

chapter

9

Motivating, Satisfying, and Leading Employees



After reading this chapter, you should be able to:

- LO-1** Identify and discuss the basic *forms of behaviour* that employees exhibit in organizations.
- LO-2** Describe the nature and importance of *individual differences* among employees.
- LO-3** Explain the meaning and importance of *psychological contracts* and the person–job fit in the workplace.
- LO-4** Identify and summarize the most important models of *employee motivation*.
- LO-5** Describe the *strategies* used by organizations to improve job satisfaction and employee motivation.
- LO-6** Define *leadership* and distinguish it from *management*.
- LO-7** Summarize the *approaches to leadership* that developed during the twentieth century.
- LO-8** Describe the most recent ideas about effective leadership.





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What Do Employees Want?

Every manager wants to have employees who are satisfied and highly motivated because such employees exhibit positive behaviours, such as persisting even in the face of difficulties, being involved in continuous learning and improvement, and constantly finding ways to improve quality and productivity. These behaviours, in turn, lead to several positive outcomes for the organization: higher customer satisfaction, greater profits, higher quality, and lower employee turnover. But how do managers achieve the goal of having highly motivated and satisfied workers? The most general answer: give employees what they want (within reason, of course).

But what do employees want? Managers often assume that they know what employees want, but consider the results of two surveys. The Canadian Payroll Association analyzed the frequency with which 39 specific benefits were provided by *companies* to their employees. The top five most common items were term life insurance, car allowances, tuition fees, disability-related employment benefits, and professional membership dues. But another survey of *worker* opinions found that they rated flexible working hours, casual dress, unlimited internet access, opportunities to telecommute, and nap time as the most desirable. There are obviously major differences in these two lists, so managers are having some difficulty assessing what employees want.

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How Will This Help Me?

The connections that employees have with their jobs can go a long way toward determining how happy they are with their work. Some people love their jobs, while others hate theirs. Most people, however, fall somewhere in between. After studying the information in this chapter, you'll be better able to understand (1) your own feelings toward your work from the perspective of an *employee*, (2) the feelings of others toward their work from the perspective of a *manager or an owner*, (3) how you can more effectively function as a *leader*, and (4) how your manager or boss strives to motivate you through his or her own leadership.

Several other studies are consistent with this conclusion. For example, a Sirota Survey Intelligence study that assessed employee satisfaction levels at 237 companies found that only 14 percent of these companies had workforces that could be classified as “enthusiastic.” When the stock prices of 28 companies with enthusiastic workforces were compared to the average for publicly traded companies, it was found that they outperformed the average prices by more than two and a half times, while companies with *unenthusiastic* workforces lagged far behind the average stock prices. Companies with enthusiastic workforces also had fewer customer complaints, lower employee turnover, and higher quality in their products.

Another study of more than 3000 Canadian employees that was conducted by Watson Wyatt Canada revealed the following:

- 46 percent would consider changing jobs if a comparable job became available
- Only 40 percent of employees believe they have real opportunities for advancement with their current employer
- Only 27 percent of employees see any connection between their job performance and their pay

In yet another study, the Gallup Organization focused on the attitudes of 7200 workers in Canada, the U.S., and Great Britain. The survey revealed that on most measures of job satisfaction, Canadian workplaces ranked behind those of the U.S. For example, only 47 percent of Canadian workers were completely satisfied with their boss, while 60 percent of American workers were. Only 29 percent of Canadian workers were completely satisfied with their opportunities for promotion, while 40 percent of Americans were. And 37 percent of Canadian workers were completely satisfied with the recognition they received, while 48 percent of Americans were. Canadian workers were also less satisfied than U.S. workers on several other issues, including the flexibility of their work hours, workplace safety, relationships with co-workers, and the amount of vacation time they received (even though they usually received more than Americans).

Most employees start work with considerable enthusiasm, but they often lose it. Much of the blame is laid at the feet of managers whose attitudes and behaviours depress employee enthusiasm. These include failing to express appreciation to employees for a job well done, assuming that employees are lazy and irresponsible, treating employees as disposable objects, failing to build trust with workers, and quickly laying people off when the business gets into trouble. Managerial assumptions about employee satisfaction with pay can be particularly problematic. For example, many managers assume that workers will never be satisfied with their pay. But only a minority of workers rate their pay as poor or very poor, and many rate it as good or very good. A Kelly Workforce Index study showed that 58 percent of Canadian workers would be willing to accept a lower wage if they felt their work contributed something important to their organization. A poll by the staffing firm Randstad USA found that 57 percent of workers would be willing to work overtime without pay to impress their boss so that they would be less likely to laid off as a result of the economic downturn.

One of the simplest ways for managers to motivate workers is to praise them. Yet this occurs far less often than it should. A *Globe and Mail* web poll showed that 27 percent of the 2331 respondents had *never* received a compliment from their boss. Another 10 percent had not received a compliment in the last year, and 18 percent had not received a compliment in the last month. This result is disturbing, since another survey showed that 89 percent of employees rate recognition of their work as “very important” or “extremely important.”

When there is a disconnect between what companies provide for workers and what they really want, we should not be surprised if motivation and satisfaction levels of workers are not high. The real question is this: In the most general sense, what can be done to make worker and company needs more consistent? Part of the answer is provided in yet another survey, this one based on responses by 8000 Canadians. That survey found that the three most important things (for employees of all ages) were to be treated with respect, to be dealt with fairly, and to feel a sense of “connection” with the organization they worked for. All of these are things on which managers can have a very positive influence. And that is what this chapter is all about.

Behaviour

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Employee behaviour is the pattern of actions by the members of an organization that directly or indirectly influences the organization's effectiveness. **Performance behaviours** are those that are directly involved in performing a job. An assembly-line worker who sits by a moving conveyor and attaches parts to a product as it passes by has relatively simple performance behaviours, but a research-and-development scientist who works in a lab trying to find new scientific breakthroughs that have commercial potential has much more complex performance behaviours.

Other behaviours—called **organizational citizenship**—provide positive benefits to the organization in more indirect ways. An employee who does satisfactory work in terms of quantity and quality, but refuses to work overtime, won't help newcomers learn the ropes, and is generally unwilling to make any contribution beyond the strict performance requirements of the job is not a good organizational citizen. In contrast, an employee with a satisfactory level of performance who works late when the boss asks and takes time to help newcomers learn their way around is a good organizational citizen.

Counterproductive behaviours are those that detract from organizational performance. **Absenteeism** occurs when an employee does not show up for work. When an employee is absent, legitimately or not, that person's

work does not get done and a substitute must be hired to do it, or others in the organization must pick up the slack. **Turnover** occurs when people quit their jobs. It results from a number of factors, including aspects of the job, the organization, the individual, a poor person-job fit, the labour market, and family influences. One survey of 660 workers showed that 84 percent who worked for a "kind" manager planned to stay with their company a long time, while only 47 percent of those who worked for a "bully" said they planned to stay.¹

Other forms of counterproductive behaviour are also costly. *Theft and sabotage*, for example, result in direct financial costs for an organization. *Sexual and racial harassment* also cost an organization, both directly (through financial liability if the organization responds inappropriately) and indirectly (by lowering morale, producing fear, and driving off valuable employees). *Workplace aggression and violence* are also counterproductive.

EMPLOYEE

BEHAVIOUR The pattern of actions by the members of an organization that directly or indirectly influences the organization's effectiveness.

PERFORMANCE BEHAVIOURS

The total set of work-related behaviours that the organization expects employees to display.

ORGANIZATIONAL CITIZENSHIP

Positive behaviours that do not directly contribute to the bottom line.

COUNTERPRODUCTIVE BEHAVIOURS

Behaviours that detract from organizational performance.

ABSENTEEISM

When an employee does not show up for work.

TURNOVER

Annual percentage of an organization's workforce that leaves and must be replaced.

INDIVIDUAL DIFFERENCES

Personal attributes that vary from one person to another.

PERSONALITY

The relatively stable set of psychological attributes that distinguish one person from another.



For some jobs, performance behaviours can be narrowly defined and easily measured. For many other jobs, such as those held by scientists or doctors, however, performance behaviours are less objective, more diverse, and more difficult to assess.

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LO-2 Individual Differences among Employees

Individual differences are physical, psychological, and emotional attributes that vary from one person to another. The individual differences that characterize a specific person make that person unique. *Personality* and *attitudes* are two main categories of individual differences.

Personality

Personality is the relatively stable set of psychological attributes that distinguish one person from another. In recent years, researchers have identified five fundamental traits that are especially relevant to organizations. These

EMOTIONAL INTELLIGENCE (EMOTIONAL QUOTIENT (EQ))

The extent to which people are self-aware, can manage their emotions, can motivate themselves, express empathy for others, and possess social skills.

“big five” personality traits (shown in Figure 9.1) can be summarized as follows:

- **Agreeableness** is a person’s ability to get along with others. A person with a high level of agreeableness is gentle, cooperative, forgiving, understanding, and good-natured in their dealings with others.

A person with a low level of agreeableness is often irritable, short-tempered, uncooperative, and generally antagonistic toward other people. Highly agreeable people are better at developing good working relationships with co-workers, whereas less agreeable people are not likely to have particularly good working relationships.

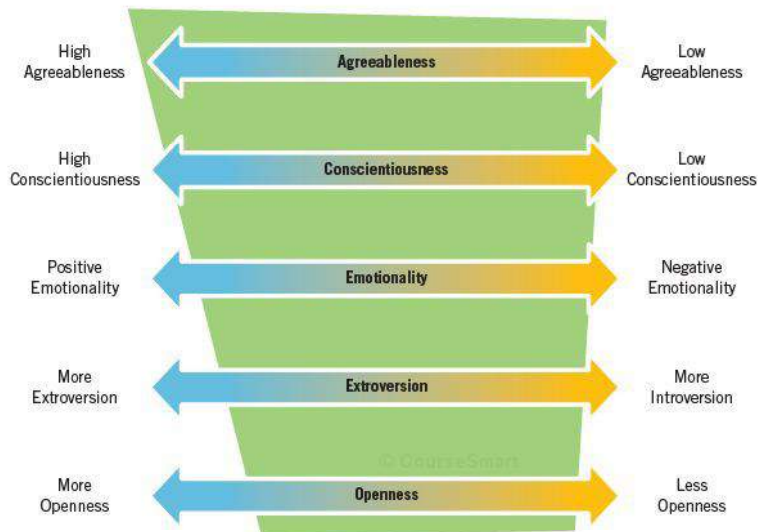
- **Conscientiousness** refers to the number of things a person tries to accomplish. *Highly conscientious* people tend to focus on relatively few tasks at one time; as a result, they are likely to be organized, systematic, careful, thorough, responsible, and self-disciplined. *Less conscientious* people tend to pursue a wider array of tasks; as a result, they are often more disorganized and irresponsible, as well as less thorough and self-disciplined. Highly conscientious people tend to be relatively higher performers in a variety of different jobs.
- **Emotionality** refers to the degree to which people tend to be positive or negative in their outlook and behaviours toward others. People with *positive* emotionality are relatively poised, calm, resilient, and secure; people with negative emotionality are more

excitable, insecure, reactive, and subject to mood swings. People with positive emotionality are better able to handle job stress, pressure, and tension. Their stability might also cause them to be seen as more reliable than their less stable counterparts.

- **Extraversion** refers to a person’s comfort level with relationships. *Extroverts* are sociable, talkative, assertive, and open to establishing new relationships, while *introverts* are much less sociable, talkative, and assertive, and more reluctant to begin new relationships. Extroverts tend to be higher overall job performers than introverts and are more likely to be attracted to jobs based on personal relationships, such as sales and marketing positions.
- **Openness** reflects how open or rigid a person is in terms of his or her beliefs. People with *high* levels of openness are curious and willing to listen to new ideas and to change their own ideas, beliefs, and attitudes in response to new information. People with *low* levels of openness tend to be less receptive to new ideas and less willing to change their minds. People with more openness are often better performers due to their flexibility and the likelihood that they will be better accepted by others in the organization.

Emotional Intelligence *Emotional intelligence*, while not part of the “big five,” also plays a large role in employee personality. **Emotional intelligence**, or **emotional quotient (EQ)**, refers to the extent to which people possess *self-awareness* (the ability to understand their mood), *self-regulation* (the ability to control disruptive impulses), *motivation* (a passion for work), *empathy* (the ability to understand the emotional makeup of others), and *social*

Figure 9.1
The “big five” personality traits.



skill (proficiency in managing relationships).² Research suggests that people with high EQs may perform better than others, especially in jobs that require a high degree of interpersonal interaction and that involve influencing or directing the work of others. EQ appears to be something that isn't biologically based but which can be developed.³

Attitudes

People's attitudes also affect their behaviour in organizations. **Attitudes** reflect our beliefs and feelings about specific ideas, situations, or other people. People in organizations have attitudes about many different things: their salary, their promotion possibilities, their boss, their employee benefits, and so on. Especially important attitudes are *job satisfaction* and *organizational commitment*.

