

## Lecture:-23

### Tutorial F

#### Review Questions

1. Describe in brief the classification of needs with appropriate examples.
2. What is the difference between intrinsic and extrinsic motivation? Discuss with examples.

#### Multiple Choice

- 1 . The three key elements in the definition of motivation do NOT include
  1. Drive
  2. Intensity
  3. Direction
  4. Persistence
  
- 2 . The drive to become what one is capable of becoming is which level of Maslow's hierarchy of needs?
  1. Social
  2. Self-actualization
  3. Physiological
  4. Esteem
  
- 3 . Which of the following were considered higher-order needs by Maslow?
  1. Physiological, safety, social
  2. Safety, social, esteem
  3. Esteem, self-actualization
  4. Social, esteem, self-actualization
  
- 4 . A Theory X manager would assume employees would

1. Like work
2. Seek responsibility
3. Need to be controlled
4. Exercise self direction

5 . Two-factor theory suggests that extrinsic factors such as \_\_\_\_\_ cause dissatisfaction.

1. Advancement
2. Working conditions
3. Achievement
4. Recognition

6 . Individuals with a high need to achieve prefer all of the following EXCEPT

1. Job situations with personal responsibility
2. A high degree of risk
3. Overcoming obstacles
4. Feedback

7 . According to the goal-setting theory of motivation, goals should be

1. Extremely difficult
2. Easy
3. Difficult but attainable
4. Just a bit beyond his or her potential.

8 . When people perceive an imbalance in their outcome-input ratio relative to others

1. An illegal situation is assumed.
2. They expect to be promoted.
3. Equity tension is created.
4. Turnover is inevitable.

9 . The degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual is the \_\_\_\_\_ relationship.

1. Rewards-personal goals
2. Performance-reward
3. Effort-performance
4. Rewards-effort

10 . A theory based on "needs" is the premise for theories by all of the following EXCEPT

1. McClelland
2. Alderfer
3. McGregor
4. Maslow

#### Basic Motivation Concepts

True or False

1 . Motivation is a personality trait.

True  
False

2 . According to Maslow, a need that is essentially satisfied no longer motivates.

True  
False

3 . Theory X assumptions hold a basically negative view of human beings.

True  
False

4 . According to Herzberg, the opposite of "satisfaction" is "dissatisfaction".

True  
False

5 . Hygiene factors usually lead to job satisfaction when present in a job.

True  
False

6 . The achievement need can be stimulated through training.

True  
False

7 . According to goal-setting theory, a generalized goal will produce a higher level of output than a specific goal.

True  
False

8 . Underpayment and overpayment, according to equity theory, tend to produce similar reactions to correct the inequities.

True  
False

9 . Flow is more likely to be experienced at work than at home.

True  
False

10 . In expectancy theory, the strength of a person's motivation to perform depends in part on how strongly he believes he can achieve what he attempts.

True  
False

What Are My Options for the Future?

LEAD STORY-DATELINE: Wall Street Journal, 18 July 2002.

From 2000 to 2002, the stock market declined significantly, with many of the highest growth companies experiencing the greatest reduction in stock values. It is well known by now that the loss of stock market value affected everyone in society who had any portion of their present worth tied up in stock investments. One group in particular that has been affected is the employees of companies who had received compensation in stock options. Employees of many growing companies were willing to accept options that promised a reward in the future as one part of an overall compensation package that might include salaries, benefits, and bonuses or other incentive-based forms of compensation.

To understand what kinds of impact the decline has had on compensation, let us review how stock options work. A stock option is the right to purchase the stock at a specified price (called the "strike price"). Usually the price is lower (sometimes much lower) than the market price at the time that the option is issued. Usually, the option can be exercised starting a certain length of time after it is issued, and must be exercised within a certain length of time. So, the option holder has to use it in a specific time frame (typically several years). An option has value if the market price is greater than the exercise price. A person who can exercise the option when the market price is high can buy at the low exercise price and resell at the higher market price. This works well as long as the market price is higher than the strike price, and this is the condition of many high-growth companies in the 1990s, particularly in the technology area. But in the decline, the market price of many companies sank by as much as 95% or even more. For a very large number of companies, this meant that their market prices were below the strike price, making the options worthless. Options with strike price below the market price are described as being "under water."

