

Part 3

The Importance of Ethics

6. Leadership Ethics

7. The Role of Values and Ethics at Work

UNTIL PHILOSOPHERS ARE KINGS, or the kings and princes of this world have the spirit and power of philosophy, and political greatness and wisdom meet in one, and those commoner natures who pursue either to the exclusion of the other are compelled to stand aside, cities will never have rest from their evils—no, nor the human race, as I believe—and then only will this our State have a possibility of life and behold the light of day.

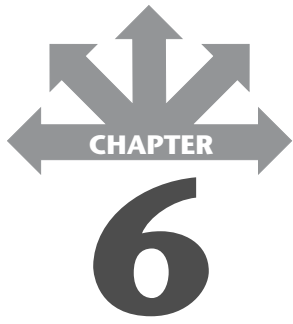
—Plato (428–347 BC)

The Republic: An Ideal Commonwealth

Learning Objectives

After studying Part Three, you will be able to:

- Know the importance of ethics at work.
- Identify the levels and stages of moral development.
- Understand why leadership by values is important.
- Describe the values that guide you in moral dilemmas.
- Know the role of the leader in setting the moral tone and ethical climate of the workplace.



CHAPTER
6

Leadership Ethics

With one after another high-profile scandal in business and government, interest in the nature of ethical leadership has grown proportionally.¹ Prominent scholars, including Ronald Heifetz, James MacGregor Burns, and Robert Greenleaf, have provided perspective on this important subject. A common theme is the need for leadership that is based on honesty, service to others, and moral courage.

For Heifetz, leadership involves the use of authority to help followers uphold important values in the workplace. Burns's theory of transformational leadership emphasizes the moral development of followers and maintaining high standards of ethical conduct. Greenleaf's approach to leadership has strong ethical overtones, with the central premise being that true leadership is service to others.²

Leaders must understand the subject of ethics—what it is and why it is important. Ethics is the branch of philosophy concerned with the intent, means, and consequences of moral behavior. It is the study of **moral judgments and right and wrong conduct**. Some human judgments are factual (the earth is round); others are aesthetic (she is beautiful); and still others are moral (people should be honest and should not kill). Moral judgments are judgments about what is right and wrong, good and bad.³ The Spanish writer Cervantes wrote about ethics in *Don Quixote*:

I know that the path of virtue is straight and narrow, and the road of vice broad and spacious. I know also that their ends and resting places are different; for those of vice, large and open, end in death; and those of virtue, narrow and intricate, end in life; and not in life that has an end, but in that which is eternal.⁴

The word *ethics* is derived from the Greek word *ethos*, referring to a person's fundamental orientation toward life. Originally, *ethos* meant "a dwelling place." For the philosopher Aristotle, *ethos* came to mean "an inner dwelling place," or what is now called "inner character." The Latin translation of *ethos* is "mos, moris," from which comes the English word *moral*. In Roman times, the emphasis shifted from internal character to overt behavior—acts, habits, and customs.⁵

In more recent times, ethics has been viewed as an overall human concern:

One of the chief problems is to determine what the basis of a moral code should be, to find out what one ought to do. Is right that which is the word of God given to man in the Ten Commandments? Is it what is revealed to us by conscience and intuition? Is it whatever will increase the sum of human happiness? Is it that which is the most reasonable thing to do? Is it whatever makes for the fullness and perfection of life? Above all, is there any absolute right, anything embedded, so to speak, in the nature of the universe, which should guide our actions? Or are right and wrong simply relative, dependent on time and place and cultural pattern, and changing with environment and circumstance? What, in short, is the basis of our moral values? These questions are of vital importance in a day when intellectual power threatens to outrun moral control and thus destroy humankind.⁶

Ethical questions are important in all areas of life—work and personal. Put yourself in the shoes of the individuals in Exercise 6–1.

Exercise 6–1 Moral Dilemmas

In each dilemma, what would you do? Place a check mark by your response; then provide the rationale for your answer in the space provided.

1. *The citizen.* You are driving your car when you come upon the scene of an accident. One person will die without immediate medical care. You take the victim and speed to the hospital. The extra speed causes another accident, in which another person dies. How should you be judged? Was your act right because your motive was good, or was your act wrong because its consequences were bad?

Check one: Right; motive was good Wrong; consequences were bad Alternative response

Rationale: _____

2. *The salesperson.* You learn that your company is selling faulty equipment that could be dangerous. Your spouse needs medical treatment that costs a large percentage of your income. You have reason to believe that if you confront your employer, you will lose your job. What would you do?

Check one: Confront employer Avoid confrontation Alternative response

Rationale: _____

3. *The administrative assistant.* You are an executive administrative assistant who has been with the company for 20 years. You provide sole support for your family (boy, 12; girl, 10; mother, ailing). Your new boss, the company president, has made it clear to you that continued employment depends on occasional sexual favors. What would you do?

Check one: Provide favors Refuse to provide favors; risk losing job Alternative response

Rationale: _____

4. *The parent.* You have two daughters. One always complains when you send her on errands. The other doesn't like going either but usually goes without arguing. Typically, you send the daughter who does not complain more often than the one who does. Is this right or wrong?

Check one: Right; continue to send noncomplaining daughter Wrong; send both daughters equally Alternative response

Rationale: _____

5. *The firefighter.* It is World War II, and you are a firefighter in a city in Germany that is under constant bombing. One day, after an especially heavy attack, you leave the bomb shelter to go to your fire station. On the way, you decide to see whether your family is safe. Although your home is quite distant, you go there first. Is this right or wrong?

Check one: Right; check family first Wrong; go to fire station first Alternative response

Rationale: _____

6. *The friend.* You promise to keep your best friend's secret; then she tells you that her son is selling drugs and even has sold them at a nearby grade school. Your friend is upset but plans on taking no action. What would you do?

Check one: Notify authorities Keep friend's secret Alternative response

Rationale: _____

7. *The supervisor.* Your company is reducing the workforce, and you must dismiss one of your engineers. You have narrowed the choices to T. J., an older employee who has been coasting for years, but who is capable of outstanding performance, and Morgan, a new employee who tries his best, but who almost certainly will never perform at the same level as T. J. Who would you let go?

Check one: T. J. Morgan Alternative response

Rationale: _____

These dilemmas show the range of ethical questions that people face and the consequences moral judgments can have. As a human being, you are constantly making decisions about what is the best or right action to take with family, friends, and colleagues. For leaders, the number and gravity of dilemmas are intensified because of the role and influence they have.

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No Easy Subject

Ethics is a difficult subject, forcing people to think about moral issues with elusive answers. This is true now more than ever before. Consider the questions that people are being faced with today:

- *The conscious creation of new forms of life.* What are the benefits and penalties of creating new forms of life through recombinant genetics? Should people be cloned? If so, who should be cloned?
- *Exploration and the use of outer space.* Should people be exploring space? Are the huge financial sums spent on space exploration justified in view of the human misery on earth?
- *Nuclear energy.* What should be done with our knowledge about atomic energy? Should we build bombs that can destroy life, or should we apply this knowledge to human welfare? What should be done, and who is to decide?
- *Information technology.* Should everything that *can* be known *be* known by anybody anytime? Should children see the surface of Mars on a computer screen before they feel the surface of the earth—its rocks, sand, water, and grass—firsthand, with their own bodies? What should we do in response to the admonition not to become tools of our tools?