- **Job satisfaction** reflects the extent to which people have positive attitudes toward their jobs. (A related concept—*morale*—refers to the overall attitude people have toward their workplace.) A Workopolis survey of 577 Canadians showed that 53 percent loved their jobs, 16 percent kept their job simply because it helped pay the bills, and 14 percent felt that their current job had the potential to lead to something better.⁴ A 2010 survey of workers in 23 countries found that workers in Norway, Denmark, and Canada were the most satisfied with their current employer.⁵ Satisfied employees tend to be absent less often, to be good organizational citizens, and to stay with the organization. Dissatisfied employees may be absent more often, may experience stress that disrupts co-workers, and may be continually looking for another job. Contrary to what a lot of managers believe, however, high levels of job satisfaction do not automatically lead to high levels of productivity.

- **Organizational commitment** (also called *job commitment*) reflects an individual's identification with the organization and its mission. Highly committed employees see themselves as true members of the firm, overlook minor sources of dissatisfaction, and see themselves remaining members of the organization. Less committed employees are more likely to see themselves as outsiders, to express more dissatisfaction about the work situation, and to not see themselves as long-term members of the organization. One way to increase employee commitment is to give employees a voice. BBVA, Spain's second largest bank, accomplishes this by including employees in the performance evaluation process. Not only is the employee's own self-evaluation considered, but co-workers also answer questions about each employee's performance. Infosys Technologies in Bangalore, India, started a Voice of Youth program, which gives top-performing young employees a seat on its management council.⁶

LO-3 Matching People and Jobs

Given the array of individual differences that exist across people and the many different forms of employee behaviour that can occur in organizations, it is important to have a good match between people and the jobs they are performing. Two key methods for facilitating this match are *psychological contracts* and the *person–job fit*.

Psychological Contracts

A **psychological contract** is the set of expectations held by an employee concerning what he or she will contribute to an organization (referred to as *contributions*) and what the organization will provide to the employee (referred to as *inducements*). If either party perceives an inequity in the contract, that party may seek a change. The employee, for example, might ask for a pay raise, a promotion, or a bigger office, or might put forth less effort or look for a better job elsewhere. The organization can also initiate change by training workers to improve their skills, transferring them to new jobs, or terminating them. Unlike a business contract, a psychological contract is not written on paper, nor are all of its terms explicitly negotiated. Figure 9.2 illustrates the essential features of a psychological contract.

The downsizing and cutbacks that have occurred in Canadian businesses in recent years have complicated the process of managing psychological contracts. Many organizations, for example, used to offer at least some assurance of job security as a fundamental inducement to employees. Now, however, because job security is lower, alternative inducements (like improved benefits, more flexible working hours, bonuses, etc.) may be needed.

The Person–Job Fit

The **person–job fit** refers to the extent to which a person's contributions and the organization's inducements match one another. Each employee has a specific set of needs that he or she wants fulfilled, and a set of job-related

ATTITUDES

A person's beliefs and feelings about specific ideas, situations, or people.

JOB SATISFACTION

Extent to which people have positive attitudes toward their jobs.

ORGANIZATIONAL COMMITMENT

An individual's identification with the organization and its mission.

PSYCHOLOGICAL CONTRACT

The set of expectations held by an employee concerning what he or she will contribute to an organization (contributions) and what the organization will provide the employee (inducements) in return.

PERSON–JOB FIT

The extent to which a person's contributions and the organization's inducements match one another.

MOTIVATION

The set of forces that causes people to behave in certain ways.

CLASSICAL THEORY OF MOTIVATION

A theory of motivation that presumes that workers are motivated almost solely by money.

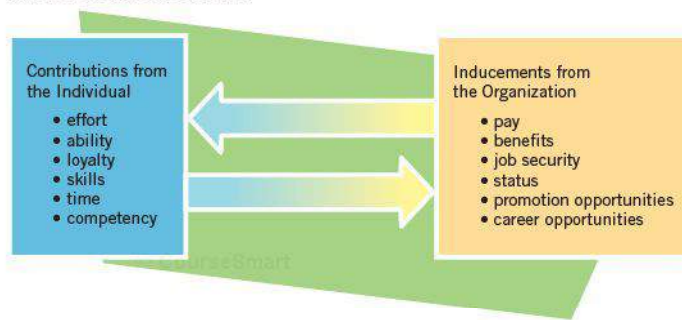
SCIENTIFIC MANAGEMENT

Analyzing jobs and finding better, more efficient ways to perform them.

TIME-AND-MOTION STUDIES

The use of industrial-engineering techniques to study every aspect of a specific job to determine how to perform it most efficiently.

Figure 9.2
The psychological contract.



behaviours and abilities to contribute. If the organization can take perfect advantage of those behaviours and abilities and exactly fulfill those needs, it will have achieved a perfect person–job fit. A good person–job fit can result in higher performance and more positive

attitudes, whereas a poor person–job fit can have just the opposite effect.

engineer Frederick Taylor proposed a way for both companies and workers to benefit from this view of life in the workplace.⁸ If workers are motivated by money, Taylor reasoned, then paying them more would prompt them to produce more. Meanwhile, the firm that analyzed jobs and found better ways to perform them would be able to produce goods more cheaply, make higher profits, and thus pay—and motivate—workers better than its competitors.

Taylor's approach is known as **scientific management**, and his ideas captured the imagination of many managers in the early twentieth century. Soon, plants across Canada and the United States were hiring experts to perform **time-and-motion studies**, which were the first “scientific” attempts to break jobs down into easily repeated components and to devise more efficient tools and machines for performing them.⁹

Motivation in the Workplace

Motivation is the set of forces that causes people to behave in certain ways. While one worker may be motivated to work hard to produce as much as possible, another may be motivated to do just enough to get by. As we saw in the opening case, effective managers recognize that different employees have different needs and are motivated by different things. One company that stopped handing out T-shirts with the company logo on them found that professional workers didn't much care, but immigrant workers in entry-level jobs were unhappy because the T-shirts had symbolic value for them (they apparently made them feel like they belonged in Canada).⁷ This example, and thousands more, show that managers must think very carefully about how to motivate employees.

Over the last century, many theories have been proposed to explain the complex issue of motivation. In this section, we will focus on three major approaches that reflect a chronology of thinking in the area of motivation: *classical theory/scientific management*, *early behavioural theory*, and *contemporary motivational theories*.

Classical Theory

In the **classical theory of motivation**, it is assumed that workers are motivated solely by money. In his book *The Principles of Scientific Management* (1911), industrial



The Hawthorne studies were an important step in developing an appreciation for the human factor at work. These women worked under different lighting conditions as researchers monitored their productivity. The researchers were amazed to find that productivity increased regardless of whether lighting levels increased or decreased.

Courtesy of AT&T Archives and History Center

Early Behavioural Theory

In 1925, a group of Harvard researchers began a study at the Hawthorne Works of the Western Electric Company. Their intent was to examine the relationship between changes in the physical environment and worker output, with an eye to increasing productivity. The results of the experiment at first confused, then amazed, the scientists. Increasing lighting levels improved productivity, but so did lowering lighting levels. And against all expectations, raising the pay of workers failed to increase their productivity. Gradually they pieced together the puzzle: the explanation for the contradictory findings lay in workers' response to the attention being paid to them. In essence, the researchers determined that almost any action on the part of management that made workers believe they were receiving special attention caused worker productivity to rise. This result, known as the **Hawthorne effect**, convinced many managers that paying attention to employees is indeed good for business.

Following the Hawthorne studies, managers and researchers alike focused more attention on the importance of good human relations in motivating employee performance. Stressing the factors that cause, focus, and sustain workers' behaviour, most motivation theorists became concerned with the ways in which management thinks about and treats employees. The major motivation theories that were proposed during the 1940s and 1950s include the *human resources model*, the *hierarchy of needs model*, and the *two-factor theory*.

LO-4 The Human-Resources Model: Theories X and Y

Behavioural scientist Douglas McGregor concluded that managers had different beliefs about how best to use the human resources at a firm's disposal. He classified these beliefs into sets of assumptions that he labelled "Theory X" and "Theory Y."¹⁰ Managers who subscribe to **Theory X** tend to believe that people are naturally lazy and uncooperative and must therefore be either punished or rewarded to be made productive. Managers who subscribe to **Theory Y** tend to believe that people are naturally energetic, growth-oriented, self-motivated, and interested in being productive.

McGregor generally favoured Theory Y beliefs, and argued that Theory Y managers are more

likely to have satisfied, motivated employees. Of course, Theory X and Y distinctions are somewhat simplistic and offer little concrete basis for action. Their value lies primarily in their ability to highlight and analyze the behaviour of managers in light of their attitudes toward employees.

Maslow's Hierarchy of Human Needs Model Psychologist Abraham Maslow's hierarchy of human needs model proposed that people have a number of different needs that they attempt to satisfy in their work.¹¹ He classified these needs into five basic types and suggested that they are arranged in a hierarchy of importance, where lower-level needs must be met before a person will try to satisfy those on a higher level (see Figure 9.3).

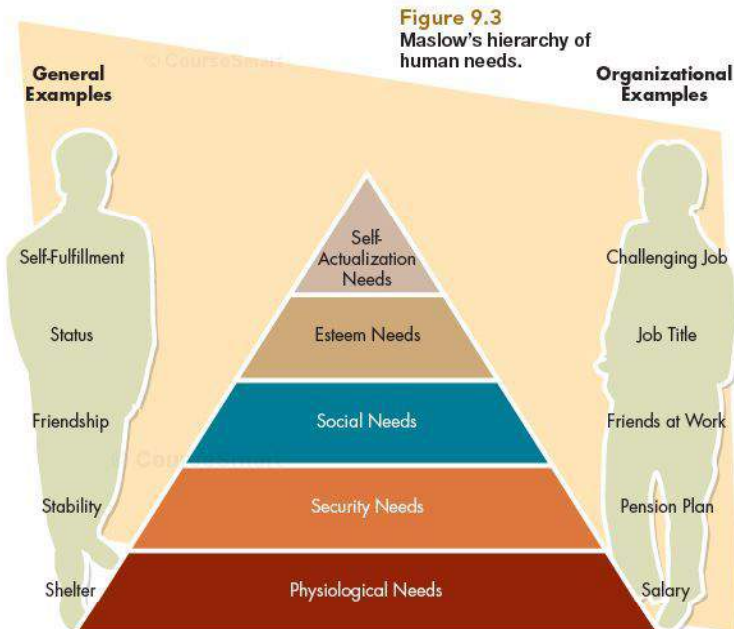
- *Physiological needs* are those concerned with survival; they include food,

HAWTHORNE EFFECT The tendency for workers' productivity to increase when they feel they are receiving special attention from management.

THEORY X A management approach based on the belief that people must be forced to be productive because they are naturally lazy, irresponsible, and uncooperative.

THEORY Y A management approach based on the belief that people want to be productive because they are naturally energetic, responsible, and cooperative.

HIERARCHY OF HUMAN NEEDS MODEL Theory of motivation describing five levels of human needs and arguing that basic needs must be fulfilled before people work to satisfy higher-level needs.



TWO-FACTOR

THEORY

A theory of human relations developed by Frederick Herzberg that identifies factors that must be present for employees to be satisfied with their jobs and factors that, if increased, lead employees to work harder.

EXPECTANCY

THEORY

The theory that people are motivated to work toward rewards that they want and that they believe they have a reasonable chance of obtaining.

water, shelter, and sleep. Businesses address these needs by providing both comfortable working environments and salaries sufficient to buy food and shelter.

- **Security needs** include the needs for stability and protection from the unknown. Many employers thus offer pension plans and job security.
- **Social needs** include the needs for friendship and companionship. Making friends at work can help to satisfy social needs, as can the feeling that you “belong” in a company.

- **Esteem needs** include the needs for status, recognition, and self-respect. Job titles and large offices are among the things that businesses can provide to address these needs.
- **Self-actualization needs** are needs for self-fulfillment. They include the needs to grow and develop one’s capabilities and to achieve new and meaningful goals. Challenging job assignments can help satisfy these needs.