Buckman and Bank describe how this has been a particularly big issue for many technology companies. For firms like Cisco and Sun Microsystems, more than half of their options are under water. Because of the way options are issued, it turns out that many of the employees that have options under water are relatively new employees. Naturally, this has changed the way that companies have issued compensation-usually making it harder.

---

#### TALKING IT OVER AND THINKING IT THROUGH!

Why were options so attractive to companies for so many years?

For companies that used stock options, how might the stock market decline affect companies' abilities to motivate their employees who received them?

For companies that used stock options, how might the stock market decline create other human resource management problems?

---

#### THINKING ABOUT THE FUTURE!

The WSJ article emphasizes Silicon Valley firms that specialized in telecommunication and information technologies. But the same story applies to firms in any other industry that expected high growth. Although technology has received much of the attention in recent years, there have been significant declines in other sectors, both "old economy" and in other areas of science and technology (e.g., biotech, pharmaceutical, etc.). This means that while options have become less important in overall compensation, they still have a place. In 2002, stock prices are low compared to recent years. If they rise, options will again appear more desirable. There are new markets, new ideas, and new products continually coming onto the market, so there are still small companies facing the same situation of needing to recruit with no money. For companies like these, stock options will continue to be used.

---

#### SOURCES:

Buckman, Rebecca and David Bank. "For Silicon Valley, Stocks' Fall Upsets Culture of Options." Wall Street Journal, 18 July 2002.

---

## Salary Secrecy: Should Compensation Be Confidential?

LEAD STORY-DATELINE: Financial Times, June 2, 2001.

We debate whether athletes are worth their highly public million-dollar contracts. We gossip about how much our favorite actor commands per movie. We read news reports about the compensation of major CEOs, comparing it with their company's performance. And we eagerly scan surveys of "What People Make," trying to figure out where we fit on the national pay scale. Yet most of us are hesitant to publicize our own salary information. Salary information is traditionally considered to be a private matter, and most companies consider compensation information confidential. All employees may be aware of various job classifications and accompanying pay grades, but generally only a few know where each employee falls on the scale: the employee, his or her immediate boss, the human resources department, higher management. This provides employees with a sense of privacy about a key factor of their employment--and their life. What a person earns does, after all, have an effect on the way he or she lives. Compensation confidentiality also protects employers, isolating them from complaints about privacy and fairness.

But that secrecy is becoming increasingly vulnerable. Many Internet sites contain information about pay rates for various positions, enabling employees to make comparisons with their own compensation package. And computer hackers can pose a threat, as the Harvard Business Review case study indicates. In the study, a computer-savvy employee who was departing, possibly assisted by a former human resources employee, sends each employee an e-mail containing the salaries of every employee in the company, prompting a flurry of complaints. Employees on the bottom end of the pay ladder are outraged that others are making more than them. Some demand an immediate increase or threaten to leave. Employees on the upper end are embarrassed. And management faces three major questions: How to placate employees, how to fix an unfair compensation system and whether or not to maintain salary confidentiality in the future. In this exercise, we focus our attention on the latter.

Though the company in the case is fictional, the problem is real. To help executives who might face such a situation, the case study includes commentary from four real-life commentators.

---

### TALKING IT OVER AND THINKING IT THROUGH!

Why has RightNow! kept salaries secret? Why do other companies do so?

What did the release of RightNow! salary information reveal about the company's pay structure? Could this be one of the reasons RightNow! has kept salary information confidential? What about other companies?

What reasons does Charlie give for making salaries public? What reasons do the commentators give who agree with him?

How does publishing salary information affect employees? Is the effect positive or negative?

Which motivational theory helps to explain the problem that salary disclosure creates?

-----

#### THINKING ABOUT THE FUTURE!

Publication of employee salary information remains rare. Most companies continue to maintain confidentiality, for reasons ranging from employee privacy and employer competition to salary system structure, job satisfaction, fear and plain old tradition. But some companies, such as AES Corp., have begun to make that information available to employees. And some experts, such as Bruce Tulgan, can list some strong arguments in support of releasing the information. As more people gain and demand access to a wider variety of information, it's likely that more salary information will become available--deliberately or by accident. If the information becomes more widely available, companies that refuse to divulge it may appear to be hiding something. With these factors in mind, companies need to reevaluate their compensation confidentiality practices to determine what is best for them and their employees.