Aside from moral issues created by developments in science and technology, there are many ethical problems common to the workplace—issues of quality, safety, property, and human relationships. It is the task of the leader to understand and make judgments on these difficult subjects.⁷

The Roots of Ethics

Ethics has both religious and secular roots. Religious ethics is based on a theistic understanding of the world. What is real, true, and good is defined by God. Secular ethics is based on a scientific understanding of the world. Reality, truth, and goodness do not depend on the existence of a god. Both religious and secular ethics may endorse many common values, such as the preservation of life and the importance of the Golden Rule. The primary difference is how values are justified.

The Secular Tradition

Aristotle (384–322 BC) was one of the first and perhaps most influential of all people to shape the ethics of Western civilization from a secular orientation. He believed that every type of animal has a common essence or nature, and that human beings are essentially, or by nature, rational. He viewed rationality as the central and most significant trait distinguishing humankind from other creatures. Further, Aristotle taught that the good person is the one who lives most rationally and whose moral judgments and social conduct are born of contemplation and reason, in contrast to spontaneity and emotionality. Today, when we address a moral dilemma by saying, Let us use reason; let us use logic; let us think rationally about this, we are being ethical in the Aristotelian secular tradition.⁸ Consider the short essay on the next page by the Englishman Bertrand Russell (1872–1970), a modern philosopher whose views were secular.

The Religious Tradition

All the world's religions make prescriptions for moral behavior. St. Augustine (354–430), for example, who generally is agreed to have had a greater influence on Western religious thought than any other writer outside biblical scripture, maintained that the naturally evil inclinations of humanity could be overcome only by divine grace. St. Augustine synthesized Plato's philosophy with Christianity. He believed that if we allow ourselves through faith to be drawn to God, we will overcome our basic immoral nature and eventually be reconciled in the city of God in heaven.⁹

Another Christian philosopher, Thomas Aquinas (1224–1274), integrated the philosophy of Aristotle with Christian theology. Aquinas taught that all people are endowed with a natural desire to be good. He believed that this inclination could be dormant in an individual and could even be perverted. Nonetheless, he believed it

What I Have Lived For

Bertrand Russell

Three passions, simple but overwhelmingly strong, have governed my life: the longing for love, the search for knowledge, and unbearable pity for the suffering of mankind. These passions, like great winds, have blown me hither and thither, in a wayward course, over a deep ocean of anguish, reaching to the very verge of despair.

I have sought love, first, because it brings ecstasy—ecstasy so great that I would often have sacrificed all the rest of life for a few hours of this joy. I have sought it, next, because it relieves loneliness—that terrible loneliness in which one in shivering consciousness, looks over the rim of the world into the cold, unfathomable, lifeless abyss. I have sought it, finally, because in the union of love I have seen, in a mystic miniature, the prefiguring vision of the heaven that saints and poets have imagined. This is what I sought, and though it might seem too good for human life, this is what—at last—I have found.

With equal passion I have sought knowledge. I have wished to understand the hearts of men. I have wished to know why the stars shine. A little of this, but not much, I have achieved.

Love and knowledge, so far as they were possible, led upward toward the heavens. But always pity brought me back to earth. Echoes of cries of pain reverberate in my heart. Children in famine, victims of torture by oppressors, helpless old people a hated burden to their sons, and the whole world of loneliness, poverty, and pain make a mockery of what human life should be. I long to alleviate the evil, but I cannot, and I too suffer.

This has been my life. I have found it worth living, and would gladly live it again if the chance were offered me.¹⁰

to be present in all people and impossible to destroy. Aquinas taught that to resist God's pull is contrary to human nature and that if we allow ourselves to follow God, we will fulfill our nature and we will be purely good. Further, by acting out this goodness in our day-to-day lives, we will be moral and will experience the greatest meaning of which we are capable.¹¹

The majority of people who have ever lived have been influenced by religions such as Christianity and individuals such as St. Augustine and Thomas Aquinas. Consider the example of Ben Franklin, who believed that the soul of man is immortal and will be treated with justice in another life respecting its conduct in this.¹²

Ethics, Humankind, and Other Animals

Whether based on religious belief or secular thought, ethics is a concern unique to humankind. People are the only creatures who combine emotion (feelings) with knowledge (information) and through abstract reasoning (thought) produce a moral conscience, or a sense of what should be.

Some ideas about right and wrong are of prehuman origin. Indeed, such social virtues as self-sacrifice, sympathy, and cooperation can be seen among many other species, such as elephants, porpoises, and lions. However, more than 40,000 years ago, the human race evolved into beings who could distinguish between what is and what ought to be, and it is this attribute that separates people from all other animals.¹³

In *The Descent of Man*, biologist and social philosopher Charles Darwin concludes of ethics, humankind, and other animals:

I fully subscribe to the judgment of those writers who maintain that, of all the differences between man and the lower animals, the moral sense of conscience is by far the most important.

It is summed up by that short but impervious word, ought, so full of high significance. It is the most noble of all attributes of man, leading him without a moment's hesitation to risk his life for the life of a fellow creature, or after due deliberation, impelled simply by the deep feeling of right or duty, to sacrifice it in some great cause.¹⁴

Moral Development

How is morality developed? The English philosopher John Locke, one of the most important philosophers of modern times, viewed the newborn child as a tabula rasa, or blank tablet, on which a life script would be written. He believed that experience and learning would shape the content, structure, and direction of each person's life. In this sense, the ethics of the infant are amoral—that is, there is no concept of good and bad or right and wrong that is inborn.

After birth, babies soon discover that they are rewarded for certain things and punished for others. As a result of this early programming, they develop an understanding of what the adult world considers good and bad. Thus a social conscience is begun, and this becomes the foundation for future moral development.¹⁵

Through modeling and socialization, the older community passes on ethics to young people. The words and actions of parents, teachers, and older companions teach and reinforce morality before children develop their own critical faculties. Ben Franklin's advice to "teach children obedience first so that all other lessons will follow the easier" captures the spirit in which moral values are taught.¹⁶

When practiced over time, ethical behavior becomes habitual and part of people themselves. By telling the truth, people become trustworthy; by serving others, people become kind; by being fair, people become just.¹⁷

On a societywide scale, the ethics of adults are similarly programmed. Swiss psychologist Jean Piaget writes that heteronomy (rules as sacred external laws laid down by authorities) is the unifying factor in adult societies, and that in every society there are leaders (governmental, religious, and educational) who believe in certain moral ideals, and who see their task to be one of imprinting these ideals on succeeding generations.¹⁸

Practically speaking, the three most important influences on character formation are:

- **Associations.** Family, friends, and role models help shape our future lives. The example and encouragement of some people may improve us, while that of others may pull us down. Whenever possible, avoid toxic people and keep company with agents of goodness.
- **Books.** The printed page and other media can poison us with wrong accounts and harmful thoughts, or can enlighten and lift up our lives with reason and spirit fundamental to a healthy person. Consider the influence of just one book, *Don Quixote*, a cultural landmark of the Spanish-speaking world and second only to the Bible in terms of total number of copies printed. Cervantes's courageous hero refuses to conform and seeks to right the wrongs of the world, providing inspiration to generations of people.
- **Self-concept.** When our thoughts and actions are not consistent, the result is dissonance that the mind cannot tolerate. We do what we do to be consistent with who we think we are. Our primary motivation is not self-preservation, but preservation of the symbolic self. Whoever considers him- or herself to be honest, brave, and worthy is likely to be so, as our outer lives are first decided in our inner hearts.¹⁹

Consider the ABCs of your own character development:

1. *Associations.* Who in your life has influenced your character development?

