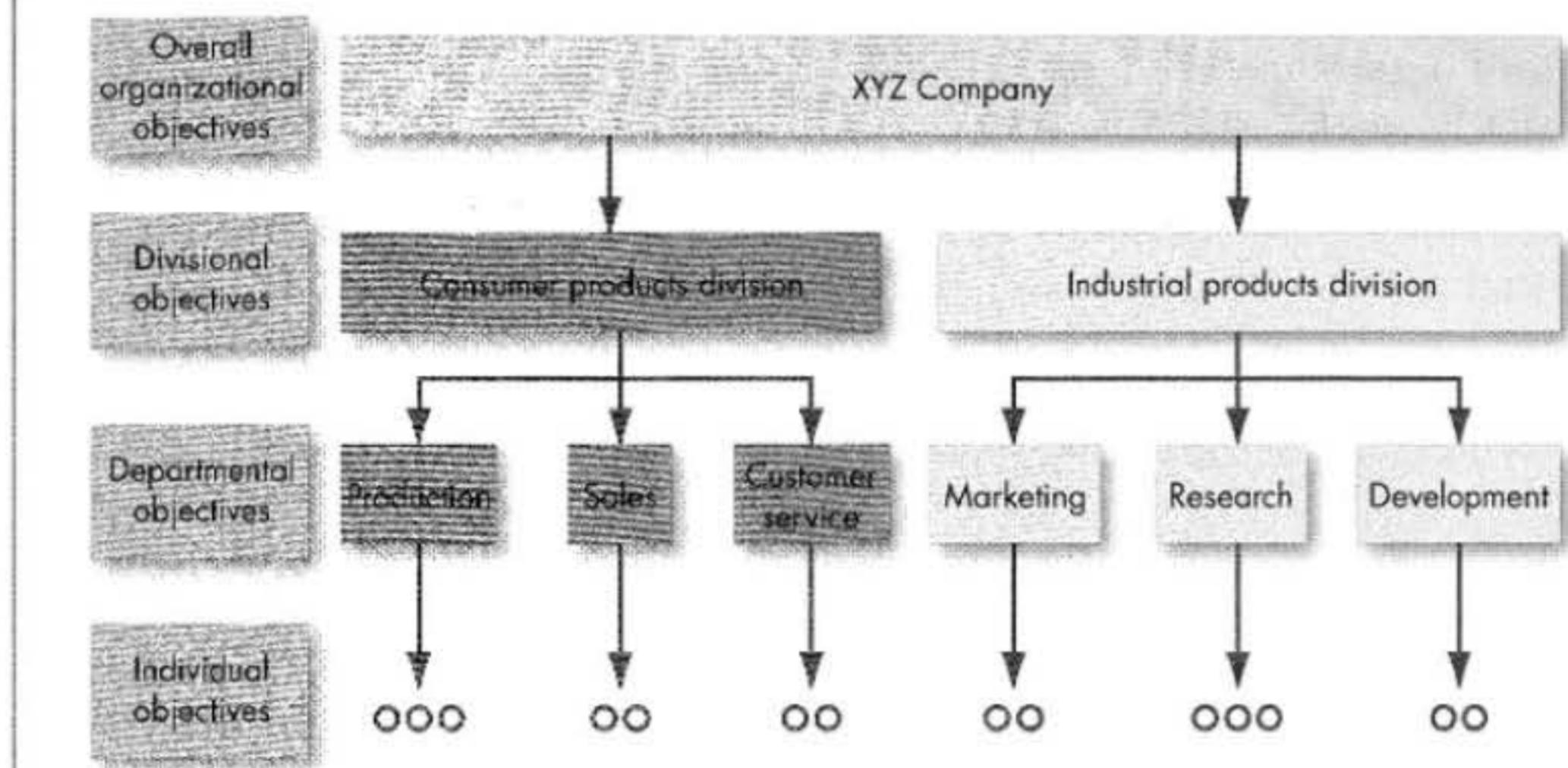
**Implementing Goal-Setting** How do managers make goal-setting theory operational? That's often left up to the individual. Some managers set aggressive performance targets—what General Electric called "stretch goals." Some leaders, such as Procter & Gamble's former CEO Robert McDonald and Best Buy's CEO Hubert Joly, are known for their demanding performance goals. But many managers don't set goals. When asked whether their jobs had clearly defined goals, a minority of survey respondents said yes.<sup>41</sup>

A more systematic way to utilize goal-setting is with **management by objectives (MBO)**, an initiative most popular in the 1970s but still used today. MBO emphasizes participatively set goals that are tangible, verifiable, and measurable. As in Exhibit 7-4, the organization's overall objectives are translated into specific cascading objectives for each level (divisional, departmental, individual). But because lower-unit managers jointly participate in setting their own goals, MBO works from the bottom up as well as from the top down. The result is a hierarchy that links objectives at one level to those at the next. For the individual employee, MBO provides specific personal performance objectives.