-----

#### SOURCES:

Case, John. "When Salaries Aren't Secret", Harvard Business Review, May 2001, P. 37-49.

Kellaway, Lucy. "Pandora's Pay Packet", Financial Times, May 14, 2001, P. 6.

Who Moved My Cheese?



Who Moved My Cheese? is a controversial and interesting parable of organizational change that has begun to be discussed by a multitude of companies. Many organizations have made this simple little book about Sniff, Scurry, Hem and Haw mandatory reading for all their employees.

The book is one of several self-assessment books written by Spencer Johnson, M.D., one of the two authors of The One Minute Manager. The book tells the story of two mice and two "little people" who make their daily trek to a maze where they search for cheese. The reader quickly infers that cheese is a metaphor for what we each are seeking most in our lives. The story quickly evolves as Hem and Haw discover that someone has moved their cheese. The two little people persistently return to Cheese Station C each day until Haw decides that he must begin a new approach. Haw begins his new journey, discovering to his surprise that his own fear had caused him to delay the search far longer than he should have. Hem refused to change his pattern, but was not forgotten by Haw.

Johnson leads us through Haw's discoveries about himself, his fears, and the things that matter most in his life. As Haw learns incrementally, he writes a series of self-reminders on the wall of the maze that cryptically attest to his discoveries about reality. Though Haw discovers pieces of cheese here and there within the maze, he also learns a great deal about the certainty of instability. As the story unfolds, the reader smiles knowingly at Haw's self-discovery.

Johnson's parable is told by a man to a group of high school friends at a high school reunion, and the story concludes with helpful insights provided by the group members about "cheese" that constantly moves in their lives. The group concludes that the parable applies to each of them and to the companies for which they work.

---

#### TALKING IT OVER AND THINKING IT THROUGH!

How does the concept of "moving cheese" relate to the changing world in which every individual and business must adapt?

What is the "cheese" that motivates you in your life? Is it as "fresh" as it used to be? How is the supply? Has it moved?

Are there commonalities of experience in the group How do your experiences compare with Johnson's parable?

Are there common examples of "moving the cheese" in today's business world?

---

## THINKING ABOUT THE FUTURE!

The purpose of this exercise is to help students to identify the reality of change in all of our lives, and the impact that can result when we refuse to adapt. As we think about this parable, students may benefit by considering the proactive and positive approaches individuals and organizations could take to improve their ability to anticipate future changes that could otherwise disrupt their lives. Students may wish to brainstorm mental models or fears that cause individuals or businesses to become unresponsive to change. They may also wish to discuss in depth examples of major business mistakes because organizations failed to take advantage of change opportunities.

---

## DIGGING DEEPER!

An interesting resource for rethinking our mental models is the Five Beliefs Model developed by Edgar Schein and Peter Scholtes of MIT. This model consists of our fundamental beliefs about

Self (how we define our strengths, weaknesses, and priorities);

Others (our key relationships and obligations to others);

The Past (the factors that formed our personal or organizational history);

Current Reality (what we define as the critical elements of our environment);

The Future (our hopes and what we want our world to become).

According to Schein, these five beliefs form the foundation of our personal values<sup>3/4</sup>as individuals or as an organization. Defining a personal or business mission statement implicitly reflects our understanding of these beliefs. Yet Schein notes that many organizations and individuals are unable to articulate the incongruence between their behaviors and their self-proclaimed priorities and values. Students are invited to think about and formally define their beliefs according to this model for themselves and/or the organization for which they work. Are conflicts that exist that could benefit by being discussed?

---

## SOURCES:

Carroll, Paul. "Big Blues: The Unmaking of IBM", New York, Crown Publishers, 1993.

Johnson, Spencer. "Who Moved My Cheese?", Putnam and Sons, 1999.

Kotter, John. "Leading Change", Boston, MA, Harvard Business School Press, 1985.

Schein, Edgar. "Organizational Culture and Leadership", (San Francisco, Jossey-Bass), 1985.

Senge, Peter. "The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization ",(New York, Doubleday), 1994.