2. *Books.* What books, films, and other media have helped you become a better person?

3. *Self-concept.* What image of yourself has shaped your values and guided your life?

Levels of Morality

A person's level of morality is one of the most important dimensions of leadership, determining whether people will trust and respect the leader. Regardless of the code of ethics a society teaches and regardless of one's personal values, on what basis does the individual make ethical decisions? What motive, goal, or frame of reference does the person bring to moral dilemmas? There are many ideas on this question, but the work of social psychologist Lawrence Kohlberg occupies center stage.²⁰

Kohlberg explains that each person makes ethical decisions according to three levels of moral development—**preconventional**, **conventional**, and **postconventional**. Table 6–1 describes these levels, defines two stages within each level, and presents examples of moral reasoning at each stage. As you read the chart, evaluate your own ethics. At which level do you usually operate? At which level would you want leaders to behave?

Different people go through the six stages of moral development at different rates, and some people never reach the principled morality of stages 5 and 6. Individuals who remain at lower levels of morality experience arrested developmental integrity. The egocentric orientation of stages 1 and 2 is most characteristic of preadolescent children, whereas the community-oriented morality of stages 3 and 4 is common in teenagers and most adults. The self-direction and high principles of stages 5 and 6 are characteristic of only 20 percent of the adult population, with only 5 percent to 10 percent of the population operating consistently at stage 6.²¹

The case and analysis that follow show how levels of morality influence human conduct in the face of moral dilemmas:

3 The Stolen Drug

In Europe, a woman was near death from a rare kind of cancer. There was one drug that the doctors thought might save her. It was a form of radium that a druggist in the same town had recently discovered. The drug was expensive to make, but the druggist was charging ten times what the drug cost him. He paid \$200 for the radium and charged \$2,000 for a small dose of the drug.

The sick woman's husband, Heinz, went to everyone he knew to borrow the money, but he could only get together about \$1,000, which was half of what it cost. He told the druggist that his wife was dying and asked him to sell it cheaper, or let him pay later. But the druggist said, "No, I discovered the drug and I'm going to make money from it." Heinz became desperate and broke into the man's store to steal the drug for his wife.²²

When confronted with the moral dilemma of either letting his wife die or stealing the drug, Heinz stole the drug. Was he right or wrong? Table 6–2 presents examples of moral reasoning Heinz may have used at each stage of moral development.

Table 6–1 Levels, Stages, and Examples of Moral Development²³

Level of Moral Development	Stage of Moral Development	Example of Moral Reasoning at Each Stage
Level I Preconventional morality. The individual is aware of cultural prescriptions of right and wrong behavior. Response is based on two concerns: Will I be harmed (punishment)? Will I be helped (pleasure)?	Stage 1 At this stage, physical consequences determine moral behavior. Avoidance of punishment and deference to power are characteristics of this stage.	I won't hit him because he may hit me back.
	Stage 2 Individual needs are the primary motives operating at this stage, and personal pleasure dictates the rightness or wrongness of behavior.	I will help her because she may help me in return.
Level II Conventional morality. Morality is characterized by group conformity and allegiance to authority. The individual acts in order to meet the expectations of others and to please those in charge.	Stage 3 The approval of others is the major determinant of behavior at this stage, and the good person is viewed as the one who satisfies family, friends, and associates.	I will go along with you because I want you to like me.
	Stage 4 Compliance with authority and upholding social order are primary ethical concerns at this stage. Right conduct is doing one's duty, as defined by those in authority positions.	I will comply with the order because it is wrong to disobey.
Level III Postconventional morality. This is the most advanced level of moral development. At this level the individual is concerned with right and wrong conduct over and above self-interest, apart from the views of others, and without regard to authority figures. Ethical judgments are based on self-defined moral principles.	Stage 5 Social ethics are based on rational analysis, community discussion, and mutual consent. There is tolerance for individual views, but when there is conflict between individual and group interests, the majority rules. This stage represents the "official" morality of the U.S. Constitution.	Although I disagree with his views, I will uphold his right to have them.
	Stage 6 At this stage, what is right and good is viewed as a matter of individual conscience, free choice, and personal responsibility for the consequences. Morality is seen as superseding the majority view or the prescriptions of authority; rather, it is based on personal conviction.	There is no external force that can compel me to do an act that I consider morally wrong.

Table 6–2 Heinz's Reasoning: Should I Steal the Drug?²⁴

Moral Stage	Argument For	Argument Against
Stage 1: Orientation to punishment	It isn't wrong to take the drug. It is really worth only \$200, and I probably won't get caught anyway.	It is wrong to take the drug. After all, it is worth \$2,000. Besides, I would probably get caught and be punished.
Stage 2: Orientation to pleasure	If I don't want to lose my wife, I should take the drug. It is the only thing that will work.	I should not risk myself for my wife. If she dies, I can marry somebody else. It would be wrong for me to give up my well-being for her well-being.
Stage 3: Orientation to social approval	I have no choice. Stealing the drug is the only thing for a good husband to do. What would my family and friends say if I didn't try to save my wife?	I must not steal the drug. People won't blame me for not stealing the drug; it is not the kind of thing people would approve of.
Stage 4: Orientation to social order	When I got married, I vowed to protect my wife. I must steal the drug to live up to that promise. If husbands do not protect their wives, the family structure will disintegrate, and with it, our society.	Stealing is illegal. I have to obey the law, no matter what the circumstances. Imagine what society would be like if everybody broke the law.
Stage 5: Orientation to social rights and responsibilities	I should steal the drug. The law is unjust because it does not protect my wife's right to life. Therefore, I have no obligation to obey the law. I should steal the drug.	As a member of society, I have an obligation to respect the druggist's right to property. Therefore it would be wrong for me to steal the drug.
Stage 6: Orientation to ethical principles	The principle of the sanctity of life demands that I steal the drug, no matter what the consequences.	The principle of justice and the greatest good for the greatest number prevents me from stealing the drug, even for the good of my wife.