**promotion focus** A self-regulation strategy that involves striving for goals through advancement and accomplishment.

**prevention focus** A self-regulation strategy that involves striving for goals by fulfilling duties and obligations.

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

**Exhibit 7-4 Cascading of Objectives**


Four ingredients are common to MBO programs: goal specificity, participation in decision making (including the setting of goals or objectives), an explicit time period, and performance feedback.<sup>42</sup> Many elements in MBO programs match the propositions of goal-setting theory.

You'll find MBO programs in many business, health care, educational, government, and nonprofit organizations.<sup>43</sup> A version of MBO, called Management by Objectives and Results (MBOR), has been used for 30 years in the governments of Denmark, Norway, and Sweden.<sup>44</sup> However, the popularity of these programs does not mean they always work.<sup>45</sup> When MBO fails, the culprits tend to be unrealistic expectations, lack of commitment by top management, and inability or unwillingness to allocate rewards based on goal accomplishment.

**Goal-Setting and Ethics** The relationship between goal-setting and ethics is quite complex: If we emphasize the attainment of goals, what is the cost? The answer is probably found in the standards we set for goal achievement. For example, when money is tied to goal attainment, we may focus on getting the money and become willing to compromise ourselves ethically. If we are instead primed with thoughts about how we are spending our time when we are pursuing the goal, we are more likely to act more ethically.<sup>46</sup> However, this result is limited to thoughts about how we are spending our time. If we are put under time pressure and worry about that, thoughts about time turn against us. Time pressure often increases as we are nearing a goal, which can tempt us to act unethically to achieve it.<sup>47</sup> Specifically, we may forego mastering tasks and adopt avoidance techniques so we don't look bad,<sup>48</sup> both of which can incline us toward unethical choices.

## Other Contemporary Theories of Motivation

**7-4**

Demonstrate the differences among self-efficacy theory, reinforcement theory, equity theory, and expectancy theory.

Self-determination theory and goal-setting theory are well supported contemporary theories of motivation. But they are far from the only noteworthy OB theories on the subject. Self-efficacy, reinforcement, equity/organizational justice, and expectancy theories reveal different aspects of our motivational processes and tendencies. We begin with the concept of self-efficacy.

## Self-Efficacy Theory

**self-efficacy theory** An individual's belief that he or she is capable of performing a task.

**Self-efficacy theory**, also known as *social cognitive theory* or *social learning theory*, refers to an individual's belief that he or she is capable of performing a task.<sup>49</sup> The higher your self-efficacy, the more confidence you have in your ability to succeed. So, in difficult situations, people with low self-efficacy are more likely to lessen their effort or give up altogether, while those with high self-efficacy will try harder to master the challenge.<sup>50</sup> Self-efficacy can create a positive spiral in which those with high efficacy become more engaged in their tasks and then, in turn, increase performance, which increases efficacy further.<sup>51</sup> One recent study introduced a further explanation, in that self-efficacy was associated with a higher level of focused attention, which led to increased task performance.<sup>52</sup>

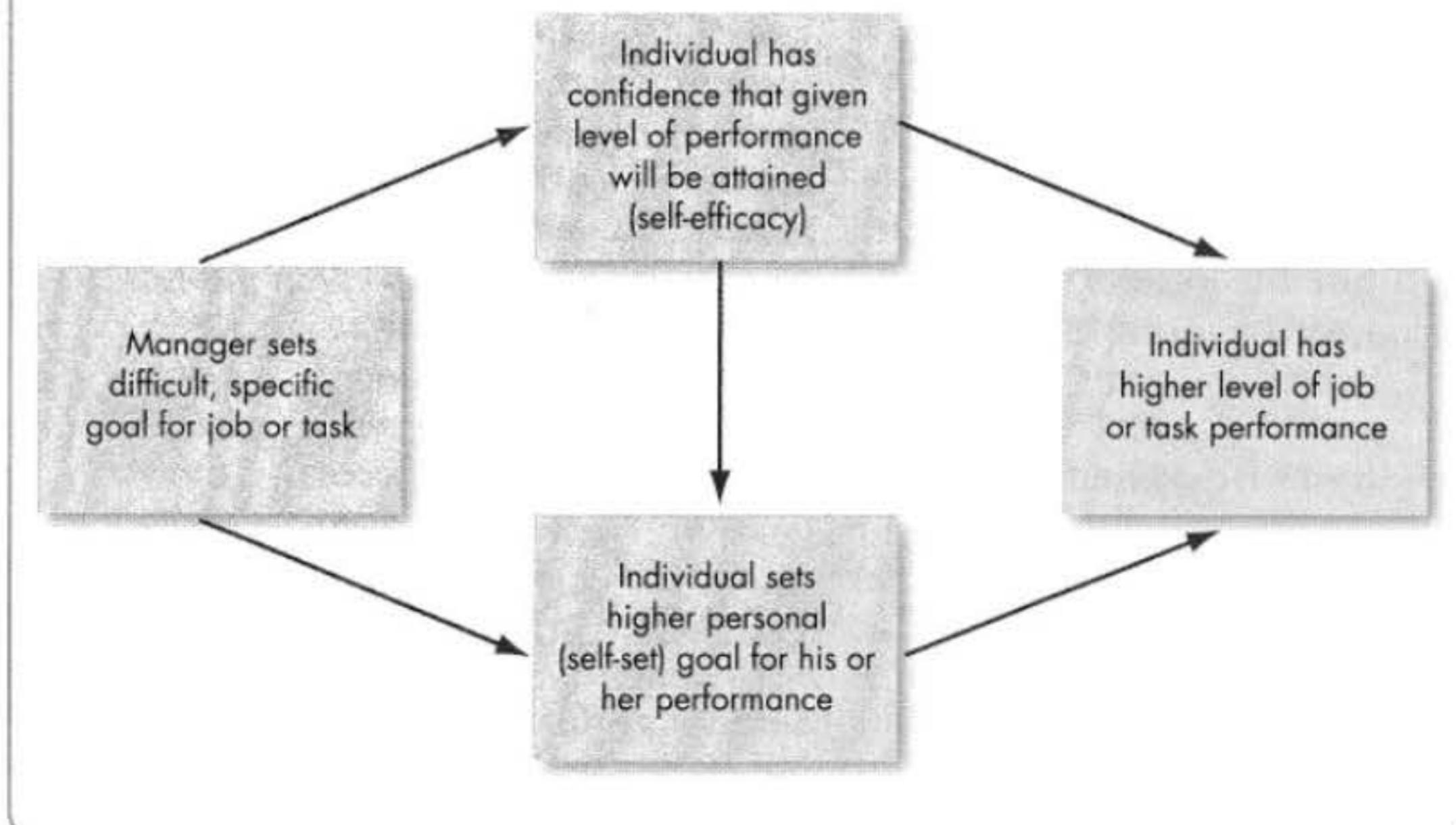
Feedback influences self-efficacy; individuals high in self-efficacy seem to respond to negative feedback with increased effort and motivation, while those low in self-efficacy are likely to lessen their effort after negative feedback.<sup>53</sup> Changes in self-efficacy over time are related to changes in creative performance as well.<sup>54</sup> How can managers help their employees achieve high levels of self-efficacy? By bringing goal-setting theory and self-efficacy theory together.