### **Exercise**

Case study : Rao is a long-term employee of the Ceramics corporation and for the last several years he has been a supervisor in the financial section of the firm. He is very loyal to Ceramics and works hard to follow the company policies and procedures and the orders of the managers above him. In fact, upper- level management think highly of him; they can always count on Rao to meet any sort of demand that the company places on him. He is valued and well liked by all the top managers. His employees in the financial section have the opposite opinion of Rao. They feel that he is too concerned with pleasing the upper – level brass and not nearly concerned enough with the needs and concerns of the employees in his department. For example, they feel that Rao never really pushes hard enough for a more substantial slice of the budget. Relative to other departments in the company, they feel they are underpaid and overworked. Also, whenever one of them goes to Rao with a new idea or suggestion for improvement he always seems to have five reasons why it can't be done. There is considerable dissatisfaction in the department, and everyone thinks that Rao is just a puppet for management. Performance has begun to suffer because of his style and leadership. Upper-level management seem to be oblivious to the situation in the finance section.

What approach would you give Rao to improve his approach to leadership.

Contrast leadership and management

1. Summarize the conclusions of trait theories
2. Identify the limitations of behavioral theories
3. Describe Fiedler's contingency model
4. Summarize the path-goal theory
5. Explain leader-member exchange theory
6. Differentiate between transactional and transformational leaders
7. Describe the skills that visionary leaders exhibit
8. Identify the five dimensions of trust
9. Summarize how leaders can build trust

True or False

---

1.  
It is the position of your text that companies need both strong leadership and strong management in order to be successful.

TRUE  
FALSE

---

2.

Trait leadership theory and behavioral leadership theory have basically the same underlying assumptions about leaders.

TRUE  
FALSE

---

3.

The University of Michigan studies strongly favored production-oriented leaders as the best type of leader.

TRUE  
FALSE

---

4.

Fred Fiedler's LPC model of leadership is a contingency model because he argues that the leader should adjust his/her leadership style to fit the employee in any given situation.

TRUE  
FALSE

---

5.

Cognitive resource theory examines the impact of stress on decision making and how the decision maker's intelligence and experience interfere with the decision making process.

TRUE  
FALSE

---

6.

Leader-member exchange theory (LMX) argues that leaders create "in" and "out" groups and that as a consequence, workers who are part of the "in" group tend to outperform those who are not.

TRUE  
FALSE

---

7.

The leader-participation model identifies four categories of leader, directive, participative, supportive, and achievement-oriented, and seeks to provide useful tools to leaders in directing employees toward the accomplishment of goals they've set.

TRUE  
FALSE

---

8.

Experience and training are two variables that can make group leadership irrelevant to the effective accomplishment of goals or objectives.

TRUE  
FALSE

---

9.

Transactional leadership and transformational leadership are in opposition philosophically and methodologically.

TRUE  
FALSE

---

10.

The ability to create and articulate a realistic, credible, attractive vision is a mark of a transactional leader.

TRUE  
FALSE

---

11.

IQ and technical skills are basic to leadership, but it is EI that distinguishes a star performer from others.

TRUE  
FALSE

---

12.

Team leadership is essentially the same as individual leadership with the same common responsibilities.

TRUE  
FALSE

---

13.

Leadership is not a value-free process.

TRUE  
FALSE

---

14.

The most critical dimension for the development of trust is integrity.

TRUE  
FALSE

---

15.

The ability to create a plan and execute it well is the primary attribute that leadership is built on.

TRUE  
FALSE

Multiple Choice

-----  
1.

Trait theory has been largely abandoned because:

1. it was too complex to be of practical use to most managers.
2. it could only predict behavior in "weak" situations, not strong ones which are more prevalent.
3. the theory only predicted in specific situations, it was not universally applicable.
4. it could not distinguish the impact of being a high- or low-self monitor on one's leadership effectiveness.

-----  
2.

The leadership research by Ohio State looked at two dimensions:

1. The extent to which the leader is likely to structure his and his employees' roles and the extent to which mutual trust exists.
2. To what degree leaders emphasized employee relationships and their tendency to emphasize the technical or task elements of the task.
3. How charismatic or how transactional the leader was in his/her style.
4. Which did not include any of these.

-----  
3.



An early work in behavioral leadership theory built on two dimensions—concern for people and concern for production. The theory referred to is:

1. LPC leadership theory.
  2. the managerial grid.
  3. the Ohio State studies.
  4. path-goal theory.
- 

4.

Research into behavioral models of leadership:

1. consider situational factors as well as behavioral factors.
  2. show that a task-orientation is key to successful leadership.
  3. is the only leadership theory that can not be used across cultures.
  4. suggests that development-oriented leaders are the most effective leaders.
- 

5.