The following examples show the importance of levels of morality in history:

■ *Nazi death camps.* In April 1961, Adolf Eichmann, accused executioner of five million Jews in Nazi Germany during World War II, testified at his trial in Jerusalem:

In actual fact, I was merely a little cog in the machinery that carried out the directives of the German Reich. It was really none of my business. Yet what is there to “admit”? I carried out my orders.²⁵

Level II, stage 4 moral reasoning is reflected in Eichmann’s statement.

■ *Civil disobedience.* In March 1922, Mohandas Gandhi, the Indian spiritual and political leader, addressed a British court with these words:

Nonviolence is the first article of my faith. It is also the last article of my creed. But I had to make a choice. I had to either submit to a system that I considered had done irreparable harm to my country, or incur the risk. . . . I am here, therefore, to invite and cheerfully submit to the highest penalty that can be inflicted upon me for what in law is a deliberate crime and what appears to me to be the highest duty of a citizen.²⁶

Level III, stage 6 morality is seen in the life and teaching of Gandhi. With similar moral reasoning, Socrates refused to admit social wrong in his farewell address to the Athenian people. Instead, he drank the lethal hemlock, setting an example of moral heroism that has inspired Western civilization for over 2,000 years.

To personalize the subject of levels of morality, consider these questions: At what level of moral reasoning do you operate? Are you stage 1 or 2 (egocentric), 3 or 4 (community-oriented), or 5 or 6 (principled) in your response to ethical dilemmas at work, in your community, and in your personal life? Think of the leaders you respect. At what level of morality do they operate?

Lessons in Obedience

In the 1960s, Stanley Milgram, a psychologist at Yale University, performed a series of experiments on obedience. Milgram demonstrated how a situation can overpower an individual’s conscience. His findings have been used to explain the great atrocities of our time: the Holocaust, the My Lai massacre, the genocide in Rwanda, and Abu Ghraib in Iraq.

Milgram drew his subjects from all walks of life, including lawyers, firefighters, and construction workers. They all agreed to accept \$4.50 per hour to participate in an experiment on learning and punishment. In the experiment, they were told by a doctor in a white coat to act as “teachers” by reading a list of associations to a “learner,” who was out of sight but could hear in the next room. If the learner got an association wrong, the teacher was instructed to give him an electric shock, increasing the voltage after each incorrect answer. The first shock was labeled “Slight shock—15 volts.” The last was labeled “Danger: severe shock—450 volts.”

Of course, the real experiment was on the teachers to see how much punishment they would administer. At 180 volts, the learner, who was an actor, would cry out that he could not stand the pain; at 300 volts, he refused to participate; at 330 volts, there was silence. To Milgram’s surprise, 65 percent of the teachers pushed on to the end, 450 volts, even if they were told the learner had a mild heart condition. Many of the teachers were seriously upset—sweating profusely, biting their lips—but with the prodding of the white-coated experimenter, they continued in spite of their moral qualms.

Milgram’s research demonstrated how ordinary people could be induced to perform inhumane acts simply by the presence of an authority figure. Milgram also found that the more psychological distance the subjects had from the victim, the more likely they were to follow orders to the bitter end. If the teacher only read the questions but did not administer the shocks, 90 percent finished the experiment. However, if the teacher had to touch the learner to administer the shocks, then only 30 percent went up to 450 volts.

Milgram's studies have been replicated in Australia, Germany, Jordan, and other countries around the world, all with similar results. Milgram began his experiments because he wanted to prove William Shirer's theory advanced in *Inside the Third Reich*, that Hitler could happen only in Germany. His experiments at Yale and New Haven showed that Hitler could happen in America as well.²⁷

Virtue: The Nature of Level III, Stage 6 Morality

Moral evolution has followed a path from preconventional (level I, stage 1) to post-conventional ethics (level III, stage 6). Increasingly, people as individuals versus people as society have become the basis of moral judgments. The sentiment that just because the majority of a group or society judges an act to be right or wrong does not make it so reflects this orientation toward individual conscience (personal principles), as opposed to collective thought (community standards) or self-service (egocentric morality).²⁸

At level III, stage 6 morality, a person's view of right and wrong depends on the meaning she or he attaches to personal existence, and that meaning is based on self-discovered and self-accepted values. This is the orientation of German writer Hermann Hesse's young Siddhartha, even after he had listened to the teachings of Buddha Siddhartha Guatama (Shakyamuni):

"Do not be angry with me, O Illustrious One," said the young man. "I have not spoken to you thus to quarrel with you about words. You are right when you say that opinions mean little, but may I say one thing more? I did not doubt you for one moment. Not for one moment did I doubt that you were the Buddha, that you have reached the highest goal that so many thousands of Brahmins and Brahmins' sons are striving to reach.

"You have done so by your own seeking, in your own way, through thought, through meditation, through knowledge, through enlightenment. You have learned nothing through teachings, and so I think, O Illustrious One, that nobody finds salvation through teachings. To nobody, O Illustrious One, can you communicate in words and teachings what happened to you in the hour of your enlightenment.

"The teachings of the enlightened Buddha embrace much, they teach much—how to live righteously, how to avoid evil. But there is one thing that this clear, worthy instruction does not contain; it does not contain the secret of what the Illustrious One himself experienced—he alone among hundreds of thousands.

"That is what I thought and realized when I heard your teachings. That is why I am going on my way—not to seek another and better doctrine, for I know there is none, but to leave all doctrines and all teachers and to reach my goal alone—or die. But I will often remember this day, O Illustrious One, and this hour when my eyes beheld a holy man."²⁹

In 1884, Mark Twain wrote *The Adventures of Huckleberry Finn*, a moving story that appeals to readers of all ages. The novel centers on Huck's struggles to reconcile the dictates of society with his own feelings regarding slavery. In the end, Huck decides that a society's rules can be unjust and that his own sense of right and wrong must be followed.

The following example depicts level III, stage 6 morality in the world of work. It shows how important it is for people to determine their own moral principles, whether religious or secular, and to decide on ethical conduct in the light of the meaning they attach to their own lives. It also shows that an individual's actions are most virtuous when they proceed from the highest motives, utilize the best means, and achieve the best consequences. The absence of any one of these qualities will result in less than level III, stage 6 morality—and less than one's potential for moral virtue.³⁰

Level III, Stage 6 Morality: A True-Life Case

Susan is an art student about to graduate from college. She is offered a position with a daily newspaper. The position pays well and she is interested in that type of employment, but to work on the newspaper staff, she must draw cartoons that express the sentiments of the paper's owners and managers, not her own sentiments or convictions. The paper is jingoistic and isolationist, whereas Susan wishes to promote international machinery for the peaceful settlement of disputes. The paper also stresses property rights, while Susan wishes to emphasize human rights. Should she accept the position?

How the Problem Is Handled

Susan is very pleased with the job offer. She feels that it is an honor and a compliment. But she does not accept at once. There are some questions in her mind that she wishes to think over. She begins to weigh the pros and cons. During this process, she talks with friends and consults a number of older people whose judgment she respects.