Goal-setting theory and self-efficacy theory don't compete; they complement each other. As Exhibit 7-5 shows, employees whose managers set difficult goals for them will have a higher level of self-efficacy and set higher goals for their own performance. Why? Setting difficult goals for people communicates your confidence in them.

**Increasing Self-Efficacy in Yourself** The researcher who developed self-efficacy theory, Albert Bandura, proposes four ways self-efficacy can be increased:<sup>55</sup>

1. Enactive mastery.
2. Vicarious modeling.
3. Verbal persuasion.
4. Arousal.

**Exhibit 7-5 Joint Effects of Goals and Self-Efficacy on Performance**



Source: Based on E. A. Locke and G. P. Latham, "Building a Practically Useful Theory of Goal Setting and Task Motivation: A 35-Year Odyssey," *American Psychologist* (September 2002): 705-17.

The most important source of increasing self-efficacy is *enactive mastery*—that is, gaining relevant experience with the task or job. If you've been able to do the job successfully in the past, you're more confident you can do it in the future.

The second source is *vicarious modeling*—becoming more confident because you see someone else doing the task. If your friend quits smoking, it increases your confidence that you can quit, too. Vicarious modeling is most effective when you see yourself as similar to the person you are observing. Watching Tiger Woods play a difficult golf shot might not increase your confidence in being able to play the shot yourself, but if you watch a golfer with a handicap similar to yours, it's persuasive.

The third source is *verbal persuasion*: we become more confident when someone convinces us we have the skills necessary to be successful. Motivational speakers use this tactic.

Finally, *arousal* increases self-efficacy. Arousal leads to an energized state, so we get “psyched up,” feel up to the task, and perform better. But if the task requires a steady, lower-key perspective (say, carefully editing a manuscript), arousal may in fact hurt performance even as it increases self-efficacy because we might hurry through the task.

Intelligence and personality are absent from Bandura's list, but they too can increase self-efficacy.<sup>56</sup> People who are intelligent, conscientious, and emotionally stable are so much more likely to have high self-efficacy that some researchers argue self-efficacy is less important than prior research would suggest.<sup>57</sup> They believe it is partially a by-product in a smart person with a confident personality.

**Influencing Self-Efficacy in Others** The best way for a manager to use verbal persuasion is through the *Pygmalion effect*, a term based on a Greek myth about a sculptor (Pygmalion) who fell in love with a statue he carved. The Pygmalion effect is a form of *self-fulfilling prophecy* in which believing something can make it true. Here, it is often used to describe “that what one person expects of another can come to serve a self-fulfilling prophecy.”<sup>58</sup> An example should make this clear. In studies, teachers were told their students had very high IQ scores when, in fact, they spanned a range from high to low. Consistent with the Pygmalion effect, the teachers spent more time with the students they *thought* were smart, gave them more challenging assignments, and expected more of them—all of which led to higher student self-efficacy and better achievement outcomes.<sup>59</sup> This strategy has been used in the workplace too, with replicable results and enhanced effects when leader-subordinate relationships are strong.<sup>60</sup>