According to Maslow, once needs at one level have been satisfied, they cease to motivate behaviour. For example, if you feel secure in your job, a new pension plan will probably be less important to you than the chance to make new friends and join an informal network among your co-workers. If, however, a lower-level need suddenly becomes unfulfilled, most people immediately refocus on that lower level. For example, if you are trying to meet your esteem needs by working as a divisional manager at a major company and you learn that your division and your job may be eliminated, you might very well find the promise of job security at a new firm very motivating.

Two-Factor (Motivator–Hygiene) Theory

After studying a group of accountants and engineers, psychologist Frederick Herzberg proposed the **two-factor theory**, which says that job satisfaction and dissatisfaction depend on two separate factors: *hygiene factors* (such as working conditions, quality of supervision, interpersonal relations, pay, and job security) and *motivating factors* (such as recognition, responsibility, advancement, and achievement).¹² Motivation factors cause movement along a continuum from *no satisfaction* to *satisfaction*. For example, if workers receive no recognition for successful work, they

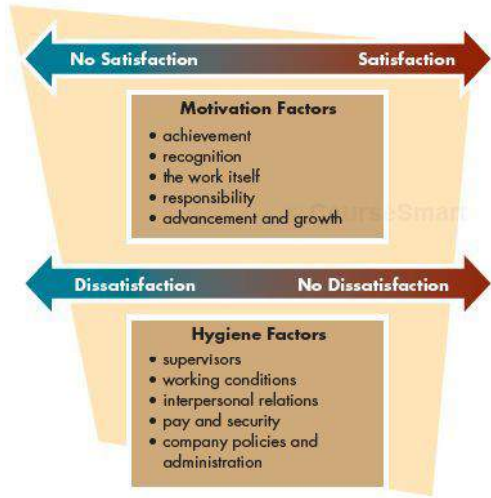


Figure 9.4
Two-factor theory of motivation.

may not be satisfied, but neither will they be dissatisfied. If recognition is provided, they will likely become more satisfied. Hygiene factors cause movement along a different continuum, one from *no dissatisfaction* to *dissatisfaction*. For example, workers will be dissatisfied if they feel that working conditions are poor, but if working conditions are improved, workers will not become *satisfied*; rather, they will no longer be *dissatisfied*. Overall, motivation factors are directly related to the *work* that employees actually perform, while hygiene factors refer to the *environment* in which they perform it (see Figure 9.4).

This theory thus suggests that managers should follow a two-step approach to enhancing motivation. First, they must ensure that hygiene factors are acceptable. This practice will result in an absence of dissatisfaction. Then they must introduce motivating factors. This will result in an increase in satisfaction.

Contemporary Motivation Theory

In recent years, other, more complex models of employee behaviour and motivation have been developed. Two of the more interesting and useful ones are *expectancy theory* and *equity theory*.

Expectancy Theory Expectancy theory suggests that people are motivated to work toward rewards they want and which they believe they have a reasonable chance—or expectancy—of obtaining.¹³ A reward that seems out of reach, for example, is not likely to be motivating even if it is intrinsically positive (see Figure 9.5). Suppose that an assistant department manager learns that a division manager has retired and that the firm is looking for a replacement. Even though she wants the job, the assistant manager does not apply for it because she doubts



Figure 9.5
Expectancy theory mode.

that she would be selected. Then she learns that the firm is looking for a production manager on a later shift. She thinks that she could get this job but does not apply for that one because she does not want to change shifts. But when she learns of an opening one level higher—full department manager—in her own division she applies for this job because she both wants it and thinks that she has a good chance of getting it.

Expectancy theory helps to explain why some people do not work as hard as they can when their salaries are based purely on seniority. Because they are paid the same whether they work very hard or just hard enough to get by, there is no financial incentive for them to work harder. Similarly, if hard work will result in one or more *undesirable* outcomes—say, a transfer to another location or a promotion to a job that requires more travel—employees may not be motivated to work hard.

Equity Theory Equity theory focuses on social comparisons—people evaluating their treatment by the organization relative to the treatment of others. This approach says that people begin by analyzing what they contribute to their jobs (time, effort, education, experience, and so forth) relative to what they get in return (salary, benefits, recognition, security). The result is a ratio of contribution to return. Employees compare their own ratios to those of other employees. Depending on their assessments, they experience feelings of equity or inequity.¹⁴

For example, suppose a new college graduate gets a starting job at a large manufacturing firm. His starting salary is \$38 000 per year, he gets a compact company car, and he shares an office with another new employee. If he later learns that another new employee has received the same salary, car, and office arrangement, he will feel equitably treated. But if he finds out that another newcomer received \$40 000, a full-size company car, and a private office, he may feel inequity.

When people feel that they are being inequitably treated, they may do various things to restore fairness. For example, they may ask for a raise, reduce their work effort, work shorter hours, or complain to their boss. They may also rationalize their situation, find a different comparison person, or simply quit.

EQUITY THEORY
The theory that people compare (1) what they contribute to their job with what they get in return, and (2) their input/output ratio with that of other employees.

REINFORCEMENT
Controlling and modifying employee behaviour through the use of systematic rewards and punishments for specific behaviours.

LO-5 Strategies for Enhancing Motivation

Understanding what motivates workers and provides job satisfaction is only part of the manager's job. The other part is to apply that knowledge. Experts have suggested—and many companies have instituted—a wide range of programs designed to make jobs more interesting and rewarding and the work environment more pleasant. Six of the most common strategies are *reinforcement/behaviour modification, goal setting, participative management and empowerment, team management, job enrichment and redesign, and modified work schedules.*

Reinforcement/Behaviour Modification

Many managers try to control or modify workers' behaviour through rewards and punishments. To do this, managers must first define the specific behaviours that they want employees to exhibit (working hard, being courteous to customers, stressing quality, etc.) and the specific behaviours they want to eliminate (wasting time, being rude to customers, ignoring quality, etc.). Then they can “shape” employee behaviour by using reinforcement.

Reinforcement means applying (or withholding) positive (or negative) consequences in order to motivate employees to exhibit behaviour the manager wants. A manager has four basic reinforcement options: (1) *positive reinforcement* (apply positive consequences when employees exhibit desired behaviours), (2) *punishment* (apply negative consequences when employees exhibit undesirable behaviours), (3) *omission* (withhold positive consequences when employees exhibit undesirable behaviours), and (4) *negative reinforcement* (withhold negative consequences when employees exhibit desired behaviours).

Managers generally prefer positive reinforcement because it contributes to good employer–employee relationships. It generally works best when people are learning new behaviours, new skills, or new jobs.

GOAL-SETTING

THEORY The theory that people perform better when they set specific, quantified, time-framed goals.

Managers generally dislike punishing employees, partly because workers may respond with anger, resentment, hostility, or even retaliation.

Positive reinforcement is evident at Maple Leaf Sports &

Entertainment, where workers receive “good job” cards when they do outstanding work. These cards can be redeemed for prizes.¹⁵ WestJet rewarded its employees with a \$500 travel credit when they helped deal with major flight disruptions caused by bad weather during a winter storm.¹⁶ Positive reinforcement need not be monetary to

be effective. Calgary-based Pacesetter Directional and Performance Drilling rewards top employees with time off from work, and Markham, Ontario-based Nobis, a manufacturer of hats and apparel, rewards employees by allowing them to name hats after family and friends.¹⁷ The boxed insert entitled “Employee Engagement” provides further information about rewards.

Goal-Setting Theory

Goal-setting theory focuses on setting goals that will motivate employees. Research has shown that SMART goals (Specific, Measurable, Achievable, Realistic, and Time-framed) are most likely to result in increased

ENTREPRENEURSHIP AND NEW VENTURES

Employee Engagement: The Ultimate Win-Win

A Toronto-based company called I Love Rewards sells solutions for businesses wishing to improve their corporate culture and employee motivation levels. They do this primarily through the development of web-based employee rewards- or incentive-based systems that are customized to suit their clients' needs. Client employees are awarded points for performance, and these points can be redeemed for rewards, including brand-name merchandise and travel, which have been carefully selected with the employee demographic in mind.

If companies can motivate their customers with rewards-based systems, why can't it work for employees? Companies like Microsoft, Rogers Communications, and Marriott have bought into the concept, and have contracted I Love Rewards to develop incentive-based packages for their employees. News of the successes of this high-growth company is travelling quickly. In the first quarter of 2009, I Love Rewards reported a 187 percent increase in gross billings year over year. But the future didn't always look so bright for Razor Suleman's agency.

In 2005, Suleman found himself wrestling with his own employee morale and motivation issues. In a span of six months, his company experienced almost 50 percent employee turnover. The answer: Suleman decided to incorporate his marketing expertise into his own HR practices. One technique was to introduce group interviews. Suleman decided to directly involve as many as 10 to 12 current employees of his company in interviewing prospective employees. Employees “sell” the company to the applicant, and by doing so, the company brand is reinforced internally. Further, having so

many staff members directly involved in hiring helps to ensure that new hires will fit in with the company culture. Other newly introduced incentives include flex-time and at least four weeks of vacation for new hires. Employee involvement extends as well to participation in setting objectives (this is reinforced by an employee share ownership program). Employees are also privy to the company's financial statements and can query management on any budget line expense.

Suleman's new strategy has paid off. In addition to reduced turnover and increased morale, his company has been named on Canada's Top 100 Employers list produced by *Maclean's* magazine. *Profit* magazine has also included I Love Rewards on its list of Fastest Growing Companies, and WorldBlu, a U.S.-based social enterprise has included the company on its Most Democratic Workplaces list. According to WorldBlu, the current economic crisis has dictated the need for a new business model that promotes transparency and accountability, and I Love Rewards' new business model is built on these principles. These characteristics, combined with I Love Rewards' authentic democratic practices, emphasis on culture, and focus on people and recognition has created a winning combination.

Suleman is now excited about the future of his business. His new strategies for employee engagement may have been just the competitive advantage and vehicle for growth his company was looking for.

Critical Thinking Question

1. Which of the strategies for enhancing job satisfaction and morale has Razor Suleman employed?



Research has shown that goals that are specific, measurable, and moderately difficult to achieve result in high performance for employees.

employee performance. It is also true that on occasion, goal setting may lead to bad behaviour on the part of managers. For example, if managers are told they will receive a bonus if they achieve a certain level of sales revenue, they may focus all their attention on generating *sales revenue*, and not pay any attention to *profits*. At Enron, managers received large bonuses for achieving revenue goals even though the company was failing.¹⁸

One of the most popular methods for setting performance goals is called **management by objectives (MBO)**, which involves managers and subordinates in setting goals and evaluating progress. The motivational impact is perhaps the biggest advantage of MBO. When employees work together with managers to set goals, they learn more about company-wide objectives, feel that they are an important part of a team, and see how they can improve company-wide performance by achieving their own goals.

Investors Group Financial Services has used MBO for many years to motivate its sales force in selling financial services. The MBO process begins when the vice-president of sales develops general goals for the entire sales force. Sales reps review their financial accomplishments and think through their personal and financial goals for the coming year. They then meet with their division managers and reach a consensus about the specific goals the sales reps will pursue during the next year. Each division manager then forwards

the proposed objectives for his or her division to the appropriate regional manager. This process continues all the way up to the vice-president of sales, who gives final approval to the overall sales objectives of the company for the coming year.¹⁹

Participative Management and Empowerment

Participative management and empowerment involves tapping into workers' knowledge about the job, encouraging them to be self-motivated and to make suggestions for improvements, and giving them more authority and responsibility so that they feel they are a real part of the company's success. In 2009, Texas-based WorldBlu published a list of the 100 most democratic workplaces in the world. Seven Canadian companies made the list, including 1-800-GOT-JUNK?, I Love Rewards, and TakingITGlobal.²⁰

There are many other examples of empowerment in Canadian and international businesses:

- At WestJet, front-line staff have the right to issue travel credits to customers they feel have not been treated properly. WestJet thinks that the goodwill generated by the practice will increase repeat business.²¹
- At Toronto's Delta Chelsea Hotel, employees noticed that in the summer months there were fewer business guests and more vacationers' children in the hotel. As a result of employee suggestions, the hotel installed a waterslide, appointed a "kids' concierge," and set up a game room for teens to better serve this market segment.²²

MANAGEMENT BY OBJECTIVES (MBO) A system of collaborative goal setting that extends from the top of an organization to its bottom.

PARTICIPATIVE MANAGEMENT AND EMPOWERMENT Method of increasing job satisfaction by giving employees a voice in the management of their jobs and the company.



Participative management gets employees involved in analyzing problems, and suggesting solutions. This increases employee satisfaction with, and commitment to, decision that are made.