In favor of accepting the position, Susan reasons that it is a good position, it pays well, and she may not get another offer as good—in fact, no other position of this nature may be open in the near future. Furthermore, the position will give her experience and contacts, and she would like to take up this type of work as a profession.

When her friend, Donna, hears about the offer, she says, "Susan, you're in luck. Grab it while you can. Why in the world would you even hesitate?" Another friend adds, "What if you don't accept the position? Someone else will, so what's the difference?"

The older people with whom Susan talks are less simplistic in their advice. They suggest that she think the issue through carefully. While they are not all in agreement in the advice they offer, they do bring to light some aspects that Susan has not considered. Susan asks for an interview with the manager of the newspaper to gain more information about the position and what would be expected of her.

By this time, some of the arguments against accepting the offer are beginning to take shape in Susan's mind; most important is the fact that when working for the newspaper, she must express and promote sentiments opposite to her own. This means that she will be promoting social attitudes and movements in which she does not believe. She asks, What will this position do to me? Can I be successful in work that is promoting a cause in which I do not believe? Do I want my reputation and my influence to count on behalf of the issues I will be asked to promote?

As Susan weighs the relative merits of the two courses of action, certain convictions emerge. First, if she accepts the position, she may not be able to throw all of her mind and heart into the work. Consequently, she is not likely to be as creative as she would be if she were promoting causes in which she believed. Second, if she does manage to give her whole energy to the work, she will soon become a different type of person, with different sentiments and convictions. As her name becomes identified with causes and as she forms friendships in these circles, the possibility of breaking away will be increasingly difficult. Wouldn't it be better, she reasons, to accept another position with a lower salary if need be and retain her personal integrity?

After a few days of uncertainty, Susan declines the offer and asks the placement bureau to keep her name on the active list for new openings.

Analysis

Motives. Susan's motives undoubtedly are good. She wants to do the right thing if she can discover it. This is evident in her approach to the problem and in the questions she asks as she considers the alternatives. Also, her desire to get a good position so that she may be able to earn a living and practice her profession is commendable. The problem centers on the means to be chosen and the general consequences to her and to society of the use of these means.

Means. The problem is handled by Susan in a highly moral way: (1) She thinks about the problem before making a decision. She makes a genuine and intelligent attempt to discover all the relevant factors in the situation. As a result, her decision is made with more facts in mind than would have been the case otherwise. (2) She weighs the relative merits of the alternative possibilities. She judges the case on the basis of long-term considerations, not merely on the basis of immediate interests. (3) She takes into account the social effects of her decisions, not merely her personal interests. (4) She seeks advice from the people who she thinks may throw additional light on the problem. (5) The final decision is her own. It is made on the basis of principle and on the basis of her personal value system.

Consequences. The essence of level III, stage 6 morality is the ability and willingness to weigh all relevant facts in moral dilemmas and to base actions on the results of such reflection at the point of decision making. In Susan's case, time will tell the moral consequences of her decision. With the passage of time, the knowledge of the results of her actions may lead to new moral dilemmas and the necessity for new moral decisions.

In summary, level III, stage 6 morality begins with good motives, is affected by good means, and results in good consequences. At this level and stage of morality, the saying that the ends justify the means is no more acceptable than to say methods are most important, or that good intentions are all one needs to ensure good results. This is because any one of these qualities without the other two will result in lowered morality.

All three—motives, means, and consequences—are necessary ingredients of virtuous, level III, stage 6 moral leadership. We use these criteria to judge the character of a leader both in the instance and over the span of time. We have highest respect for those leaders who behave with honor over the course of their lives. Their records are known, and the verdict is given—these are the great leaders. When faced with a moral dilemma, they do not ask, Will I go to jail? (level I morality), or Will my reputation suffer? (level II morality), but What is the right thing to do? (level III morality). Virtuous leaders know the difference between reputation and character: the first is what people say about them; the second is what they do when no one is watching.

Ethics and the Legal Department

The philosopher Lou Marinoff gives practical advice about leadership and moral dilemmas: Everyone's ethical warning lights go off at different times. Although working will always involve compromises, it is important to know when an action may take you over a line you do not want to cross. In these situations, your conscience should guide you.³¹

In the world of work, ethics is typically the purview of the legal department. But being legal may or may not mean being moral. Legality includes everything the law permits or doesn't expressly forbid. Morality is an even older idea, predating even legislated laws.

By all means, you should do what the people in the legal department advise to abide by the law, but you must never lose your own moral compass. If something makes you morally upset, so much so that you know what you are doing is clearly wrong, don't let legality alone appease you. The argument that "I was only following orders" won't absolve you if you make a moral error. Remember, every society has laws, but not all laws are just.

So what is a person to do? The best advice is to follow the dictum "nonharm to sentient beings." This is the basis of every professional code of ethics and every moral society. If your actions cause harm to others, they are immoral. Systems of morality and the laws of a society can get complicated, but if you live by this basic requirement, you will have a clear conscience.³²



The Role of Values and Ethics at Work

In 1727 Benjamin Franklin formed the Junto, a forerunner of modern-day civic clubs. It was dominated by businessmen having goals of community fellowship and service. Charter members were a shoemaker, a surveyor, a woodworker, a glazier, and four young printers. Character was a significant concern of that organization. Franklin's own values included temperance, order, resoluteness, industry, sincerity, justice, moderation, cleanliness, and humility. Clearly, these are poles apart from current-day expressions such as one-upmanship, looking out for number one, and assertiveness, which have captured considerable public following.³³

Some organizations view values as a fundamental requirement for success. James Burke, former chairman of Johnson & Johnson, states that J&J's credo, first articulated in 1945, was responsible for the company's rapid action in taking Tylenol off the market after poisoning incidents in which seven people died. To support the importance of values, he cites a study of the financial performance of U.S. companies that have had written value statements for at least a generation. The net income of those companies increased by a factor of 23 during a period when the gross national product grew by a factor of 2.5.³⁴

For many organizations, values are a social glue. Global enterprises requiring long-distance management may use values to provide structure and stability for people of diverse backgrounds in far-flung locations. Jack Welch, former CEO of General Electric, sees management values as a primary source of corporate identity, adding to a sense of cohesion among GE's highly diverse business units. Also, values can provide guidance for members who function as independent decision makers—for example, the factory team with the power to stop production if a core principle is violated.³⁵

It should be noted that value statements can mask hypocrisy. If a company espouses quality in its written vision or promotional literature, but sacrifices it for short-term profits, cynicism will prevail among customers and employees. To be meaningful, values must enter into the daily practices of the organization. Values must reflect enduring commitments, not vague notions and empty platitudes. Thus, leaders who seek to manage through values must examine their own value systems and put good intentions into concrete actions that others can witness.