Training programs often make use of enactive mastery by having people practice and build their skills. In fact, one reason training works is that it increases self-efficacy, particularly when the training is interactive and feedback is given after training.<sup>61</sup> Individuals with higher levels of self-efficacy also appear to reap more benefits from training programs and are more likely to use their training on the job.<sup>62</sup>

## Reinforcement Theory

**reinforcement theory** A theory that says that behavior is a function of its consequences.

Goal-setting is a cognitive approach, proposing that an individual's purposes direct his or her action. **Reinforcement theory**, in contrast, takes a behavioristic view, arguing that reinforcement conditions behavior. The two theories are clearly philosophically at odds. Reinforcement theorists see behavior as environmentally caused. You need not be concerned, they would argue, with internal cognitive events; what controls behavior are reinforcers—any consequences that, when they immediately follow responses, increase the probability that the behavior will be repeated.

**An Ethical Choice**

## Motivated by Big Brother

Technology is a great thing. The Internet provides us with instant access to an abundance of information, and smartphones allow us to stay easily connected with others through e-mail, texting, tweeting, and conversation. Yet that ease of connectivity has also given employees the sinking feeling they are being watched...and they are right. But is it ethical?

Some companies are using technology to track their employees' activities, and some of this tracking is done in the name of science. For example, Bank of America Corp. wanted to learn whether face-to-face interaction made a difference to the productivity of its call-center teams, so it asked around 100 workers to wear badges for a few weeks that tracked their whereabouts. Discovering that the most productive workers interacted most frequently with others, the company scheduled work breaks for groups rather than individually. This is a

nice outcome, but how did the monitoring affect the behavior and motivation of the workers?

Other companies track employees to ensure they are hard at work, which risks completely demotivating some. Accurate Biometrics, for example, uses computer monitoring to oversee its telecommuters. Says Timothy Daniels, VP of operations, looking at websites his employees have visited "enables us to keep a watchful eye without being overinvasive." Currently, around 70 percent of organizations monitor their employees.

Practically speaking, managers may not want to adopt technologies that demotivate their employees through micromanagement. Perhaps more importantly, though, how can they use monitoring technology ethically in workplace applications? First and foremost, employees should be informed their activities will be tracked. Second,

the purpose of tracking should be made clear to employees. Are workers being monitored to learn something that might help them and the organization as a whole? Or are they being monitored to ensure they never slack off? Finally, it should be made clear which behaviors are inappropriate. Taking a legitimate work break is different from spending hours on a social networking site. These guidelines should increase the likelihood that monitoring programs are accepted and perceived to be fair.

Sources: S. Shellenbarger, "Working from Home without Slacking Off," *The Wall Street Journal*, July 13–15, 2012, 29; R. Richmond, "3 Tips for Legally and Ethically Monitoring Employees Online," *Entrepreneur*, May 31, 2012, <http://www.entrepreneur.com/article/223686>; and R. E. Silverman, "Tracking Sensors Invade the Workplace," *The Wall Street Journal*, March 7, 2003, [www.wsj.com](http://www.wsj.com).

Reinforcement theory ignores the inner state of the individual and concentrates solely on what happens when he or she takes some action. Because it does not concern itself with what initiates behavior, it is not, strictly speaking, a theory of motivation. But it does provide a powerful means of analyzing what controls behavior, and this is why we typically consider it in discussions of motivation.<sup>63</sup>

**Operant Conditioning/Behaviorism and Reinforcement** *Operant conditioning theory*, probably the most relevant component of reinforcement theory for management, argues that people learn to behave to get something they want or to avoid something they don't want. Unlike reflexive or unlearned behavior, operant behavior is influenced by the reinforcement or lack of reinforcement brought about by consequences. Reinforcement strengthens a behavior and increases the likelihood it will be repeated.<sup>64</sup>

B. F. Skinner, one of the most prominent advocates of operant conditioning, demonstrated that people will most likely engage in desired behaviors if they are positively reinforced for doing so; rewards are most effective if they immediately follow the desired response; and behavior that is not rewarded, or is punished, is less likely to be repeated. The concept of operant conditioning was part of Skinner's broader concept of **behaviorism**, which argues that behavior follows stimuli in a relatively unthinking manner. Skinner's form of radical behaviorism rejects feelings, thoughts, and other states of mind as causes of behavior. In short, people learn to associate stimulus and response, but their conscious awareness of this association is irrelevant.<sup>65</sup>

**behaviorism** A theory that argues that behavior follows stimuli in a relatively unthinking manner.

You can see illustrations of operant conditioning everywhere. For instance, a commissioned salesperson wanting to earn a sizable income finds doing so is contingent on generating high sales in his territory, so he sells as much as possible. Of course, the linkage can also teach individuals to engage in behaviors that work against the best interests of the organization. Assume your boss says if you work overtime during the next 3-week busy season you'll be compensated for it at your next performance appraisal. However, when performance-appraisal time comes, you are given no positive reinforcement for your overtime work. The next time your boss asks you to work overtime, what will you do? You'll probably decline!