WIKIS Websites that allow employees to add content on issues that are of use to the business.

QUALITY CIRCLE

A technique for maximizing quality of production. Employees are grouped into small teams that define, analyze, and solve quality and other process-related problems within their area.

- At ING Direct Canada, a webpage has been set up that allows employees to submit ideas for peers to vote on. An innovation team then evaluates the ideas.²³
- AES Corporation is a large energy company where multifunctional teams manage themselves without the assistance of any legal, human resources, or other functional department, or

any written policies or procedures. No one person is in charge of the teams. As a result of this structure (some call it “empowerment gone mad”), employees exhibit flexibility and continuous learning.²⁴

To enhance employee productivity, some companies are now using **wikis**—websites that allow employees to add content on issues that are of interest to the business. This is part of a move to “mass collaboration” that is going on in businesses.²⁵ Another technique to encourage participative management is the **quality circle**, a group of employees who meet regularly to consider solutions for problems in their work area. At Great-West Life Assurance Company, for example, quality circles are made up of

MANAGING IN TURBULENT TIMES

Encouraging Employees to Share Ideas

Empowerment can be a tricky process, particularly in an era when layoffs are common and employees may not trust management, so managers who assume that all workers want to be empowered may be in for a rude shock. Consider these examples:

- One employee who cut metal shafts for industrial pumps at Blackmer in Grand Rapids, Michigan, had a reputation for being both fast and accurate in his work. He refused to share his knowledge with management (or his fellow workers) because he feared that management would use the knowledge to speed up the workflow and that he would then have to work faster.
- A long-time employee at a small Canadian manufacturing plant taught a younger replacement worker how to run a complicated machine. Shortly thereafter, the older worker became ill and was off work for several weeks. When he returned, he found that the younger worker had essentially taken over his job. The older worker had this to say: “To pass on your experience or your knowledge to others, or to pass on to your fellow workers your secrets, how you assemble it faster, better, or more efficiently for the company, be careful; tomorrow you might have lost your job.”

Workers fear that if they share their knowledge, management will use that knowledge to increase output, which will mean that management can get by with fewer workers, so some people will lose their jobs. Workers may also refuse to share their knowledge because they are convinced that management doesn't think they have anything to contribute. At the Blackmer

plant, for example, workers were surprised when a new plant manager asked for their input, because they had never been asked before.

Another problem is identified by Robin Miller, the executive director of the Winnipeg-based Centre for Education and Work, who says that there is a lot of “informal learning” that goes on in companies, but it is not generally recognized or rewarded in Canadian workplaces. If informal learning is not rewarded, we should not be surprised if employees do not share with management the efficient shortcuts they have discovered that allow them to work faster.

The culture of a country may also moderate the positive effects of empowerment initiatives. One study of a company with operations in the U.S., Mexico, Poland, and India found that empowerment was negatively related to job satisfaction in India, but positively related to job satisfaction in the U.S., Mexico, and Poland.

Critical Thinking Questions

1. Why do some workers refuse to share their job knowledge with either their co-workers or with management? What can management do to encourage workers to share their job knowledge?
2. Consider the following statement: “*Companies provide jobs for people, so they have every right to expect that employees will do things like share their job knowledge with their co-workers because this will make the company more successful and allow it to continue to provide jobs.*” Do you agree or disagree with the statement? Explain your reasoning.

volunteers who meet once a week (on company time) to consider ways to do higher quality, more effective work.

As positive as these developments are, managers must remember that not all employees want to be “empowered.” Some will be frustrated by responsibilities they are not equipped to handle, and others will be dissatisfied if they see the invitation to participate as more symbolic than real. A good approach is to invite participation if employees want to have input, and if participation will have real value for an organization. The boxed insert entitled “Encouraging Employees to Share Ideas” describes some of the problems that can arise with empowerment.

Team Management

Companies have traditionally given individual employees the responsibility to complete certain tasks, but in recent years, an emphasis on teams has become increasingly common. These teams take a variety of forms. **Problem-solving teams** focus on developing solutions to specific problems. They are based on the idea that the best solutions to problems are likely to come from the employees who actually do the work. For example, at the Bowmanville, Ontario, plant of St. Mary’s Cement Inc., members of various departments joined a problem-solving team whose goal was to find ways to reduce the company’s energy bills. After analyzing the situation, the committee developed a list of energy-saving initiatives and created plans to implement them. Over a recent three-year period, the initiatives saved the company \$800 000.²⁶

The problem-solving idea is developed even further in **self-managed teams**, which set their own goals, select their own team members, evaluate their own performance, and generally manage themselves. At Johnsonville Foods,

self-managing teams recruit, hire, evaluate, and terminate low performers on their own.²⁷

Project teams (also called **venture teams**) work on specific projects like developing new processes, new products, or new businesses. The classic example of a project team is the one that developed IBM’s first personal computer many years ago. **Transnational teams**, which are composed of members from many different countries, have also become common. For example, Fuji-Xerox sent 15 engineers from Tokyo to New York to work with U.S. engineers as they developed a “world copier,” a product which became a big success.²⁸ **Virtual teams** are groups of geographically dispersed co-workers that are assembled to accomplish a specific task, using a combination of telecommunications and information technologies. These teams are becoming increasingly popular because of globalization.

Teams provide monetary benefits for companies that use them, but they can also provide non-monetary benefits such as increasing motivation and job satisfaction levels for employees, enhancing companywide communication, and making members feel like they are an integral part of the organization.²⁹ But, as with participative management, managers must remember that teams are not for everyone, nor are they effective in every situation.³⁰ At Levi Strauss, for example, individual workers who performed repetitive tasks like sewing zippers into jeans were paid according to the number of jobs they completed each day. In an attempt to boost productivity, company management reorganized everyone into teams of 10 to 35 workers and assigned tasks to the entire team. Each team member’s pay was determined by the team’s level of productivity. But faster workers became resentful of slower workers because they reduced the group’s total output. Slower workers, meanwhile, resented the pressure put on them by faster-working coworkers. As a result, motivation, satisfaction, and morale all dropped, and Levi Strauss eventually abandoned the teamwork plan altogether.³¹

Teams work best when successful task completion requires input from several people, when there is

PROBLEM-SOLVING TEAMS

Teams that focus on developing solutions to specific problems a company is facing.

SELF-MANAGED TEAMS

Teams that set their own goals, select their own team members, evaluate their own performance, and generally manage themselves.

PROJECT TEAMS (VENTURE TEAMS)

Teams that work on specific projects, such as developing new processes, new products, or new businesses.

TRANSNATIONAL TEAMS

Teams composed of members working in different countries.

VIRTUAL TEAMS

Teams of geographically dispersed individuals who use telecommunications and information technologies to accomplish specific tasks.



This team of workers at Germany’s Apollo car production plant work together to design and manufacture the Apollo sports car. Such teams often help firms make decisions more effectively, enhance communication, and lead to increased employee motivation and satisfaction.

JOB ENRICHMENT

A method of increasing employees' job satisfaction by extending or adding motivating factors such as responsibility or growth.

JOB REDESIGN

A method of increasing employees' job satisfaction by improving the person-job fit through combining tasks, creating natural work groups, and/or establishing client relationships.

FLEXTIME

A method of increasing employees' job satisfaction by allowing them some choice in the hours they work.

interdependence between tasks (as in team sports), and when working together can accomplish tasks that an individual could not do alone (as in a hospital surgical team).³²

Job Enrichment and Redesign

While MBO programs and participative management can work in a variety of settings, job enrichment and job redesign programs can increase satisfaction only if a job lacks motivating factors to begin with.³³ **Job enrichment** means adding one or more motivating factors to a job. In a now-classic study, a group of eight typists worked in isolated cubicles taking calls from field sales representa-

tatives and then typing up service orders. They had no client contact, so if they had a question about the order, they had to call the sales representative. They also received little performance feedback. Interviews with these workers suggested that they were bored with their jobs and did not feel valued. As part of a job enrichment program, each typist was paired with a small group of designated sales representatives and became a part of their team. Typists were also given permission to call clients directly if they had questions about the order. Finally, a new feedback system was installed to give the typists more information about their performance. As a result, their performance improved and absenteeism decreased markedly.³⁴

In general terms, job enrichment is accomplished by **job redesign**, which involves combining tasks to increase job variety, forming natural work groups, and establishing client relationships. By redesigning work to achieve a more satisfactory person-job fit, job redesign motivates individuals who have a high need for growth or achievement.³⁵

Combining Tasks This involves enlarging jobs and increasing their variety to make employees feel that their work is more meaningful. In turn, workers are more motivated. For example, the job done by a computer programmer who maintains computer systems might be redesigned to include some system design and development work. The programmer is then able to use additional skills and is involved in the overall system package.

Forming Natural Workgroups People who do different jobs on the same project are good candidates for natural workgroups. These groups help employees get an overview of their jobs and see their importance in the total structure. They also help managers, and the firm in general, because

the people working on a project are usually the most knowledgeable about it and are thus able to solve problems related to it. Consider a group where each employee does a small part of the job of assembling iPhones. One worker may see his job as working on the internal components, while another worker may see her job as working on the external components. The jobs could be redesigned to allow the group to decide who does what and in what order. The workers can exchange jobs and plan their work schedules. Now they all see themselves as part of a team that assembles iPhones.

Establishing Client Relationships A third way of redesigning a job is to establish client relationships, that is, to let employees interact with customers. This approach increases the variety of a job. It also gives workers greater feelings of control over their jobs and more feedback about their performance. Instead of responding to instructions from marketing managers on how to develop new products, software writers at Lotus are encouraged to work directly with customers. Similarly, software writers at Microsoft watch test users work with programs and discuss problems with them directly rather than receive feedback from third-party researchers.

Modified Work Schedules

Many companies are experimenting with different work schedules. Several types of modified work schedules have been tried, including *flextime*, *compressed workweeks*, *telecommuting*, and *workshare programs*.

Flextime Flextime allows people to pick their working hours. Figure 9.6 illustrates how a flextime system might



Best Buy is taking modified schedules and alternative workplaces to new extremes with its corporate "results-only-work environment" or ROWE. Under ROWE, Best Buy employees can work anytime, anywhere, as long as they achieve results. The program has been so successful that Best Buy has begun introducing the program into its retail stores.

be arranged and how different people might use it. The office is open from 6 a.m. until 7 p.m. Core time is 9 a.m. until 11 a.m. and 1 p.m. until 3 p.m. Joe, being an early riser, comes in at 6 a.m., takes an hour lunch between 11 a.m. and noon, and finishes his day by 3 p.m. Sue, on the other hand, prefers a later day. She comes in at 9 a.m., takes a long lunch from 11 a.m. to 1 p.m., and then works until 7 p.m. Pat works a more traditional day from 8 a.m. until 5 p.m.

About 70 percent of North American firms offer some variation of flextime.³⁶ Flextime programs give employees more freedom in their professional and personal lives and allow workers to plan around the work schedules of spouses and the school schedules of young children. The increased feeling of freedom and control over their work life also reduces individuals' levels of stress. Flextime also offers advantages to the company. For example, a Toronto company doing business in Vancouver will benefit if some employees come in at 10 a.m. and work until 7 p.m. to account for the time difference between the two cities. Companies can also benefit from the higher levels of commitment and job satisfaction among flextime workers. In large urban areas, flextime programs reduce traffic congestion that contributes to lost work time.

Compressed Workweeks In the **compressed workweek**, employees work fewer days per week, but more hours on the days they do work. The most popular compressed workweek is four days, 10 hours per day, which is used in many companies and municipalities. In 2008, Chrysler began talking with the Canadian

Auto Workers Union about instituting the practice because it would cut energy costs and give employees an additional day off each week. Workers at Babcock & Wilcox Canada also negotiated a four-day, 10-hour-per-day contract.³⁷

Telecommuting A third variation in work design is **telecommuting**, which allows people to do some or all of their work away from their office. The availability of networked computers, fax machines, cellular telephones, and overnight delivery services makes it possible for many independent professionals to work at home or while travelling. A survey conducted by World-atWork found that 40 percent of Canadian businesses offer some form of telecommuting for their employees.³⁸ In certain business functions—for example, customer service and telemarketing—most employees are telecommuters.³⁹

When telecommuting is introduced, some managers are concerned that employees will not work as hard at home as they will in the office, but that fear has gradually diminished. When Ikon Office Solutions Inc. implemented a telecommuting program for 250 of its sales staff, the president of the company said there were some initial concerns that telecommuters might not work as hard from home, but they are actually very productive.⁴⁰

Employees like telecommuting because it saves them time and money, and companies like it because it boosts productivity and saves them money as well. A survey by the Computing Technology Industry Association found that two-thirds of employers felt that telecommuting boosted employee productivity and saved the company money.⁴¹ Bell Canada, for example, has reduced its real estate expenses by having 2000 of its workers work at home.⁴² Some workers do report feeling isolated and "out of the loop" when they do not see co-workers

COMPRESSED WORKWEEK
Employees work fewer days per week, but more hours on the days they do work.