An organization can have an abundance of values, but lack clarity and reinforcement of those that are the most important. A lack of agreement on core values that all members will live by will reduce the character and strength of the organization. Author Leon Wieseltier writes, "The contemporary problem in American society is not that people believe in too little, it is that they believe in too much. Too much of what too many people believe is too easily acquired and too thoughtlessly held." Wieseltier believes Americans are choking on identities. Not the lack of meaning, but the glibness of meaning is the trouble.³⁶

How can an organization know if it needs to clarify or reinforce its values? Red flags are the following:

- Members lack clear understanding about how they should behave as they attempt to meet organizational goals.
- Different individuals and groups have fundamentally different value systems.
- Top leaders send mixed messages about what is important.
- Day-to-day life is disorganized, with the left hand and the right hand often working at cross-purposes.
- Members complain about the organization to neighbors, friends, and family.
- Like the person who has ears, but hears not, the organization has values, but does not practice them.

Management author Peter Drucker states:

Each organization has a value system that is influenced by its task. In every hospital in the world, health is the ultimate good. In every school in the world, learning is the ultimate good. In every business in the world, the production of goods and services that please the customer is the ultimate good. For an organization to perform at its highest level, its leader must believe that what the organization is doing is, in the last analysis, an important contribution to people and society, one that is needed or adds some value.³⁷

In *A Business and Its Beliefs: The Ideas That Helped Build IBM*, Thomas Watson, Jr., explains the importance of values: (1) To survive and achieve success, an organization must have a sound set of values on which it premises all policies and actions; (2) the single most important factor in an organization's success is its leaders' faithful adherence to those values; and (3) if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except its core values. The need is to be open to change in structure, tasks, technology, and people, but always guided by, and remaining true to, basic or core values.

Watson goes on to say that when IBM has been successful, it has been true to its three core values—respecting the individual, giving the best customer service possible, and performing every job with excellence. And when IBM has gone astray at times in its history, it is because it lost sight of—or deviated from—those three basic business values.³⁸

The Starbucks Story

A good example of the importance of values for business success is Starbucks. In 1971, The Starbucks Coffee, Tea, and Spice store opened for business in Seattle, Washington. Today, Starbucks is a global enterprise with 11,000 stores in 37 countries and more than 100,000 employees. It averages 35 million customer visits each week and has customers who return an average of 18 times a month. Since 1992 its stock has risen 5,000 percent.

In *The Starbucks Experience*, Joseph Michelli describes five leadership principles that are the foundation of Starbucks' greatness—make it your own, everything matters, surprise and delight, embrace resistance, and leave your mark.

These principles are put into practice through the *Green Apron Book*, a pocket-size job-aid that describes partner (employee) “ways of being” in order to be successful—be welcoming, be genuine, be knowledgeable, be considerate, be involved. These are simple instructions provided in an appealing way that captures the essence of the company's culture.

Starbucks' ways of being are expected behaviors at every level of responsibility, and they form the basis for selecting, training, and promoting partners. It is interesting to note that Starbucks spends more money on training than it does on advertising.

To ensure that leaders are upholding the company's espoused values, all partners are encouraged to bring their concerns to a *Mission Review Committee* when they think policies, procedures, or leadership behaviors are straying from Starbucks'

principles. The *Green Apron Book* and the *Mission Review Committee* have been instrumental in Starbucks' vision to be a value-based company that cares about coffee and cares about people.³⁹

In 2008 Michael Gill wrote *How Starbucks Saved My Life*. It is a story about life and work with valuable leadership lessons.

Values and the Importance of Courage

Certain values are mentioned most often in the American workplace:

- **Honesty** in all dealings, as a foundation for all other values.
- **Respect** for others, as shown by consideration for their beliefs and needs.
- **Service** to others, guided by the principle of doing for others as you would have them do for you.
- **Excellence** in all work performed, reflecting the Greek ideal of excellence as a virtue, and resulting in both public admiration and personal pride.
- **Integrity**, having the courage to act and live by one's convictions.

When people define character, what they say is important, what they do is more important, but what they sacrifice for is most important. These are the layers of identity and character formation for individuals and groups. In its highest form, character is based on a value system that is known, cherished, stated, lived, and lived habitually. Caring to the point of personal sacrifice is the highest form of living by one's values.

Character and leading by values require **courage**, a superordinate quality of the person. Philosopher-psychologist Rollo May explains the importance of courage:

Courage is not a virtue or value among other personal values like love or fidelity. It is the foundation that underlies and gives reality to all other virtues and personal values. Without courage our love pales into mere dependency. Without courage our fidelity becomes conformism.

The word courage comes from the same stem as the French word *coeur*, meaning "heart." Thus just as one's heart, by pumping blood to one's arms, legs, and brain enables all the other physical organs to function, so does courage make possible all the psychological virtues. Without courage, other values wither away into mere facsimiles of virtue.

An assertion of the self, a commitment, is essential if the self is to have any reality. This is the distinction between human beings and the rest of nature. The acorn becomes an oak tree by means of automatic growth; no courage is necessary. The kitten similarly becomes a cat on the basis of instinct. Nature and being are identical in creatures like them. But a man or woman becomes fully human only by his or her choices and his or her commitment to them. People attain worth and dignity by the multitude of decisions they make from day-to-day. These decisions require courage.⁴⁰

Many leadership situations are characterized by ambiguity, uncertainty, and even danger. The leader must be able to act in spite of these factors. Many decisions will require overcoming fear, gritting one's teeth, and doing what must be done. True leadership requires courage to act and live by one's convictions.

Traditional Definitions of Good

The English philosopher Alfred North Whitehead wrote, "We are in the world, not the world in us."⁴¹ He explains that while a concern for right and wrong may be universal to all people, what is considered right and wrong depends on the universe and a person's place in it. We are evolving creatures in an evolving world, and human ethics are changing as well.

In the history of Western civilization, what *ought to be* has had different meanings in different times and circumstances. Generally, the cultures of the Western world

condemn such practices as slavery, witchcraft, and dueling today, even though these were once considered acceptable.

There have been many definitions of the ethical person in Western culture. *Good* and *right* have been defined in terms of power, personal integrity, natural simplicity, will of God, pleasure, greatest good for the greatest number, pragmatism, and duty and right action. As you read the following, evaluate your own ideas on these central concepts of good.⁴²

Power

If life is a struggle for survival and human beings are fundamentally selfish and greedy, then the best individuals are those who adapt to these market forces and become masters of manipulative relations. So believed Niccolò Machiavelli, (1469–1527), an Italian diplomat and political writer. Machiavelli argued for winning and retaining power in a world containing extensive political factionalism and lust for dominion. He maintained that flattery, deceit, and even murder may be necessary if a person is to win and retain power. He stated that a person should never cultivate private virtues that in public life can prove politically suicidal; instead, one should develop vices if these will help perpetuate one's rule. Machiavelli believed that ends justify means and taught that might makes right.⁴³

Personal Integrity

The German philosopher Friedrich Nietzsche (1844–1900) believed that human resoluteness, born of independent judgment, was the highest good. Nietzsche was a champion of individualism and encouraged the individual to be independent in thought and strong in conviction, even in the face of group pressure and government authority. Nietzsche believed that nature is filled with conflict spilling over into society, and the best human beings are those who exhibit moral virtue—wisdom, justice, courage, and other ideals—regardless of personal loss or gain.⁴⁴