**social-learning theory** The view that we can learn through both observation and direct experience.

**Social-Learning Theory and Reinforcement** Individuals can learn by being told or by observing what happens to other people, as well as through direct experience. Much of what we have learned comes from watching models—parents, teachers, peers, film and television performers, bosses, and so forth. The view that we can learn through both observation and direct experience is called **social-learning theory**.<sup>66</sup>

Although social-learning theory is an extension of operant conditioning—that is, it assumes behavior is a function of consequences—it also acknowledges the effects of observational learning and perception. People respond to the way they perceive and define consequences, not to the objective consequences themselves.

Models are central to the social-learning viewpoint. Four processes determine their influence on an individual:

1. **Attentional processes.** People learn from a model only when they recognize and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly available, important to us, or similar to us (in our estimation).
2. **Retention processes.** A model's influence depends on how well the individual remembers the model's action after the model is no longer readily available.

3. **Motor reproduction processes.** After a person has seen a new behavior by observing the model, watching must be converted to doing. This process demonstrates that the individual can perform the modeled activities.
4. **Reinforcement processes.** Individuals are motivated to exhibit the modeled behavior if positive incentives or rewards are provided. Positively reinforced behaviors are given more attention, learned better, and performed more often.

## Equity Theory/Organizational Justice

Ainsley is a student working toward a bachelor's degree in finance. In order to gain some work experience and increase her marketability, she has accepted a summer internship in the finance department at a pharmaceutical company. She is quite pleased at the pay: \$15 an hour is more than other students in her cohort receive for their summer internships. At work she meets Josh, a recent graduate working as a middle manager in the same finance department. Josh makes \$30 an hour.

On the job, Ainsley is a go-getter. She's engaged, satisfied, and always seems willing to help others. Josh is the opposite. He often seems disinterested in his job and entertains thoughts about quitting. When pressed one day about why he is unhappy, Josh cites his pay as the main reason. Specifically, he tells Ainsley that, compared to managers at other pharmaceutical companies, he makes much less. "It isn't fair," he complains. "I work just as hard as they do, yet I don't make as much. Maybe I should go work for the competition."

How could someone making \$30 an hour be less satisfied with his pay than someone making \$15 an hour and be less motivated as a result? The answer lies in **equity theory** and, more broadly, in principles of organizational justice. According to equity theory, employees compare what they get from their job (their "Outcomes," such as pay, promotions, recognition, or a bigger office) to what they put into it (their "Inputs," such as effort, experience, and education). They take the ratio of their outcomes to their inputs and compare it to the ratio of others, usually someone similar like a coworker or someone doing the same job. This is shown in Exhibit 7-6. If we believe our ratio is equal to those with whom we compare ourselves, a state of equity exists and we perceive our situation as fair.

Based on equity theory, employees who perceive inequity will make one of six choices:<sup>67</sup>

1. **Change inputs** (exert less effort if underpaid or more if overpaid).
2. **Change outcomes** (individuals paid on a piece-rate basis can increase their pay by producing a higher quantity of units of lower quality).

**Exhibit 7-6 Equity Theory**

Ratio Comparisons*	Perception
$\frac{O}{I_A} < \frac{O}{I_B}$	Inequity due to being underrewarded
$\frac{O}{I_A} = \frac{O}{I_B}$	Equity
$\frac{O}{I_A} > \frac{O}{I_B}$	Inequity due to being overrewarded

\*Where  $\frac{O}{I_A}$  represents the employee and  $\frac{O}{I_B}$  represents relevant others

3. **Distort perceptions of self** ("I used to think I worked at a moderate pace, but now I realize I work a lot harder than everyone else").
4. **Distort perceptions of others** ("Mike's job isn't as desirable as I thought").
5. **Choose a different referent** ("I may not make as much as my brother-in-law, but I'm doing a lot better than my Dad did when he was my age").
6. **Leave the field** (quit the job).

Equity theory has support from some researchers, but not from all.<sup>68</sup> There are some concerns with the propositions. First, inequities created by overpayment do not seem to significantly affect behavior in most work situations. So don't expect an employee who feels overpaid to give back part of his salary or put in more hours to make up for the inequity. Although individuals may sometimes perceive that they are overrewarded, they restore equity by rationalizing their situation ("I'm worth it because I work harder than everyone else"). Second, not everyone is equally equity-sensitive, for various reasons, including feelings of entitlement.<sup>69</sup> Others actually prefer outcome–input ratios lower than the referent comparisons. Predictions from equity theory are not likely to be very accurate about these "benevolent types."<sup>70</sup>