For Fiedler, the context or leadership situation is defined by three contingency factors. One of these factors is:

1. task structure.
  2. referent power.
  3. emotional intelligence.
  4. available reward resources.
- 

6.

If you want a leadership approach that focuses on the employee's readiness and willingness to perform as well as his ability to do what is expected, your best choice of leadership theory is:

1. Fiedler's LPC.
  2. cognitive resource theory.
  3. leader-member exchange theory.
  4. Blanchard and Hersey's situational leadership theory.
- 

7.

The belief that leaders should provide necessary direction, help followers clarify how to accomplish their goals, and reduce the roadblocks slowing or hindering follower progress in accomplishing goals is called:

1. leader-member exchange theory.
  2. path-goal theory.
  3. contingency leadership theory.
  4. charismatic leadership theory.
- 

8. \_\_\_\_\_ is the best form of path-goal leadership when tasks are ambiguous and stressful and with employees who have an external locus of control.

1. Participative
  2. Supportive
  3. Achievement-oriented
  4. Directive
- 

9.

Neocharismatic leadership theory differs from other leadership theories in that it:

1. de-emphasizes theoretical complexity.

2. argues that leadership is inborn.
  3. suggests that other forms of leadership are irrelevant.
  4. seeks to maximize follower participation in decisions and implementation of decisions.
- 

10.

Transformation leadership is build on top of \_\_\_\_\_ and produces levels of follower effort and performance that go beyond it.

1. visionary leadership.
  2. a strong followership.
  3. transactional leadership.
  4. charismatic leadership.
- 

11.

Emotional intelligence consists of five key components, which include:

1. one's general intelligence or IQ.
  2. the individual's communication skills.
  3. cognitive ability to deal with conceptual issues.
  4. one's self-management abilities.
- 

12.

Team leaders perform a number of roles. When a team leader helps the team identify the source of group conflict, identify the issues involved, and help them explore possible solutions, the team leader is acting as a:

1. troubleshooter.
  2. liaison.
  3. social facilitator.
  4. conflict manager.
- 

13.

In the definition of trust, a key element is that the other party won't act "opportunistically." This refers to:

1. the assumption of knowledge of the other party.
  2. one's inherent vulnerability in any relationship.
  3. the desire people have for others to act consistently.
  4. someone's competence and interpersonal knowledge.
- 

14.

There are a number of things an individual can do to build trust, including:

1. keep your true feelings to yourself.
  2. only share confidences with people you can trust to keep a secret.
  3. demonstrate competence in your job and relationships.
  4. all of these.
- 

15.

\_\_\_\_\_ trust is the highest level of trust and permits one individual to act as the agent for another.

1. Identification-based
2. Knowledge-based
3. Deterrence-based

#### 4. Implicit

##### Latest Happening

##### Who Would Want to Be the Boss?

LEAD STORY-DATELINE: The Wall Street Journal, June 27, 2002.

The summer of 2002 has certainly been a sobering time, and probably an unpleasant one for the CEOs of many major companies. Numerous factors have created challenges for the leaders of large business enterprises. One might say that this is not new and that there are always difficulties to resolve, and obstacles to overcome for business leaders, just like everybody else. But all the same, the environment in which business is conducted has surely become less friendly for many CEOs. What leads to this observation? Numerous events have put a harsh spotlight on chief executives of large corporations and on how they exercise control and leadership. The list of companies is familiar: Enron, Adelphia, ImClone, WorldCom, and Tyco. From manufacturing to pharmaceuticals to energy to telecommunications and the Internet, few sectors of the economy have been left untouched. The fallout from the apparent misdeeds of the top leaders of these companies has included the complete dissipation of the firm's stock values. Shareholders are counting the damage.

Each of the three articles points out a different aspect of this emerging issue. David Cook's piece points out that it is a company's CEO who can have the most significant impact on its culture, its ethics, and its public image. And now, given the daily news, the attitudes and actions of corporate leaders may have more weight than ever in the public's view (and the shareholders' support) of a company. Their compensation is questioned, their strategies and their approaches to risky investments are reviewed more carefully, and their Boards are subjecting them to more rigorous evaluations.