In this vein, Martin Heidegger (1889–1976), the German existential philosopher, pointed to the Greek ideal of nobility and taught the importance of freely and resolutely adhering to personal principles rather than succumbing to social pressures to conform. Personal integrity, he believed, is inherently good regardless of the results. Practicing personal integrity, though, means that one may not comfortably coexist with everyone, so each person must choose his or her lifestyle and commitments carefully.⁴⁵

Natural Simplicity

In the eighteenth century, the Frenchman Jean-Jacques Rousseau (1712–1778) wrote that nature in essence is good, and because humanity is part of nature, human beings too are naturally good. It follows that to achieve the highest good, one must strive to be most purely natural. Rousseau also held that corruption comes only with civilization, and that children should be raised in a state of simplicity.⁴⁶

Writer-philosopher Henry David Thoreau (1817–1862) wrote in a spirit of naturalness and simplicity in *Walden*, “I went to the woods because I wished to live deliberately, to front only the essential facts of life, and see if I could not learn what it had to teach, and not, when I came to die, discover that I had not lived. Every morning was a cheerful invitation to make my life of equal simplicity, and I may say innocence, with Nature herself.”⁴⁷ Thoreau believed in developing one's inner self while leaving the exterior environment pristine. In *Economy from Walden*, he wrote that most of the luxuries, and many of the so-called comforts of life, are not only dispensable, but positive hindrances to the elevation of mankind. In this same spirit, many people today resist technological changes, complex lifestyles, and artificial creations.

The French writer Vauvenargues summarizes the importance of naturalness: “Naturalness gets a better hearing than accuracy. It speaks the language of feeling, which is better than that of logic and rationality, because it is beautiful and appeals to everyone.”⁴⁸

Will of God

Religious leaders announce visions and make moral judgments, drawing on the authority of a supreme being (or many gods). Saying, “It is the will of Allah,” the prophet Muhammad (about 570–632) decreed the “five pillars” of Islamic faith: (1) the repetition of the belief, “There is no God but Allah, and Muhammad is the prophet of Allah,” (2) prayer five times daily, (3) the 30-day fast of Ramadan, (4) alms giving, and (5) pilgrimage to Mecca. These beliefs and the religious and moral teachings of the *Quran*, the holy book of Muslims, are held most sacred by over 723 million Muslims today. Similarly, nearly three billion adherents of many other religions define the ethical good as the “will of God.”⁴⁹

No other body of thought has been embraced by so many people, nor has any been so influential in history, as has Christianity. At the core of Christian character formation are the life and teachings of Jesus of Nazareth. The ethic Jesus taught was to love God and to love humanity: “Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind. This is the first and great commandment. And the second is like unto it, Thou shalt love thy neighbor as thyself. There is no other commandment greater than these.”⁵⁰ Whether based on Christian teaching or not, a belief in love is the ethical ideal of millions of people.

Pleasure

The idea that pleasure, broadly interpreted as physical enjoyment and avoidance of pain, is the highest state of goodness dates back at least to Aristippus (about 435–366 B.C.). This pupil of the philosopher Socrates believed that experiencing pleasure and avoiding pain should be the goals of human existence, and that definite pleasure of the moment should not be postponed for uncertain pleasure of the future.⁵¹ To understand the importance of this belief, consider the wars that have been fought because of passion between man and woman, the steps people take to avoid discomfort and pain, and the value people place on self-satisfaction in day-to-day affairs. In *Reflections and Maxims*, Vauvenargues wrote:

The indifference we display toward moral truth is due to the fact that we determine to indulge our passions in any event, and that is why we do not hesitate when action becomes necessary, notwithstanding the uncertainty of our opinions, to satisfy desire. It is of little consequence, say men, to know where truth lies, if we know where pleasure lies.⁵²

Greatest Good for the Greatest Number

Two of the principal architects of the belief that “what is best brings the greatest good for the greatest number” were the nineteenth-century political philosophers Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873).⁵³ Their moral philosophy, utilitarianism, reflects the official ethics of both American democracy and Marxist communism. Bentham wrote, “The greatest happiness of all those whose interest is in question is the right and proper, and the only right and proper and universally desirable, end of human action.”⁵⁴ When we weigh the consequences of moral behavior by considering the best interests of everyone involved, we are being ethical according to utilitarian ideals.

Pragmatism

Pragmatism is a philosophical belief that originated in the United States with the work of Charles Sanders Peirce (1839–1914), William James (1842–1910), and John Dewey (1859–1952). Many regard pragmatism to be America’s most original contribution to philosophy. Many also see it as a reflection of a superficial society. Pragmatists maintain that what is true must be based on evidence, and that philosophical beliefs should be evaluated in terms of the role they play in solving life’s practical problems. For pragmatists, the term *practical* applies to all aspects of life, including social, political, economic, and religious. Ideas and actions are considered good to the degree they help us solve life’s problems. Pragmatism is summarized in this saying: “That which is good is that which works.”

Duty and Right Action

In *Criticism of Practical Reason* (1788) and *Fundamental Principles of the Metaphysics of Morals* (1785), the German philosopher Immanuel Kant (1724–1804) detailed a

view of right and wrong that has had significant influence on the thinking of Western civilization. Kant believed that people must be their own lawgivers, freely choosing their obligations, and that these, in turn, become their duty. Because people are free to determine ethical beliefs and have free choice in moral dilemmas, all people must be responsible for their own actions.

Kant believed that a person with character will choose duty to conscience and will not succumb to base or expedient desires. Further, he believed that if an individual acts from a good motive and a sense of duty, the act is good regardless of the consequences. Thus, if a person seeks to help another, but because of unforeseen circumstances the result is a worsened condition for the other, the helper is nonetheless a good and ethical person. On the other hand, if a person seeks to harm another, but in doing so actually helps the other, this act is nonetheless immoral.⁵⁵

The importance of personal conscience and duty can be seen in the words of Israeli stateswoman Golda Meir: “I can honestly say that I was never affected by the question of the success of an undertaking. If I felt it was the right thing to do, I was for it, regardless of the possible outcome.”⁵⁶

In the face of ethical questions, a person with character tries to sort out right from wrong. In this effort, traditional definitions of *good* have guided Western culture. As you consider the subject of character, what is your moral ideal? Are your values reflected in both your personal life and your public life? Individuals must remember the truth of the saying, “People must stand for something; otherwise, they will fall for anything.”