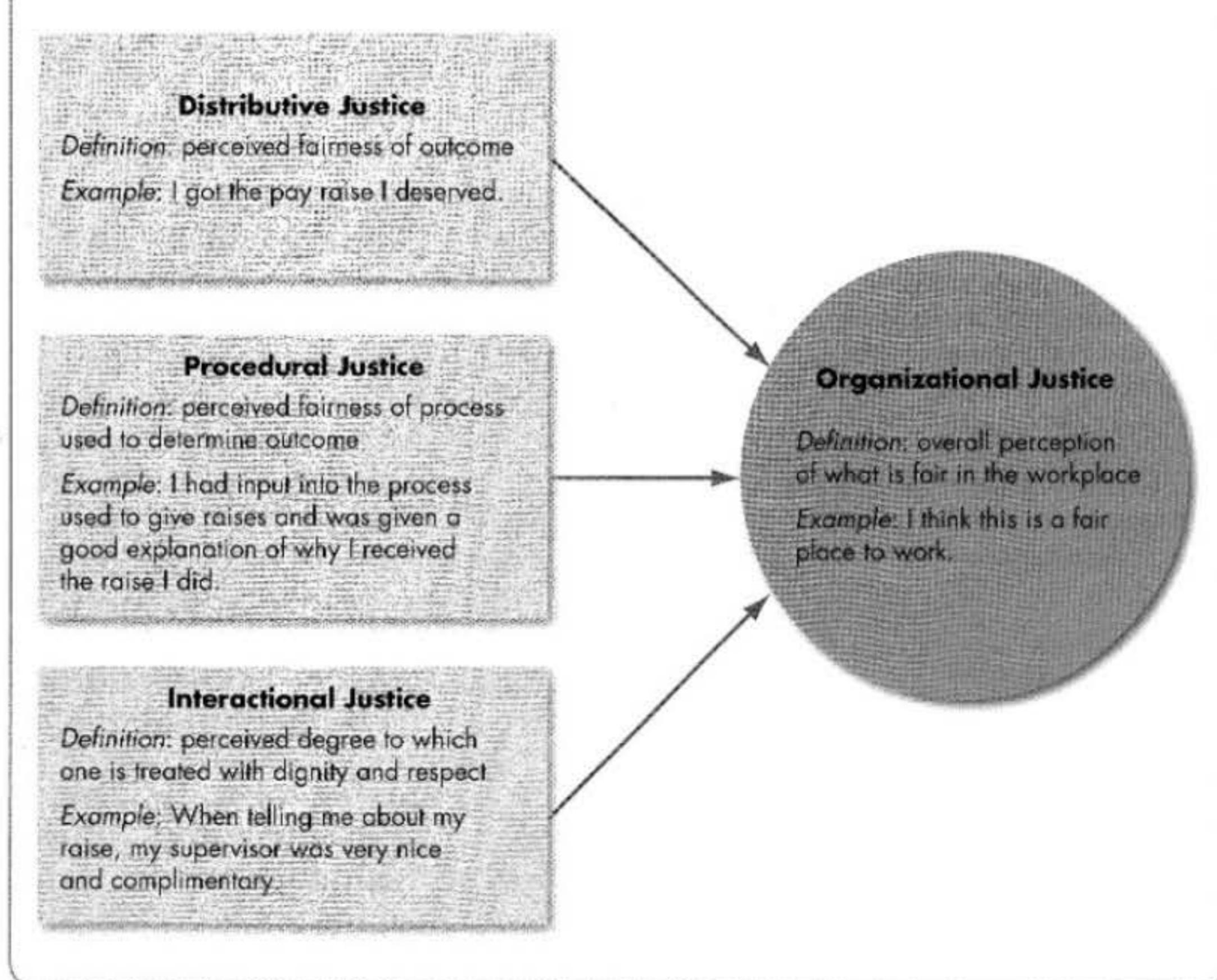
Although equity theory's propositions have not all held up, the hypothesis served as an important precursor to the study of **organizational justice**, or more simply fairness, in the workplace.<sup>71</sup> Organizational justice is concerned more broadly with how employees feel authorities and decision-makers at work treat them. For the most part, employees evaluate how fairly they are treated, as shown in Exhibit 7-7.

**organizational justice** An overall perception of what is fair in the workplace, composed of distributive, procedural, informational, and interpersonal justice.

**distributive justice** Perceived fairness of the amount and allocation of rewards among individuals.

**Distributive Justice** **Distributive justice** is concerned with the fairness of the outcomes, such as pay and recognition that employees receive. Outcomes can

**Exhibit 7-7 Model of Organizational Justice**



be allocated in many ways. For example, we could distribute raises equally among employees, or we could base them on which employees need money the most. However, as we discussed about equity theory, employees tend to perceive their outcomes are fairest when they are distributed equitably.

Does the same logic apply to teams? At first glance, it would seem that distributing rewards equally among team members is best for boosting morale and teamwork—that way, no one is favored more than another. A study of U.S. National Hockey League teams suggests otherwise. Differentiating the pay of team members on the basis of their inputs (how well they performed in games) attracted better players to the team, made it more likely they would stay, and increased team performance.<sup>72</sup>

The way we have described things so far, it would seem that individuals gauge distributive justice and equity in a rational, calculative way as they compare their outcome–input ratios to those of others. But the experience of justice, and especially of injustice, is often not so cold and calculated. Instead, people base distributive judgments on a feeling or an emotional reaction to the way they think they are being treated relative to others, and their reactions are often “hot” and emotional rather than cool and rational.<sup>73</sup>

**procedural justice** The perceived fairness of the process used to determine the distribution of rewards.

**Procedural Justice** Although employees care a lot about *what* outcomes are distributed (distributive justice), they also care about *how* they are distributed. While distributive justice looks at *what* outcomes are allocated, **procedural justice** examines *how*.<sup>74</sup> For one, employees perceive that procedures are fairer when they are given a say in the decision-making process. Having direct influence over how decisions are made, or at the very least being able to present our opinion to decision makers, creates a sense of control and makes us feel empowered (we discuss empowerment more in the next chapter). Employees also perceive that procedures are fairer when decision makers follow several “rules.” These include making decisions in a consistent manner (across people and over time), avoiding bias (not favoring one group or person over another), using accurate information, considering the groups or people their decisions affect, acting ethically, and remaining open to appeals or correction.