For many years, rising business managers sought to be the CEOs of large companies as the capstone of their careers, and were eagerly pursued by executive search firms trying to fill vacant positions. But according to Lubin and Hymowitz, "Its getting tougher to hire a CEO these days." When they are contemplating a change in career by jumping into the unknown as the leader of a company, qualified men and women are thinking twice or even more. There has certainly been an image of the turnaround specialist, a heroic and gallant figure who arrives from the outside to seize control of a company that is having difficulty. But that gallantry is getting harder to find, because candidates worry about what they may find.

The Financial Times article explores the legal environment of executive leadership. After too many companies disclosed mistakes (or misjudgments, or lies) in their financial reporting, CEOs are being pushed to be more personally accountable for the accuracy of the corporate financial statements. Traditionally, financial statements have had to be approved by outside auditors, who have provided some assurance to investors that a company's financial statements are accurate. Now, under new regulations by the U.S. Securities and Exchange Commission, more assurance has to be provided personally by the person in the corner office, in the form of a signed statement.

---

#### TALKING IT OVER AND THINKING IT THROUGH!

What can current CEOs do to avoid encountering the same messy situations?

Is the problem overstated? President Bush says that there are "some bad apples." Do you agree, or do you think the problem is more widespread? What would it mean if most people thought that the problem was very widespread, that almost all CEOs were bad?

What new leadership style is called for?

---

#### THINKING ABOUT THE FUTURE!

What does this do to hiring CEOs? Ultimately, it is boards of directors who have to decide who to hire as a CEO. In executive recruitment, companies have to consider the experience and leadership behaviors of the people they want to hire, and to agree on whether a person is right to lead their company in the future. Candidates have to make the same determination from the perspective of their hopes and their understanding of the company they may be asked to lead. If outside regulation and pressure makes being a CEO less attractive, some candidates may elect to look for other types of employment.

---

#### SOURCES:

"A Proposal for CEOs to Sign off on Reports." The Financial Times, 12 June 2002.

Cook, D. T. "A Crisis in the Corner Office." The Christian Science Monitor, 2 July 2002.

Lublin, J. S. and C. Hymowitz. "No Thanks. Fearing Scandals, Executives Spurn CEO Job Offers." The Wall Street Journal, 27 June 2002.

---

- Roland J. Kushner

Are Executives Accountable?

LEAD STORY-DATELINE: Financial Times, June 20, 2002.

In the summer of 2002, corporate executives have been receiving a lot of heat from the public, the media, and many other constituents. Since 2001, corporate scandals have been more visible and more frequent. With so much attention focused on figuring out how and why corporations are failing, it's natural that a lot of decisions made by the company executives are coming under scrutiny—especially when so many of them have turned out to be so misguided. One series of events that has been in the public eye is the high-profile ouster of corporate executives from some leading firms.

The list of departed CEOs from major corporations include Dennis Kozlowski of TYCO, most of the executive staff at Enron, Bernard Ebbers at Worldcom, Joseph Nacchio from Qwest, and Samuel Waksal from Imclone. These are only a few of the most prominent business leaders who have had to leave in the face of poor business performance and questionable accounting practices and disclosure. In the background of this has been the collapse of Arthur Andersen as an accounting firm, due in part to the actions of senior managers. Even farther in the background, but still capturing much of the public's attention, have been the woes of the Catholic Church in the U.S. In that story, one of the ways that the public has come to see the Church is as a major corporation whose leaders are working together to make strategic decisions.

What makes this series of episodes so different from other "scandals?" that have marked corporate America before? Perhaps the most significant difference is the attention that all of these are getting from the general public. In American culture, business has often been seen as one of the places where society got its leaders, and a way of life where some individuals could excel as leaders. But the current string of corporate failures makes it harder to accept business as a source of vision and execution. From Congress, the President and other top officials, the internet, and the editorial pages, the summer of 2002 has seen a rising level of criticism of

corporate practice, with an unusual amount of that focused on the attitudes and behaviors of the leaders themselves.

---

### TALKING IT OVER AND THINKING IT THROUGH!

What do these episodes say about the accountability of leadership?

What does this do to the argument that executive compensation is not too high?

Imagine that one consequence of this over time is that in corporations, the position of CEO becomes somewhat weaker. If CEOs give up or lose power, where else in the organization will that power go? What are the alternatives to leadership if it is not coming from senior executives? Where will vision and inspiration come from?