TELECOMMUTING
Allowing employees to do all or some of their work away from the office.

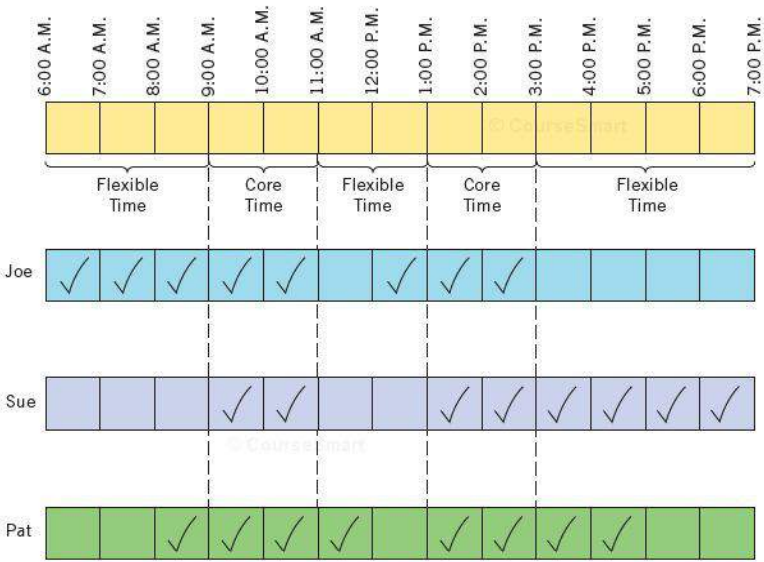


Figure 9.6 Flextime schedules include core time, when everyone must be at work, and flexible time, during which employees can set their own working hours.

WORKSHARING (JOB SHARING)

A method of increasing employee job satisfaction by allowing two people to share one job.

very often. To avoid this problem, B.C. Tel and Bental Development Inc. jointly developed a satellite telecommuting office in Langley, British Columbia. It allows workers who used to commute to Burnaby or Vancouver to reduce

their travel time considerably and still be able to interact with other workers.⁴³

But telecommuting may not be for everyone. Would-be telecommuters must ask themselves several important questions: Can I meet deadlines even when I'm not being closely supervised? What will it be like to

be away from the social context of the office five days a week? Can I renegotiate family rules so my spouse doesn't come home expecting to see dinner on the table just because I've been home all day?

Additional information about telecommuting is provided in Business Case 9 at the end of this chapter. The boxed insert entitled "The Four-Day Workweek and Telecommuting" raises interesting ecology issues.

Workshare Programs A fourth type of modified work schedule—**worksharing** (also called **job sharing**)—allows two people to share one full-time job. For example, two people might share a position advising the human

THE GREENING OF BUSINESS

The Four-Day Workweek and Telecommuting: Are They Really Green?

Recently, the four-day workweek has been promoted as good not only for employee morale and satisfaction but also for the environment. One argument is that since workers will be driving to work only four days each week instead of five, they will be using less gas and therefore putting fewer greenhouse gases into the atmosphere. But whether the four-day workweek really saves gas obviously depends on what workers do on the fifth day. If they drive their SUV 400 kilometres to go visit relatives, they will burn more gas than they would have by simply driving to and from work. On the other hand, maybe they would have taken such a trip on the weekend if they had to work a traditional five-day workweek.

A second argument is that a four-day workweek will mean less electricity use by businesses because machines, computers, and heating systems will be turned down or off on the fifth day. But there may be no actual savings because factory machines have already run for 40 hours as a result of the four previous days at 10 hours. Other electricity savings may also be elusive unless the company is committed to turning down the heat and turning off the lights on the fifth day. But that may be impossible, because there always seem to be office staff who need to be at work on the fifth day. Also, even if workers do stay at home on the fifth day, they may do other tasks that require an equivalent amount of electricity or gas that they would have consumed at work (e.g., renovating their home).

It is difficult to determine if the four-day workweek is better for the environment than the traditional five-day workweek. But *telecommuting* may actually be an effective strategy because workers who telecommute don't come into the office very often. If they are at home working, they will not be driving their car, so that should also save gas. As well, companies that encourage telecommuting can save considerable money on real estate and other operating costs. But even here, we need to analyze what individual workers do as alternate activities before we can conclude that telecommuting is good for the environment.

Critical Thinking Questions

1. Using material contained in this insert as well as other material that you find, develop a list of arguments that the four-day workweek is better for the environment than the five-day workweek. Then develop a list of arguments that the four-day workweek is no better for the environment than the five-day workweek. Which list is most persuasive?
2. Using material contained in this insert, as well as other material you can find, develop a list of arguments that suggest telecommuting is better for the environment than making people come to the traditional workplace. Then develop a list of arguments that suggest telecommuting is not better than the traditional system. Which list is most persuasive?

resource department. One person works Monday through Wednesday noon, and the other works Wednesday noon through Friday. A Statistics Canada survey showed that 8 percent of all part-time workers in Canada share a job with someone.⁴⁴ People who share jobs are more likely to be women, to be university educated, and to have professional occupations such as teaching and nursing. In addition, job sharers earned more than regular part-time workers.

LO-6 Leadership and Motivation

Leadership refers to the processes and behaviours used by managers to motivate, inspire, and influence subordinates to work toward certain goals. People often assume that “leadership” and “management” mean the same thing, but they are really different concepts. A person can be a manager, a leader, or both.⁴⁵ Consider a hospital setting. The chief of staff (chief physician) of a large hospital is clearly a manager by virtue of the position the person occupies. But this individual may or may not be respected or trusted by others, and may have to rely solely on the authority vested in the position to get people to do things. Thus, being a manager does not ensure that a person is also a leader. In contrast, an emergency-room nurse with no formal authority may be quite effective at taking charge of a chaotic situation and directing others in how to deal with specific patient problems. Others in the emergency

room may respond because they trust the nurse’s judgment and have confidence in the nurse’s decision-making skills. In this case, the emergency-room nurse is a leader but not a manager. Finally, the head of pediatrics, supervising a staff of 20 other doctors, nurses, and attendants, may also enjoy the staff’s complete respect, confidence, and trust. They readily take the head’s advice, follow directives without question, and often go far beyond what is necessary to help carry out the unit’s mission. In this case, the head of pediatrics is both a manager and a leader. The key distinctions between leadership and management are summarized in Table 9.1.

LEADERSHIP The process of motivating others to work to meet specific objectives.

Organizations need both management *and* leadership if they are to be effective. Leadership is necessary to create and direct change and to help the organization get through tough times, and management is necessary to achieve coordination and systematic results and to handle administrative activities during times of stability and predictability.⁴⁶ Management—in conjunction with leadership—can help achieve planned orderly change. Leadership—in conjunction with management—can keep the organization properly aligned with its environment. Both managers and leaders play a major role in establishing the moral climate of the organization and in determining the role of ethics in its culture.⁴⁷

LO-7 Approaches to Leadership

Political, religious, and business leaders have influenced the course of human events throughout history,

Table 9.1 Kotter’s Distinctions between Management and Leadership

Activity	Management	Leadership
Creating an Agenda	Planning and budgeting. Establishing detailed steps and timetables for achieving needed results; allocating the resources necessary to make those needed results happen.	Establishing direction. Developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision.
Developing a Human Network for Achieving the Agenda	Organizing and staffing. Establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation.	Aligning people. Communicating the direction by words and deeds to all those whose cooperation may be needed to influence the creation of teams and coalitions that understand the vision and strategies and accept their validity.
Executing Plans	Controlling and problem solving. Monitoring results vs. plan in some detail, identifying deviations, and then planning and organizing to solve these problems.	Motivating and inspiring. Energizing people to overcome major political, bureaucratic, and resource barriers to change, by satisfying very basic, but often unfulfilled, human needs.
Outcomes	Produces a degree of predictability and order and has the potential to consistently produce major results expected by various shareholders (e.g., for customers, always being on time; for stockholders, being on budget).	Produces change, often to a dramatic degree, and has the potential to produce extremely useful change (e.g., new products that customers want, new approaches to labour relations that help make a firm more competitive).

TRAIT APPROACH

A leadership approach focused on identifying the essential traits that distinguished leaders

BEHAVIOURAL APPROACH

A leadership approach focused on determining what behaviours are employed by leaders.

TASK-ORIENTED LEADER BEHAVIOUR

Leader behaviour focusing on how tasks should be performed in order to meet certain goals and to achieve certain performance standards.

EMPLOYEE-ORIENTED LEADER BEHAVIOUR

Leader behaviour focusing on satisfaction, motivation, and well-being of employees.

AUTOCRATIC STYLE

A form of leader behaviour in which the manager issues orders and expects them to be obeyed without question.

DEMOCRATIC

STYLE A form of leader behaviour in which the manager requests input from subordinates before making decisions, but the manager retains the decision-making power.

FREE-REIN STYLE

A form of leader behaviour in which the manager serves as an adviser to subordinates who are given a lot of discretion when making decisions.

SITUATIONAL (CONTINGENCY) APPROACH TO LEADERSHIP

Leadership approach that assumes that appropriate leader behaviour varies from one situation to another.

but careful scientific study of leadership began only about a century ago. In the following paragraphs, we briefly summarize the development of this research.

The Trait Approach In the first two decades of the twentieth century, researchers believed that leaders had unique traits that distinguished them from non-leaders (the **trait approach**). Many traits were proposed as important, but as time passed the list became so long that it lost any practical value. The trait approach was all but abandoned by the middle of the twentieth century, but in recent years it has resurfaced. Some researchers now argue that certain traits (for example, intelligence, drive, motivation, honesty, integrity, and self-confidence) provide the *potential* for effective leadership, but only if the person is really motivated to be a leader. The implication is that people without these traits are not likely to be successful leaders even if they try.⁴⁸ Recall that the *emotional intelligence* idea that was discussed earlier in this chapter identified five somewhat different traits of successful leaders.⁴⁹

The Behavioural Approach

Because the trait approach was a poor predictor of leadership success, attention shifted from managers' *traits* to their *behaviours*. The goal of the **behavioural approach** was to determine how the behaviours of effective leaders differed from the behaviours of less effective leaders. This research led to the identification of two basic forms of leader behaviour:

task-oriented (the manager focuses on how tasks should be performed in order to achieve important goals) and **employee-oriented** (the manager focuses on the

satisfaction, motivation, and well-being of employees). Task-oriented managers tend to have higher performing subordinates, while employee-oriented managers tend to have more satisfied subordinates.

Researchers have also identified three main leadership styles: the **autocratic style** (the manager issues orders and expects them to be obeyed without question), the **democratic style** (the manager requests input from subordinates before making decisions but retains final decision-making power), and the **free-rein style** (the manager serves as an adviser to subordinates who are given a lot of discretion when making decisions). Most leaders tend to regularly use one style, and may in fact find it difficult to change from one style to another. But some leaders do manage to change their style. For example, Andrall (Andy) Pearson was an abrasive, numbers-oriented, hard-to-please manager when he was president and COO of PepsiCo. But now, as director of Yum Brands, he has softened and transformed and seems to truly care about employees.⁵⁰

The Situational Approach to Leadership

As time passed, researchers began to realize that different combinations of leader behaviour might be effective in different situations. For instance, if workers are satisfied but are not very motivated to work hard, a leader should most likely focus on task-focused behaviours in order to improve productivity. If worker productivity is high, but workers are stressed out about their jobs and have low levels of job satisfaction, the leader should most likely concentrate on employee-focused behaviours so as to improve their job satisfaction. This line of thinking led to the development of the **situational (or contingency) approach to leadership**.

The contingency approach was first proposed as a continuum of leadership behaviour (see Figure 9.7). At one extreme, the leader makes decisions alone; at the other extreme the leader has employees make decisions with only minimal guidance from the leader. Each point on the continuum is influenced by *characteristics of the leader* (including the manager's value system, confidence in subordinates, personal inclinations, and feelings of security), *characteristics of the subordinates* (including the subordinates' need for independence, readiness to assume responsibility, tolerance for ambiguity, interest in the problem, understanding of goals, knowledge, experience, and expectations), and the *characteristics of the situation* (including the type of organization, group effectiveness, the problem itself, and time pressures). Thus, many variables beyond the leader's behaviour were considered. Later models proposed additional factors (in the leader, in the subordinates, and in the environment) that influenced subordinate satisfaction and productivity.