If outcomes are favorable and individuals get what they want, they care less about the process, so procedural justice doesn't matter as much when distributions are perceived to be fair. It's when outcomes are unfavorable that people pay close attention to the process. If the process is judged to be fair, then employees are more accepting of unfavorable outcomes.<sup>75</sup>

Why is this the case? It's likely that employees believe fair procedures, which often have long-lasting effects, will eventually result in a fair outcome, even if the immediate outcome is unfair. Think about it. If you are hoping for a raise and your manager informs you that you did not receive one, you'll probably want to know how raises were determined. If it turns out your manager allocated raises based on merit and you were simply outperformed by a coworker, then you're more likely to accept your manager's decision than if raises were based on favoritism. Of course, if you get the raise in the first place, then you'll be less concerned with how the decision was made.

**Informational justice** The degree to which employees are provided truthful explanations for decisions.

**Informational Justice** Beyond outcomes and procedures, research has shown that employees care about two other types of fairness that have to do with the way they are treated during interactions with others. The first type is **informational justice**, which reflects whether managers provide employees with explanations for key decisions and keep them informed of important organizational matters. The more detailed and candid managers are with employees, the more fairly treated those employees feel.

**Interpersonal justice** The degree to which employees are treated with dignity and respect.

Though it may seem obvious that managers should be honest with their employees and not keep them in the dark about organizational matters, many managers are hesitant to share information. This is especially the case with bad news, which is uncomfortable for both the manager delivering it and the employee receiving it. Explanations for bad news are beneficial when they take the form of excuses after the fact ("I know this is bad, and I wanted to give you the office, but it wasn't my decision") rather than justifications ("I decided to give the office to Sam, but having it isn't a big deal").<sup>76</sup>

**Interpersonal Justice** The second type of justice relevant to interactions between managers and employees is **interpersonal justice**, which reflects whether employees are treated with dignity and respect. Compared to the other forms of justice we've discussed, interpersonal justice is unique in that it can occur in everyday interactions between managers and employees.<sup>77</sup> This quality allows managers to take advantage of (or miss out on) opportunities to make their employees feel fairly treated. Many managers may view treating employees politely and respectfully as too "soft," choosing more aggressive tactics out of a belief that doing so will be more motivating. Although displays of negative emotions such as anger may be motivating in some cases,<sup>78</sup> managers sometimes take this too far. Consider former Rutgers University men's basketball coach Mike Rice who was caught on video verbally and even physically abusing players and was subsequently fired.<sup>79</sup>

**Justice Outcomes** After all this talk about types of justice, how much does justice really matter to employees? A great deal, as it turns out. When employees feel fairly treated, they respond in a number of positive ways. All the types of justice discussed in this section have been linked to higher levels of task performance and citizenship behaviors such as helping coworkers, as well as lower levels of counterproductive behaviors such as shirking job duties. Distributive and procedural justice are more strongly associated with task performance, while informational and interpersonal justice are more strongly associated with citizenship behavior. Even more physiological

outcomes, such as how well employees sleep and the state of their health, have been linked to fair treatment.<sup>80</sup>

Why does justice have these positive effects? Fair treatment enhances commitment to the organization and makes employees feel it cares about their well-being. In addition, employees who feel fairly treated trust their supervisors more, which reduces uncertainty and fear of being exploited by the organization. Finally, fair treatment elicits positive emotions, which in turn prompts behaviors like citizenship.<sup>81</sup>

Despite all attempts to enhance fairness, perceived injustices are still likely to occur. Fairness is often subjective; what one person sees as unfair, another may see as perfectly appropriate. In general, people see allocations or procedures favoring themselves as fair.<sup>82</sup> So, when addressing perceived injustices, managers need to focus their actions on the source of the problem. In addition, if employees feel they have been treated unjustly, having opportunities to express their frustration has been shown to reduce their desire for retribution.<sup>83</sup>

**Ensuring Justice** How can an organization affect the justice perceptions and rule adherence of its managers? This depends upon the motivation of each manager. Some managers are likely to calculate justice by their degree of adherence to the justice rules of the organization. These managers will try to gain greater subordinate compliance with behavioral expectations, create an identity of being fair to their employees, or establish norms of fairness. Other managers may be motivated in justice decisions by their emotions. When they have a high positive affect and/or a low negative affect, these managers are most likely to act fairly.