---

### THINKING ABOUT THE FUTURE!

One class of people who are very interested in seeing what happens to CEOs is the next rank down of executive staff in different organizations. In the past, they may have had strong leaders in an environment of less accountability. Bass et. al. (1987) showed how in one big organization, there was "cascading" leadership. This means that the behaviors and attitudes of highest executive tend to be imitated by the next level down as they manage and lead their subordinates. Presumably, the next level of executives in many major companies would want to look on the practices of the former CEOs and think about whether they were cascading some of those down to their subordinates. For the future, consider how the heads of headquarters departments like finance, research, and marketing are affected when their boss, the CEO, is fired. Others who have to pay attention are the heads of independent business units (especially in a conglomerate like Tyco). They all still have to get their work done and prepare for the future as well. It would be interesting to know how their behavior might change in the future because of what they learned from the series of CEO dismissals. Would it affect their attitude about taking risks, or reporting to shareholders and regulators?



---

SOURCES:

Martin, Peter. "The Public is Not Amused," Financial Times, June 20, 2002, p.A9.

Leonhardt, David. "The Imperial Chief Executive is Suddenly in the Cross Hairs," The New York Times, June 24, 2002.

Bass, Bernard M.; Waldman, A. David; Avolio, Bruce J. & Bebb and Micheal. "Transformational Leadership and the Falling Dominoes Effect," Group and Organization Studies 12(1), March, 1987.

---

- Roland Kushner

### Discipline as a Form of Leadership

LEAD STORY-DATELINE: The Wall Street Journal, February 20, 2002.

In Washington, DC, news organizations have been able to find information from mid-level and upper-level bureaucrats, using what they have found to produce stories about the inner workings of government policy-making. Often, information that is released this way was supposed to be kept under wraps, but instead, it is made public through such leaks. Indeed, one could say that federal government offices have been as watertight as a colander. The details that were revealed often illuminate disagreements between senior policy makers, whether appointed or elected. And sometimes, it has been the top levels of government, and especially the White House, that has been the sources of the most leaks.

The article by Seib describes a substantial contrast between the administration of President George W. Bush and those of his predecessors, presidents Clinton, Bush (senior) and Reagan. In each of those previous administrations, many of the subtle and frank discussions that took place behind closed doors were quickly shared with the media. But the current administration has behaved much differently. Very few disagreements between senior officials have been publicized. There have been comparatively few incidents in which Cabinet secretaries have spoken in opposition to the general policies that the Bush White House has advanced.

What has caused this change? Other commentators have also noted that the present Bush administration runs much more smoothly in some ways than any of its predecessors. Mr. Seib attributes much of the change of style to the leadership

attitudes and behavior of President Bush himself. It has been widely reported that in his middle years, Mr. Bush abandoned a fairly wild and hedonistic lifestyle, a passage that fueled his personal growth and undoubtedly made it possible for him to become a successful politician. Apparently, one element of this transformation that he underwent was adopting a very disciplined and focused approach to management. As an assistant in his father's administration, he observed a casual and loose approach to making decisions, and saw that many of the top officials were not keen loyalists. As governor of Texas, Mr. Bush attempted to focus on a few key policy objectives. Now, as President in a time of war, he is again managing his administration with focus and discipline.

Mr. Bush provides a model that some leaders of private business or nonprofit organizations might find to be appropriate, while others might disagree with his style or find that it does not fit their situation. The questions that follow explore these questions.

---

#### TALKING IT OVER AND THINKING IT THROUGH!

What elements of a highly disciplined and focused approach to managing key staff are appropriate to a business environment, and which ones might be inappropriate?

How does leading during wartime affect Mr. Bush's leadership style? Can these elements be transferred to the private sector?

Why is loyalty important to chief executives? What leadership skills should executives practice in order to have loyal subordinates? Is it as significant in the private sector as it is in government?

---

#### THINKING ABOUT THE FUTURE!

It will be interesting to see if the current calm in the Bush White House is revealed to be concealing a mass of discord. For now, at least, it seems that Mr. Bush has impressed the need for discipline, loyalty, and focus upon his executive team. The first year of his administration has produced significant challenges, yet he has imposed his style of leadership in a particularly successful manner. While not all of his leadership practices can be applied equally successfully in the

private sector, there are some approaches and attitudes that may well transfer out into the business world.