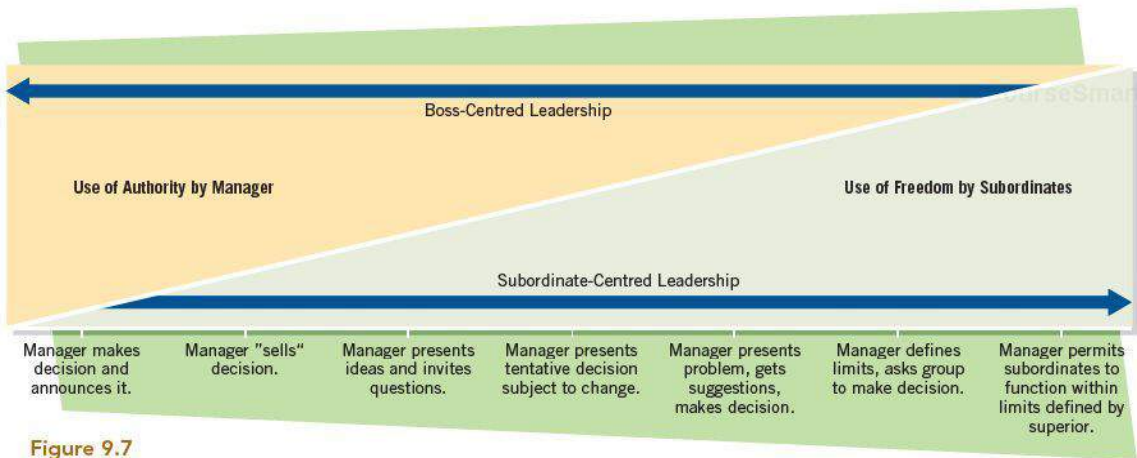


Figure 9.7
The leadership continuum.

LO-8 Recent Trends in Leadership

During the late twentieth and early twenty-first centuries, many new ideas about leadership have been developed. We conclude this chapter with a brief discussion of several of these ideas.

Transformational Leadership Transformational leadership is the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. In contrast, **transactional leadership** involves routine, regimented activities that are necessary during periods of stability.

Many leaders may find it difficult to exercise both types of leadership. For example, when Michael Eisner took over the Walt Disney organization in the early 1990s, the company was stagnant and was heading into decline. Relying on transformational skills, Eisner turned things around in dramatic fashion. Among many other things, he quickly expanded the company's theme parks, built new

hotels, improved Disney's movie business, created a successful Disney cruise line, launched several other major initiatives, and changed the company into a global media powerhouse. But when the firm began to plateau and needed some time to let the changes all settle in, Eisner was unsuccessful at changing his own approach from transformational leadership to transactional leadership and was pressured into retiring.

Charismatic Leadership Charismatic leadership is a type of influence based on the leader's personal charisma. Figure 9.8 portrays the three key elements of charismatic leadership that most experts acknowledge today.⁵¹

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TRANSFORMATIONAL LEADERSHIP The set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively.

TRANSACTIONAL LEADERSHIP Comparable to management, it involves routine, regimented activities.

CHARISMATIC LEADERSHIP Type of influence based on the leader's personal charisma.

Figure 9.8
Charismatic leadership.



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Charismatic leaders have a high level of self-confidence and a strong need to influence others. They also communicate high expectations about follower performance and express confidence in their followers. A highly charismatic supervisor will generally be more successful in influencing a subordinate's behaviour than a supervisor who lacks charisma. Steve Jobs, the legendary CEO of Apple, commands a cult-like following from both employees and consumers. He exhibits charisma, confidence, originality, brilliance, and vision. He is clearly a leader who can deliver success in businesses that are rapidly changing, highly technical, and demanding. Yet he has also been portrayed as intimidating, power-hungry, and an aggressive egotist.⁵²

Charismatic leadership ideas are popular among managers today and are the subject of numerous books and articles.⁵³ One concern is that some charismatic leaders will inspire such blind faith in their followers that the followers may engage in inappropriate, unethical, or even illegal behaviours simply because the leader instructs them to do so. This tendency likely played a role in the collapse of both Enron and Arthur Andersen, as people followed orders from their charismatic bosses to hide information, shred documents, and mislead investigators. The film *Enron: The Smartest Guys in the Room* documents this problem.

Leaders as Coaches Many organizations are now attempting to become less hierarchical—that is, to eliminate the old-fashioned command-and-control mentality often inherent in bureaucratic organizations—and to motivate and empower individuals to work independently. This changes the role of leaders. Whereas leaders were once expected to control situations, direct work, supervise people, closely monitor performance, make decisions, and structure activities, many leaders today are being asked to become *coaches* instead of *overseers*.⁵⁴

Consider the parallel with an athletic team. The coach selects the players for the team and decides on the general direction to take (such as emphasizing offence versus defence). The coach also helps develop player talent and teaches team members how to execute specific plays. But at game time, it's up to the players to execute plays and get the job done. While the coach may get some of the credit for the victory, he or she didn't actually score any of the points.

For business leaders, a coaching perspective calls for the leader to help select team members and other new employees, to provide overall direction, to help train and develop the team and the skills of its members, and to help the team get the information and other resources it needs. The leader may also have to help resolve conflict among team members and mediate other disputes that arise. And coaches from different teams need to link the activities and functions of their respective teams. But beyond these activities, the leader is expected to keep a low profile and let the group get its work done without overly close supervision.

Gender and Leadership Another factor that is altering the face of leadership is the growing number of women advancing to the highest levels in organizations. Given that most leadership theories and research studies have focused on male leaders, developing a better understanding of how women lead is clearly an important next step. For example, do women and men lead differently? Some early observers, for instance, predicted that (consistent with prevailing stereotypes) female leaders would be relatively warm, supportive, and nurturing as compared to their male counterparts. But in reality, research suggests that female leaders are not necessarily more nurturing or supportive than male leaders. Likewise, male leaders are not systematically more harsh, controlling, or task focused than female leaders. Women do seem to have a tendency to be more democratic when making decisions, whereas men have a tendency to be somewhat more autocratic.⁵⁵



Andrea Jung (left), CEO of Avon Products, and Angela Merkel (right) chancellor of Germany, are exceptional leaders. Jung has transformed Avon and made it a powerhouse in its industry, and Merkel was recently named to TIME magazine's list of "people who shape our world."

Cross-Cultural Leadership *Culture* is a broad concept that encompasses both international differences and diversity-based differences within one culture. For instance, when a Japanese firm sends an executive to head up the firm's operation in Canada, that person will need to be sensitive to the cultural differences that exist between the two countries and consider changing his or her leadership style accordingly. Japan is generally characterized by *collectivism* (group before individual), whereas Canada is based more on *individualism* (individual before group). The Japanese executive, then, will find it necessary to recognize the importance of individual contributions and rewards and the differences in individual and group roles that exist in Japanese and Canadian businesses.

Cross-cultural factors also play a growing role in organizations as their workforces become more diverse. Most leadership research, for instance, has analyzed white male leaders because those individuals dominated leadership positions in North America. But as Asians, Blacks, Aboriginals, and Hispanics achieve leadership positions, it will be necessary to reassess how applicable current models of leadership are when applied to an increasingly diverse pool of leaders.

Canadian versus American Management Styles The management styles of Canadian managers might look a lot like that of Americans, but there are several notable differences. In general, Canadian managers are more subtle and subdued than American managers, more committed to their companies, less willing to mindlessly follow the latest management fad, and more open to different cultures because of the multicultural nature of Canada.⁵⁶ The Global Leadership and Organizational Behavior Effectiveness study also found that Canadian managers are very oriented toward fairness, are less likely to protect their own interests above those of their teams, and put more emphasis on long-term goals rather than short-term gratification.⁵⁷ All of these characteristics are advantageous for Canadian companies that will increasingly be competing in global markets.

During the last few years, many Canadian-born managers have achieved significant success in companies that operate internationally. These include Bob Kelly (CEO of the Bank of New York Mellon Corp.), Henry McKinnell (former CEO of Pfizer), Steven McArthur (president of Expedia), Patricia Arnold (vice-president of Credit Suisse First Boston), Clara Furse (former CEO of the London Stock Exchange), Simon Cooper (CEO of Ritz-Carlton Hotel), and Dominic Barton (chairman of McKinsey & Company's Asia Region).⁵⁸

Strategic Leadership **Strategic leadership**—which focuses on leadership in top management—is a leader's ability to understand the complexities of both the

organization and its environment in order to lead change toward enhanced competitiveness. Steve Jobs, CEO of Apple, is an effective strategic leader. A few years ago, Jobs recognized the potential growth of MP3 players and the fact that those devices used technology that is similar to that found in computers. He therefore directed the development of the Apple iPod, the iPhone, and iTunes, which have become enormously successful and profitable products. When Jobs became ill in 2009, observers worried that Apple would lose its competitive advantage.

Ethical Leadership In the wake of recent corporate scandals at firms like Enron, Boeing, and WorldCom, faith in business leaders has been shaken. High standards of ethical conduct are therefore being held up as a prerequisite for effective leadership. More specifically, business leaders are being called on to maintain high ethical standards for their own conduct, to unfailingly exhibit ethical behaviour, and to hold others in their organizations to the same standards—in short, to practice **ethical leadership**.

The behaviours of top leaders are being scrutinized more than ever, and those responsible for hiring new leaders are looking more closely at the backgrounds of those being considered. The emerging pressure for stronger corporate governance models is likely to further increase the commitment to select for leadership positions only those individuals with high ethical standards and to hold them more accountable for both their actions and the consequences of those actions.

Virtual Leadership Finally, **virtual leadership** is also emerging as an important issue for organizations. In earlier times, leaders and their followers worked together in the same physical location and engaged in personal (i.e., face-to-face) interactions on a regular basis. But in today's world, leaders and their followers may work in locations that are far from one another. Such arrangements might include people telecommuting from a home office one or two days a week to people actually living and working far from company headquarters and seeing one another in person only very infrequently.

How do managers carry out leadership activities when they do not have regular personal contact with their followers? And how do they help mentor and

STRATEGIC LEADERSHIP

Leader's ability to understand the complexities of both the organization and its environment, and to lead change in the organization so as to enhance its competitiveness.

ETHICAL LEADERSHIP

Leader behaviours that reflect high ethical standards.

VIRTUAL LEADERSHIP

Leadership in settings where leaders and followers interact electronically rather than in face-to-face settings.

develop others? Communication between leaders and their subordinates is more important than ever, and it will still occur, but it may be largely by telephone and email. In the future, leaders may simply have to work harder at creating and maintaining relationships with their employees that go beyond words on a computer screen. While nonverbal communication, such as smiles and handshakes, may not be possible online, managers can make a point of adding a few personal words in an email to convey appreciation, reinforcement, or constructive feedback. Building on this, managers should also take

advantage of every opportunity whenever they are in face-to-face situations to go further than they might formerly have done.

Beyond these simple prescriptions, there is not much theory or research to guide managers functioning in a virtual world. Hence, as electronic communication continues to pervade the workplace, researchers and managers alike need to work together to first help frame the appropriate issues and questions regarding virtual leadership, and then to help address those issues and answer those questions.



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Summary of Learning Objectives

1. **Identify and discuss the basic forms of behaviour that employees exhibit in organizations.** *Employee behaviour* is the pattern of actions by the members of an organization that directly or indirectly influences the organization's effectiveness. *Performance behaviours* are the total set of work-related behaviours that the organization expects employees to display. *Organizational citizenship* refers to the behaviour of individuals who make a positive overall contribution to the organization. *Counterproductive behaviours* are those that detract from, rather than contribute to, organizational performance.
2. **Describe the nature and importance of individual differences among employees.** *Individual differences* are personal attributes that vary from one person to another. *Personality* is the relatively stable set of psychological attributes that distinguish one person from another. The "big five" personality traits are *agreeableness*, *conscientiousness*, *emotionality*, *extraversion*, and *openness*. *Emotional intelligence*, or *emotional quotient (EQ)*, refers to the extent to which people are self-aware, can manage their emotions, can motivate themselves, express empathy for others, and possess social skills. *Attitudes* reflect our beliefs and feelings about specific ideas, situations, or other people. Especially important attitudes are *job satisfaction* and *organizational commitment*.
3. **Explain the meaning and importance of psychological contracts and the person-job fit in the workplace.** A *psychological contract* is the overall set of expectations held by employees and the organization regarding what employees will contribute to the organization and what the organization will provide in return. A good *person-job fit* is achieved when the employee's contributions match the inducements the organization offers. Having a good match between people and their jobs can help enhance performance, job satisfaction, and motivation.