It might be tempting for organizations to adopt strong justice guidelines in attempts to mandate managerial behavior, but this isn't likely to be universally effective. In cases where managers have more rules and less discretion, those who calculate justice are more likely to act fairly, but managers whose justice behavior follows from their affect may act more fairly when they have greater discretion.<sup>84</sup>

**Culture and Justice** Across nations, the same basic principles of procedural justice are respected in that workers around the world prefer rewards based on performance and skills over rewards based on seniority.<sup>85</sup> However, inputs and outcomes are valued differently in various cultures.<sup>86</sup>

We may think of justice differences in terms of Hofstede's cultural dimensions (see Chapter 5). One large-scale study of over 190,000 employees in 32 countries and regions suggested that justice perceptions are most important to people in countries with individualistic, feminine, uncertainty avoidance, and low power-distance values.<sup>87</sup> Organizations can tailor programs to meet these justice expectations. For example, in countries that are highest in individualism, such as Australia and the United States, competitive pay plans and rewards for superior individual performance will enhance feelings of justice. In countries dominated by uncertainty avoidance, such as France, fixed pay compensation and employee participation may help employees feel more secure. The dominant dimension in Sweden is femininity, so relational concerns are considered important. Swedish organizations may therefore want to provide work-life balance initiatives and social recognition. Austria, in contrast, has a strong low power-distance value. Ethical concerns may be foremost to individuals in perceiving justice in Austrian organizations, so it will be important for organizations to justify inequality between leaders and workers and provide symbols of ethical leadership.

We can also look at other cultural factors. Some cultures emphasize status over individual achievement as a basis for allocating resources. Materialistic cultures are more likely to see cash compensation and rewards as the most relevant



outcomes of work, whereas relational cultures will see social rewards and status as important outcomes. International managers must consider the cultural preferences of each group of employees when determining what is “fair” in different contexts.

### Expectancy Theory

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

One of the most widely accepted explanations of motivation is Victor Vroom's **expectancy theory**.<sup>88</sup> Although it has critics, most evidence supports the theory.<sup>89</sup>

Expectancy theory argues that the strength of our tendency to act a certain way depends on the strength of our expectation of a given outcome and its attractiveness. In practical terms, employees will be motivated to exert a high level of effort when they believe that it will lead to a good performance appraisal, that a good appraisal will lead to organizational rewards such as salary increases and/or intrinsic rewards, and that the rewards will satisfy their personal goals. The theory, therefore, focuses on three relationships (see Exhibit 7-8):

- 1. Effort–performance relationship.** The probability perceived by the individual that exerting a given amount of effort will lead to performance.
- 2. Performance–reward relationship.** The degree to which the individual believes performing at a particular level will lead to the attainment of a desired outcome.

3. **Rewards–personal goals relationship.** The degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual.<sup>90</sup>

Expectancy theory helps explain why a lot of workers aren't motivated on their jobs and do only the minimum necessary to get by. Let's frame the theory's three relationships as questions employees need to answer in the affirmative if their motivation is to be maximized.

*First, if I give maximum effort, will it be recognized in my performance appraisal?* For many employees, the answer is "no." Why? Their skill level may be deficient, which means no matter how hard they try, they're not likely to be high performers. Or the organization's performance appraisal system may be designed to assess non-performance factors such as loyalty, initiative, or courage, which means more effort won't necessarily result in a higher evaluation. Another possibility is that employees, rightly or wrongly, perceive the boss doesn't like them. As a result, they expect a poor appraisal, regardless of effort. These examples suggest that people will be motivated only if they perceive a link between their effort and their performance.

*Second, if I get a good performance appraisal, will it lead to organizational rewards?* Many organizations reward things besides performance. When pay is based on factors such as having seniority, being cooperative, or "kissing up" to the boss, employees are likely to see the performance–reward relationship as weak and demotivating.

*Finally, if I'm rewarded, are the rewards attractive to me?* The employee works hard in the hope of getting a promotion but gets a pay raise instead. Or the employee wants a more interesting and challenging job but receives only a few words of praise. Unfortunately, many managers are limited in the rewards they can distribute, which makes it difficult to tailor rewards to individual employee needs. Some managers incorrectly assume all employees want the same thing, thus overlooking the motivational effects of differentiating rewards. In these cases, employee motivation is submaximized.

As a vivid example of how expectancy theory can work, consider stock analysts. They make their living trying to forecast a stock's future price; the accuracy of their buy, sell, or hold recommendations is what keeps them in work or gets them fired. But the dynamics are not simple. Analysts place few sell ratings on stocks, although in a steady market, by definition, as many stocks are falling as are rising. Expectancy theory provides an explanation: Analysts who place a sell rating on a company's stock have to balance the benefits they receive by being accurate against the risks they run by drawing that company's ire. What are these risks? They include public rebuke, professional blackballing, and exclusion from information. When analysts place a buy rating on a stock, they face no such trade-off because, obviously, companies love it when analysts recommend that investors buy their stock. So the incentive structure suggests the expected outcome of buy ratings is higher than the expected outcome of sell ratings, and that's why buy ratings vastly outnumber sell ratings.<sup>91</sup>

## ★ PERSONAL INVENTORY ASSESSMENTS

### Work Motivation Indicator

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