---

SOURCES:

Seib, Gerald F. "A Distinct Style: Discipline Reigns in Bush's World," The Wall Street Journal, February 20, 2002, pA-24.

---

- Roland J. Kushner

The Fit Between the Leader and Organization

LEAD STORY-DATELINE: The New York Times Magazine, December 23, 2001.

A few weeks after the terrorist attacks on New York, a press conference was held in Washington, D.C. Dr. Bernadine Healy, President of the American Red Cross since 1999, and David T. McLaughlin, Chairman of the Red Cross Board of Governors, announced that Dr. Healy would be stepping down from her post effective the beginning of 2002. Although some of the difficulties that led to her departure can be attributed to the rigorous structure of the Red Cross and problems that some senior staff had in accepting someone from outside as its head, the article makes plain that a number of the issues stemmed from Dr. Healy's own approach to leadership of a complex organization.

Numerous models of leadership are presented to us each time we read the business or popular press, from the hard-charging and focused approach of GE's Jack Welch to the more subtle and humane image that New York Mayor Rudolph W. Giuliani projected after the attacks. There is no single style of leadership that applies to every situation; a small retail store can't be run in the same way as a big corporation, and vice versa. This doesn't mean that there aren't similarities in some decisions, or that some of the basic rules of business (e.g., cash flow management) don't apply. But it does mean that there are no universal truths about leadership, and many aspects of a leader's performance are driven by the situation and the organization itself in addition to those that are driven by leadership style.

The article implies that one of the biggest areas of conflict that Dr. Healy faced was with many of the long-standing customs and traditions of the Red Cross, including those that tend to disperse authority throughout the structure. Her approaches to oversight were more centralized and authoritarian than that of her predecessors', and consequently she encountered (or created) trouble with life-long Red Cross workers and managers. Another element of the article describes her personal style as being very direct, a manner in which she would state the truth as she saw it, not taking (sufficiently) into account the kinds of negative responses that blunt speech can create, even if it is correct. One very public problem came from a decision she made to divert some of the funds received after the terrorist attacks to some continuing disaster-relief costs and to prepare for future attacks. There is a strong case to be made that this was the appropriate thing to do to better prepare the organization and the nation for an uncertain future. However, it was politically unpopular and created a public relations backlash.

Dr. Healy had been a successful leader in difficult situations before and is obviously a highly competent person, according to the article. The fact that she had to leave the Red Cross under pressure (i.e., she was asked to resign) does not change those facts. However, there was a clash between her approach to leadership and the culture and structure of the organization. Think about the role of structure in the success of an organization, consider the following questions

---

#### TALKING IT OVER AND THINKING IT THROUGH!

Is it possible that some of the difficulties she experienced were because she was a woman? Explain.

Of the different styles of leadership predicted by the Vroom-Yetton-Jago models, which ones did she appear to follow most closely? What is some evidence for this?

Does the fact that the Red Cross is a nonprofit organization mean that it calls for a different style of leadership than a business corporation? Explain.

McLaughlin is quoted as saying "...every time she took a strong position, a little more of her capital with the board was spent. At a certain point, you can't recoup." What does he mean by "capital?"

---

### THINKING ABOUT THE FUTURE!

It would be a mistake to attribute all of the difficulties that Dr. Healy faced to her leadership style. It appears instead that the organization and its leader did not fit together as they should. The article goes into some detail about the structure and the culture of the Red Cross, and it is certainly possible to explain many of the problems she faced by looking not at the style of the leader, but at the situation in which the leader acted. However, new leaders are brought in to manage complex organizations all the time. Many of them succeed in turning around a culture in an inclusive manner, rather than in the way that belittles past practice. In one telling comment, she tells the board (after her departure) that "maybe you wanted more of a Mary Poppins and less of a Jack Welch." If it is characteristic of the kinds of rhetorical communication she practiced during her tenure of office, it is doubtful that she would be easily able to increase the stock of capital that a CEO ought to have.

For more information on the American Red Cross, go to their Web site. For more information on the practice of leadership in nonprofit organizations, take a look at Tschirhart, Mary (1996) *Artful Leadership. Managing Stakeholder Problems in Nonprofit Arts Organizations* Bloomington: Indiana University Press.

---

### SOURCES:

Sontag, Deborah. "Who Brought Bernadine Healy Down?," *The New York Times Magazine*, December 23, 2001.

---

- Roland J. Kushner