4. **Identify and summarize the most important models of employee motivation.** *Motivation* is the set of forces that cause people to behave in certain ways. Early approaches to motivation were first based on the assumption that people work only for money, and then on the assumption that social needs are the primary way to motivate people. The *hierarchy of human needs* model holds that people at work try to satisfy one or more of five different needs. The *two-factor theory* argues that job satisfaction is influenced by *motivation factors* such as recognition for a job well done, while job dissatisfaction depends on *hygiene factors* such as working conditions. *Expectancy theory* suggests that people are motivated to work toward rewards that they desire and have a reasonable expectancy of obtaining. *Equity theory* focuses on social comparisons—people evaluating their treatment by the organization relative to the treatment of others.
5. **Describe the strategies used by organizations to improve job satisfaction and employee motivation.** *Reinforcement* involves applying (or withholding) positive (or negative) consequences in an attempt to motivate employees to exhibit behaviour the manager wants. *Goal setting* involves setting SMART goals that will motivate workers to high performance. *Participative management and empowerment* involves tapping into workers' knowledge about the job, encouraging them to be self-motivated, and giving them more authority and responsibility so that they feel they are a real part of the company's success. *Team management* means forming teams of employees and empowering the team to make decisions on issues like production scheduling, work procedures, work schedules, and the hiring of new employees. *Job enrichment* means adding motivating factors to job activities. *Modified work schedules*—such as *work sharing (job sharing)*, *flextime*, and *telecommuting* increase employee satisfaction by providing increased flexibility to workers.
6. **Define leadership and distinguish it from management.** *Leadership* refers to the processes and behaviours used by a person in order to motivate, inspire, and influence the behaviours of others. Leadership and management are not the same thing. *Leadership* involves such things as developing a vision, communicating that vision, and directing change. *Management*, meanwhile, focuses more on outlining procedures, monitoring results, and working toward outcomes.
7. **Summarize the approaches to leadership that developed during the twentieth century.** The *trait approach to leadership* focused on identifying the traits of successful leaders. Recent research has focused on traits such as emotional intelligence, drive, honesty and integrity, self-confidence, and charisma. The *behavioural approach* identified two common leader behaviours: *task-focused* and *employee-focused* behaviours. Three leadership styles—autocratic, democratic, and free-rein—were also identified. The *situational approach to leadership* assumes that factors in the leader, factors in the followers, and factors in the situation determine which leadership behaviour is most effective.
8. **Describe the most recent ideas about effective leadership.** *Transformational leadership* (as distinguished from *transactional leadership*) focuses on the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. *Charismatic leadership* is influence based on the leader's personal charisma. Leaders are often expected to play the role of *coach*, which involves selecting team members; providing direction, training, and developing; and allowing the group to function autonomously. Research on *gender and leadership* is re-examining assumptions about how men and women lead. *Cross-cultural leadership* is becoming increasingly important as companies become more diverse in a globalized economic system. *Strategic leadership* is the leader's ability to lead change in the organization so as to enhance its competitiveness. *Ethical leadership* requires that leaders maintain high ethical standards for their own conduct, and to hold others in their organizations to the same standards. *Virtual leadership* is becoming important as more leaders and their followers work in physically separate places.

Questions and Exercises © CourseSmart

Questions for Analysis

1. Describe the psychological contract you currently have or have had in the past with an employer. If you have never worked, describe the psychological contract that you have with the instructor in this class.
2. Explain how each of the “big five” personality traits influence leadership effectiveness.
3. How is the job enrichment/job redesign approach to motivation different from the modified work schedules

(flextime, compressed workweek) approach to motivation? Are there similarities between the two approaches? Explain.

4. How can participative management programs enhance employee satisfaction and motivation? Why do some employees not want to get involved in participative management?

5. What is the relationship between performance behaviours and organizational citizenship behaviours? Which are more important to an organization?

6. Describe the type of circumstance in which it would be appropriate to apply each of the theories of motivation discussed in this chapter. Which theory would be easiest to use? Which one would be hardest? Why?

Application Exercises

7. Identify two Canadian and two U.S. *managers* who you think would also qualify as great *leaders*. Explain your choices.

8. Ask a manager what traits he or she thinks are necessary for success. How does the manager's list compare with the "big five" list in this chapter? How many differences are there? Why would these differences exist?

9. Interview the human resource manager of a local company and ask what strategies the company uses to enhance employee job satisfaction.

10. Interview a manager and ask whether he or she believes that leadership can be taught. What are the implications of the manager's answer?

TEAM EXERCISES

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Building Your Business Skills

Too Much of a Good Thing

Goal

To encourage students to apply different motivational theories to a workplace problem involving poor productivity.

Situation

Consider a small company that makes its employees feel as if they are members of a large family. Unfortunately, this company is going broke because too few members are working hard enough to make money for it. They are happy, comfortable, complacent—and lazy. With sales dropping, the company brings in management consultants to analyze the situation and make recommendations. The outsiders quickly identify a motivational problem affecting the sales force: sales reps are paid a handsome salary and receive automatic year-end bonuses regardless of performance. They are also treated to bagels every Friday and regular group birthday lunches that cost as much as \$200 each. Employees

feel satisfied, but have little incentive to work very hard. Eager to return to profitability, the company's owners wait to hear your recommendations.

Method

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Step 1 In groups of four, step into the role of management consultants. Start by analyzing your client's workforce motivation problems from the following perspectives (the questions focus on key motivational issues):

- *Job satisfaction and morale.* As part of a long-standing family-owned business, employees are happy and loyal, in part because they are treated so well. Can high morale have a downside? How can it breed stagnation, and what can managers do to prevent stagnation from taking hold?
- *Theory X versus Theory Y.* Although the behaviour of these workers seems to make a case for Theory X, why is it difficult to draw this conclusion about a company that focuses more on satisfaction than on sales and profits?

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- *Two-factor theory.* Analyze the various ways in which improving such motivational factors as recognition, added responsibility, advancement, and growth might reduce the importance of hygiene factors, including pay and security.
- *Expectancy theory.* Analyze the effect on productivity of redesigning the company's sales force compensation structure; namely, by paying lower base salaries while offering greater earnings potential through a sales-based incentive system. How would linking performance with increased pay that is achievable through hard work motivate employees? How would the threat of job loss motivate greater effort?

Step 2 Write a short report based on your analysis, and make recommendations to the company's owners. The goal of your report is to change the working environment

in ways that will motivate greater effort and generate greater productivity.

Follow-Up Questions

1. What is your group's most important recommendation? Why do you think it is likely to succeed?
2. Changing the corporate culture to make it less paternalistic may reduce employees' sense of belonging to a family. If you were an employee, would you consider a greater focus on profits to be an improvement or a problem? How would it affect your motivation and productivity?
3. What steps would you take to improve the attitude and productivity of long-time employees who resist change?

Exercising Your Ethics

Taking One for the Team

The Situation

You are a skilled technician who has worked for a major electronics firm for the past 10 years. You love your job—it is interesting, stimulating, and enjoyable, and you are well paid for what you do. The plant where you work is one of five manufacturing centres your firm operates in a major metropolitan area. The firm is currently developing a new prototype for one of its next-generation products. To ensure that all perspectives are reflected, the company has identified a set of technicians from each plant who will work together as a team for the next two months.

The Dilemma

You have just met with your new teammates and are quite confused about what you might do next. As it turns out, the technicians from two of the manufacturing centres have heard rumours that your company is planning to

close at least three of the centres and move production to a lower-cost factory in another country. These individuals are very upset. Moreover, they have made it clear that they (1) do not intend to put forth much extra effort on this project and (2) they are all looking for new jobs. You and the other technicians, though, have heard none of these rumours. Moreover, these individuals seem as excited as you about their jobs.

Team Activity

First, working alone, write a brief summary of how you would handle this situation. For instance, would you seek more information or just go about your work? Would you start looking for another job, would you try to form a subgroup just with those technicians who share your views, or would you try to work with everyone?

Second, form a small group with some of your classmates. Share with each other the various ideas you each identified. Then, formulate a group description of what you think most people in your situation would do. Finally, share your description with the rest of the class.

BUSINESS CASE 9

What about Telecommuting?

On any given day, many business offices are vacant because employees are either at off-site meetings, travelling, on vacation, out sick, or attending training sessions. Many companies now recognize that there are advantages for both employees and for the company if they allow employees to work from home and telecommute. About 1.5 million Canadians work at home at least one or two days a week, and some work from home almost all the time. Consider three fairly typical stories.

Edward Moffat works for Sun Microsystems of Canada. He signed up for the company's "open work" program, which allowed him to work largely from home (or anywhere for that matter). He wasn't in the office much anyway because he travelled a lot. Now he works out of his Brampton, Ontario, home 9 days out of 10. He doesn't have to pay \$300 per month in highway tolls, his gas costs and car maintenance costs have gone way down, and he spends less on lunch. He thinks all those things combined save him about \$50 per day. He also gets to see his wife and children more frequently. The company estimates that telecommuting saved it \$71 million in real estate costs alone (because fewer employee offices are needed), and the turnover rate is half what it is for non-telecommuters.

Sylvie Bolduc decided to take advantage of Bell Canada's telework option, partly because she was sick of the 90-minute drive to work every day. She says she is a disciplined person and doesn't feel the need to constantly interact with co-workers. She has online meetings with staff on a regular basis, and makes trips to the office every two weeks to catch up on other developments. She says she wants to work like this the rest of her life. Bell's program means that 11 000 tons of greenhouse gases are not being put into the atmosphere because fewer employees are driving to and from work.

Deborah Corber started telecommuting at her job when her family relocated to her hometown of Montreal. Later, she worked out of her home after she started her own consulting firm. She says the biggest challenge was isolation because she likes bouncing ideas off colleagues. She also had trouble separating her personal and professional life, and felt that she was spending way too much time in her home office. In 2007, she decided to stop working at home, and she now shares space with several colleagues in an office close to her home.

These three stories show how varied employee experiences are with the idea of telecommuting. They also show that there are both advantages and disadvantages associated with telecommuting.



Advantages for employees:

- health benefits (lower stress levels)
- lower costs (reduced car expenses)
- better use of time (no commuting long distances)
- better use of time (no interruptions)

Disadvantages for employees:

- feeling "out of the loop" (not being knowledgeable about important business issues or interesting personal gossip)
- having difficulty separating personal and professional life (work intrudes at home)
- feeling ill-suited for telework (lack of discipline and feeling lonesome)
- finding it difficult to work closely with colleagues when necessary
- fear of career derailment

Advantages for the employer:

- increases productivity (two-thirds of employers surveyed said that employee productivity went up)
- cost savings (fewer offices and office supplies are needed; lower vehicle expenses)
- lower electric bills (fewer lights and computers are turned on in offices)
- access to qualified staff (who otherwise wouldn't be available because they don't live in the area or don't want to drive so far to work)

- lower travel expenses (teleconferencing, email, networking systems take the place of travel)
- lower employee turnover

Disadvantages for the employer:

- requires a change in management thinking (forces managers to adopt an attitude of trust regarding employees)
- many managers still think if they can't see employees, they aren't working (may threaten the control of bosses who are used to having employees in sight)
- bosses have to spend more time with subordinates on the phone or other media (they may prefer face-to-face communication)
- bosses don't know when employees are actually working
- telecommuting may not work well for companies where customers are frequently in the office
- telecommuting may not work well if colleagues frequently need intense face-to-face collaboration to complete rush jobs on time

These advantages and disadvantages mean that telecommuting must be carefully thought through so that it is beneficial to both employees and to the company. It does *not* mean simply telling workers that they can now work at home. Rather, there must be a clear understanding between the bosses and workers about things like the nature of the arrangement, the type of tasks that can be completed away from the office, maintaining safety and confidentiality in the employee's home office, what telecommuting might mean for the employee's career path, and so on.

Questions for Discussion

1. How is telecommuting different from other forms of modified work schedules? How is it similar?
2. Do you think that telecommuting will become more prominent in the future? Explain the reasons for your position.
3. Interview a friend or relative who telecommutes in their job. What advantages and disadvantages do they see in such an arrangement? Compare their responses with the advantages and disadvantages listed above. If there are major differences, try to explain them.

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Part 2(A): The Business of Managing

Goal of the Exercise

In Part 1 of the business plan project, you formulated a basic identity for your business. Part 2(a) asks you to think about the goals of your business, some internal and external factors affecting the business, and the organizational structure of the business.

Exercise Background: Part 2(a) of the Business Plan

As you learned in Chapter 6, every business sets goals. In this part of the plan, you'll define some of the goals for your business. Part 2(a) also asks you to perform a basic SWOT analysis for your business. As you'll recall from Chapter 6, a SWOT analysis looks at the business's *strengths*, *weaknesses*, *opportunities*, and *threats*. The strengths and weaknesses are internal factors—things that the business can control. The opportunities and threats are generally external factors that affect the business:

Socio-cultural forces—Will changes in population or culture help your business or hurt it?

Economic forces—Will changes in the economy help your business or hurt it?

Technological forces—Will changes in technology help your business or hurt it?

Competitive forces—Does your business face much competition or very little?

Political-legal forces—Will changes in laws help your business or hurt it?

Each of these forces will affect different businesses in different ways, and some of these may not apply to your business at all.

Part 2(a) of the business plan also asks you to determine how the business is to be run. One thing you'll need to do is create an organizational chart to get you thinking about the different tasks needed for a successful business. You'll also examine various factors relating to operating your business.

Your Assignment

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Step 1

Open the saved Business Plan file you began working on in Part 1. You will continue to work from this file.

Step 2

For the purposes of this assignment, you will answer the questions in Part 2(a): The Business of Managing:

1. Provide a brief mission statement for your business.
Hint: Refer to the discussion of mission statements in Chapter 5. Be sure to include the name of your business, how you will stand out from your competition, and why a customer will buy from you.
2. Consider the goals for your business. What are three of your business goals for the first year? What are two intermediate- to long-term goals?
Hint: Refer to the discussion of goal setting in Chapter 5. Be as specific and realistic as possible with the goals you set. For example, if you plan on selling a service, how many customers do you want by the end of the first year, and how much do you want each customer to spend?
3. Perform a basic SWOT analysis for your business, listing its main strengths, weaknesses, opportunities, and threats.
Hint: We explained previously which factors you should consider in your basic SWOT analysis. Look around at your world, talk to classmates, or talk to your instructor for other ideas in performing your SWOT analysis.
4. Who will manage the business?
Hint: Refer to the discussion of managers in Chapter 6. Think about how many levels of management as well as what kinds of managers your business needs.

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5. Show how the “team” fits together by creating a simple organizational chart for your business. Your chart should indicate who will work for each manager, as well as each person’s job title.

Hint: As you create your organizational chart, consider the different tasks involved in the business.

To whom will each person report? Refer to the discussion of organizational structure in Chapter 7 for information to get you started.

Note: Once you have answered the questions, save your Word document. You’ll be answering additional questions in later chapters.

Part 2(B): The Business of Managing

Goal of the Exercise

At this point, your business has an identity and you’ve described the factors that will affect your business and how you will operate it. Part 2(b) of the business plan project asks you to think about your employees, the jobs they will be performing, and the ways in which you can lead and motivate them.

Exercise Background: Part 2(b) of the Business Plan

To complete this part of the plan, you need to refer to the organizational chart that you created in Part 2(a). In this part of the business plan exercise, you’ll take the different job titles you created in the organizational chart and give thought to the *skills* that employees will need to bring to the job *before* they begin. You’ll also consider *training* you’ll need to provide *after* they are hired, as well as how you’ll compensate your employees. Part 2(b) of the business plan also asks you to consider how you’ll lead your employees and keep them happy and motivated.

Your Assignment



Step 1

Open the Business Plan file you have been working on.

Step 2

For the purposes of this assignment, you will answer the questions in Part 2(b): The Business of Managing:

1. What do you see as the “corporate culture” of your business? What types of employee behaviours, such as organizational citizenship, will you expect?

Hint: Will your business demand a casual environment or a more professional environment? Refer to the discussion on employee behaviour in Chapter 9 for information on organizational citizenship and other employee behaviours.

2. What is your philosophy on leadership? How will you manage your employees on a day-to-day basis?

Hint: Refer to the discussion on leadership in Chapter 9 to help you formulate your thoughts.

3. Looking back at your organizational chart in Part 2(a), briefly create a job description for each team member.

Hint: As you learned in Chapter 8, a job description lists the duties and responsibilities of a job; its working conditions; and the tools, materials, equipment, and information used to perform it. Imagine your business on a typical day. Who is working, and what are each person’s responsibilities?

4. Next, create a job specification for each job, listing the skills and other credentials and qualifications needed to perform the job effectively.

Hint: As you write your job specifications, consider what you would write if you were making an ad for the position. What would the new employee need to bring to the job in order to qualify for the position?

5. What sort of training, if any, will your employees need once they are hired? How will you provide this training?

Hint: Refer to the discussion of training in Chapter 8. Will you offer your employees on-the-job training? Off-the-job training? Vestibule training?

6. A major factor in retaining skilled workers is a company's compensation system—the total package of rewards that it offers employees in return for their labour. Part of this compensation system includes wages/salaries. What wages or salaries will you offer for each job? Why did you decide on that pay rate?

Hint: Refer to Chapter 8 for more information on forms of compensation.

7. As you learned in Chapter 8, incentive programs are special programs designed to motivate high performance. What incentives will you use to motivate your workforce?

Hint: Be creative and look beyond a simple answer, such as giving pay increases. Ask yourself, who are my employees and what is important to them? Refer to Chapter 8 for more information on the types of incentives you may want to consider.

Note: Once you have answered the questions, save your Word document. You'll be answering additional questions in later chapters.

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Flair Bartending

More than 20 years ago, Tom Cruise played a flashy bartender in the movie *Cocktail*. That style of bartending actually has a name—it's called "flair bartending." Gavin MacMillan is the top-ranked Canadian flair bartender, and second-ranked in the world. He's also an author and the owner of a bartender-for-hire business called Movers and Shakers. Now he's developing a brand-new idea for a bartender school called Bartender 1. Eventually, he wants to franchise the idea across Canada and the U.S., and around the world.

Potential franchisees will like his idea to use an actual bar to teach students flair bartending. Gavin doesn't rent space; rather, he borrows a bar for an evening to hold his classes. On one Monday evening, he is at a Toronto bar that is closed, but he has talked the owner into letting him run his class there for free. In return, the bar gets first pick of the graduates of Gavin's bartending school. In his first class of 12 students, Gavin has incurred \$11 000 of expenses, but he receives only \$6 000 in revenues. He hopes to reduce the cost of running future classes by reusing demonstration equipment. He needs to prove this concept will really work before trying to franchise it.

There is no problem finding students who want to be bartenders, but there is a problem finding people who can be instructors. There are only about 10 flair bartenders in Toronto and 40 in all of Canada. Finding teachers is not Gavin's only problem. He is a perfectionist who is always fussing over the little things. Sometimes he focuses so much on the details that he doesn't see the big picture. A third problem is his lack of time to do all the things he wants to do.

He has designed, built, and financed a portable bar that he hopes to sell to golf courses and hotels. He brings his idea to a business group that he joined, and which runs entrepreneurial self-help sessions. He says that he wants to make 10 of the portable bars in

order to be more cost-effective, and he wants the other participants in the group to help him with ideas to market the bar. But one of the group members questions whether Gavin should even pursue the idea because he already has too many balls in the air. He needs to prioritize.

Two months later, Gavin is conducting a two-day bartending course at the University of Guelph. His school is now making money, and everything is going well because he listened to the advice to focus on just a few projects. He has stopped putting energy into his portable bar for the moment, and he has begun delegating duties to others.

Gavin says he wants to make his business a great success. He is thinking big. He wants to earn enough money to buy a yacht with a helicopter pad on it.

Video Resource: "Flair Bartending," *Dreamers and Schemers* (November 8, 2006).

Questions for Discussion

1. What are the "Big 5" personality traits? How do you think Gavin MacMillan would score on each of these five traits? What might this imply for his success as an entrepreneur?
2. Do a little research and find out what the difference is between extrinsic motivation and intrinsic motivation. Do you think Gavin MacMillan is extrinsically or intrinsically motivated?
3. Gavin MacMillan says that he wants to eventually have a yacht with a helicopter pad on it. How does setting a goal like this motivate a person?
4. What recommendations would you have for Gavin MacMillan in the area of being more focused in his goal setting?

Clash of the Co-workers

Venture conducted a survey to determine workers' perceptions of the main causes of conflict in the workplace. Respondents were presented with a list of 10 common worker complaints and asked to list their top three. The top three vote-getters were: (1) people who talk too loud on the phone, (2) office gossip, and (3) co-workers who waste your time. *Venture* further examined the impact of office gossip, and also looked at the issues of co-workers who don't pull their weight, and clashes between older and younger workers.

Office Gossip

Office gossip can poison a workplace. A tanning salon owner who had worked hard to build her company encountered big problems when employees starting spreading rumours about each other. After one salon manager disciplined a worker, other workers began spreading rumours that the salon manager was incompetent. When the owner became aware of the large amount of gossip that was evident at the company, she called all employees into the head office and asked them to sign a contract that prohibited gossip. One behaviour that is prohibited is talking about a co-worker when that co-worker isn't present. A year after introducing the contract idea, the salon owner is getting calls from other companies asking about the policy.

Bob Summerhurst, an HR specialist, says that gossip occurs when bosses play favourites or when they don't communicate properly. Any information void will be filled with gossip, and that gossip is often negative. His solution is not a ban on gossip, but rather regular meetings of managers and employees.

Co-Workers Who Don't Pull Their Weight

Jerry Steinberg, a Vancouver teacher, says that workers with children are often treated as "special" and he thinks it's not fair. He says an extra burden is being borne by people like himself when they are asked to work a few extra hours a week to cover for parents who are tending to their children. The problem is worst during the holiday season because people with no children

are asked to work holidays so that workers with children can spend time with their kids.

Steinberg is speaking up about his concerns. He has started a website called No Kidding where child-free members can vent their frustrations about the unfair treatment they are receiving at their place of work. But Steinberg says it's hard to stand up for yourself because you don't want to rock the boat or be a whiner. He recognizes that it sounds heartless to be unsympathetic to parents' wishes to spend time with their children. But he also observes that these people made a choice to have children, and they shouldn't expect to have an advantage because they made that choice. He is also unhappy about the extra benefits that parents get. He has a simple solution for that problem: Give each employee a certain dollar amount that they can spend on whatever benefits they want.

The Generation Gap

People in their 20s have generally grown up in an environment where their baby boomer parents gave them lots of things. Now those young people are entering the workforce, and they want more things: benefits, money, authority, and free time. And they want them right now.

Consider John and Ryan, who are recent college grads. They are part of a generation that is a problem for business. They feel that they work very hard, but they don't necessarily want to do what their predecessors did (like wearing a suit and tie to work, or working from 9 to 5). Mike Farrell, who researches attitudes of young people, notes that most young people are plugged in and well informed, and these are qualities that employers crave. Theresa Williams, who hires workers for the Halifax *Chronicle-Herald*, recognizes that young people today are different from their predecessors. For example, they don't seem grateful to be offered a job like people in her generation were. She tries to overcome the difficulties in recruiting young people by emphasizing the good working conditions at the *Chronicle-Herald*.

The way students look for jobs is also changing. The job fair approach is still used, but some companies find it doesn't attract the kind of employees they want. One company therefore came up with a gimmick: it posted a job competition on the internet, with the prize

being a job for a year, a free apartment, and a trip home for the holidays. The two winners—John and Ryan—moved to Halifax. A year later, they moved out of their free apartment, but stayed on with the company. Now they are helping to design this year's job competition, and they're on board with "the old guys."

Video Resource: "Clash of the Co-workers," *Venture* (March 26, 2006).

Questions for Discussion

1. What are the various forms of employee behaviour that can be observed in organizations, and what is their impact on organizations? Identify the forms of employee behaviour evident in each of the three situations described above, and how they affected the organization in which they occurred.
2. What is the difference between management and leadership? What is the relevance of management and leadership in each of the situations described above?
3. What is the difference between the formal organization and the informal organization? How is the distinction relevant for each of the three situations described above?
4. Consider the following statement with respect to the first incident described above (office gossip): *"The grapevine carries a lot of inaccurate information that prevents employees from doing their jobs well. To overcome this problem, managers should provide accurate information through formal communication channels, and that will negate the need for the grapevine."* Do you agree or disagree with the statement? Explain your reasoning.

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