Honesty as a Leadership Value

Honesty is the most important leadership value. It is the single most important ingredient in the leader–follower relationship. The effective leader holds truth as a central value and foundation for all other values.⁵⁷ This is a message as old as the Bible—“Know the truth and it will set you free.”⁵⁸ It is the message of Shakespeare, who advised, “this above all: to thine own self be true, and it must follow as the night the day, thou canst not then be false to any man.”⁵⁹ And it is the message of successful leaders today. Herb Kelleher, former CEO of Southwest Airlines, was admired for both his business success and his basic honesty. When asked, What is the secret to building a great organization; how do you create a culture of commitment? Kelleher’s answer was: Be yourself.⁶⁰

The Bible, Shakespeare, and Kelleher agree that character begins with truth, that truth is inside the person, and that the leader must be true to his or her values. This is what Thomas Jefferson meant when he wrote: “In matters of style, swim with the currents; in matters of principle, stand like a rock. Character is what you are. It is different than reputation which is from other people. True character is in you.”⁶¹

In his book *The Ethical Imperative*, John Dalla Costa makes the point that being honest means more than not deceiving. It also means not making promises you cannot keep, not misrepresenting facts and data, not hiding behind half-truths and evasions, not avoiding accountability for your actions. The leader must live by the principle of honesty and must reward honest behavior in others.⁶²

Full-Swing Values

There is a concept in ethics that can be used to assess the strength of one’s values. It is especially important for people in leadership positions. This concept is **full-swing values**. Think about the sport of baseball, in which a full swing is needed to hit a home run. An arrested swing will result in less success—a triple, double, single, or foul ball. The same is true for questions of right and wrong, and good and bad: In ethical dilemmas, a values home run results only when one completes a full swing and does not suffer axiological arrest. Axiology is the branch of philosophy dealing with values, and ethics is applied axiology.⁶³

A full swing comprises five points, from beginning through completion:⁶⁴

- Point 1 is to *know* one's values.
- Point 2 is to *cherish* one's values.
- Point 3 is to *declare* one's values.
- Point 4 is to *act* on one's values.
- Point 5 is to *act habitually* on one's values.

Consider the cases of Jim, Jane, Jack, Jill, and John, each facing an ethical dilemma (such as what to do about safety, what to do about taxes, what to do about quality):

- Jim knows what he values but has not examined other alternatives. His is an unthinking stance with little or no personal commitment. He hits a foul ball.
- Jane knows what she values and cherishes this privately. She experiences self-satisfaction with her values. She hits a single.
- Jack knows what he values, cherishes this personally, and declares his values. He hits a double.
- Jill knows what she values, cherishes this personally, declares her values, and acts on her value system. She takes action and accepts the consequences. She hits a triple.
- John knows what he values, cherishes this personally, declares his values, acts on them, and does this habitually. John hits a values homerun, demonstrating maximum strength of values conviction.

See Table 7-1 for a depiction of the cases noted above.

Table 7-1
Full-Swing Values

Points on the Swing	Jim	Jane	Jack	Jill	John
Knows values	X	X	X	X	X
Cherishes values		X	X	X	X
Declares values			X	X	X
Acts on values				X	X
Acts habitually on values					X

To personalize the subject of values strength, evaluate your own values—freedom, responsibility, love, justice, and so forth. Consider an ethical dilemma—for example, discrimination according to gender, race, or religion—in which your values play a part. Ask yourself, Are your values full-swing, or do you experience axiological arrest?

In every field—science, art, government, business, service, religion—the highest level of leadership is full-swing. At this level of leadership, the leader is impelled to act because the act itself is deemed good, and for no other reason—not self-gain or public acclaim, but only because conscience dictates that the act is the right thing to do. The quality of doing the right thing for the right reason is called integrity, and it is possessed by all truly great leaders.

An ideal example of the importance of values and the power of full-swing leadership is that of Clara Barton, founder of the American Red Cross:

When the U.S. Civil War broke out in the 1860s, Clara Barton was working as a clerk in the U.S. Patent Office. Her compassion for soldiers on the battlefield drove her to get involved by organizing and undertaking supply deliveries to the front lines. Once there, she couldn't leave. She acted as a nurse to Union field surgeons, earning her the nickname "The Angel of the Battle-field." After the war, she heard about the International Red Cross while on a visit to Switzerland. It took her 13 years of lobbying Congress for funding before she was able to establish the American Red Cross in 1882. She ran the agency for 22 years, fulfilling the promise of a Red Cross that would serve Americans in war and peace.

Leadership and Values

Why is it important for an organization to have values, and what is the role of the leader in establishing and enforcing values? There are many ideas on these questions, but few are as influential as those of the philosopher Plato.

Plato answers these questions as he lays the groundwork for his book *The Republic*. He retells the myth of Gyges and the invisible ring: A young shepherd stumbles upon a magic ring that has the power to make the wearer invisible. Immediately, he takes advantage of the ring to do things he could never do before—eavesdrop, steal, trespass—and in a short time, he amasses wealth, kills the king, seduces the queen, and rules the land.⁶⁵

The moral of the story is that, given power without accountability, an individual may do terrible deeds that are harmful to others. People need the values of a just society and the oversight of wise leaders to govern their actions; otherwise, they may engage in selfish and destructive behavior.

Plato's Allegory of the Cave

See human beings as though they were in an underground cave-like dwelling with its entrance, a long one, open to the light across the whole width of the cave. They are in it from childhood with their legs and necks in bonds so that they are fixed, seeing only in front of them, unable because of the bond to turn their heads all the way around.⁶⁶

In this allegory, people trapped in the cave represent the world's ignorant masses. They see only representations of objects, the sights and sounds that can be discerned by the physical senses. The individual who escapes the cave to witness the true nature of things is the philosopher. Using intellect, philosophers are able to discern forms—abstract, immutable truths that are the real foundation of the universe. The philosopher who escapes the cave knows the true nature of reality.

The Republic is ultimately concerned with the question of justice. Plato believed that to establish justice, one must know what is good. Therefore, philosophers who understood the form of the good should rule as kings. The rest of society should be organized to fulfill those rulers' demands.⁶⁷

Plato believed that, for the good of all individuals, a republic is needed, administered by philosopher-kings. The argument can be made that, in a similar way, every workplace needs high ethical values upheld by strong and caring leaders.

It must be recognized that a leader may have false or harmful values that are injurious to others. The examples of Hitler, Stalin, and many other tyrants in history can be cited. These cases only point more clearly to the need for caring leaders who are both good and strong.

We need to keep in mind that culture shapes the leader's values, which influence his or her actions. For example, woven into the fabric of African society is the concept of *ubuntu*. *Ubuntu* represents a collection of values, including harmony, compassion, respect, human dignity, and collective unity. It is "that profound African sense that each of us is human through the humanity of other human beings," explains former South African President Nelson Mandela. *Ubuntu* is often described through a Zulu maxim: "*umuntu ngumuntu ngabantu*." Archbishop Desmond Tutu offers this translation: "We believe that a person is a person through other persons; that my humanity is caught up and bound up inextricably in yours."⁶⁸

How Leader Behavior Influences Employee Conduct and Organizational Reputation

Studies show that people who excel in leadership have a sense of purpose, a deep commitment, and a feeling that what they do has meaning and contributes to a worthwhile cause. Their actions are deeply rooted in values. Leading with an understanding of who you are and what is important can be termed leading from within or managing by values.⁶⁹

People will forgive the leader who fails to manage by objectives, or is inefficient in the use of time, or fails to achieve the smoothest human relations; but they find it difficult to forgive the leader who is immoral and nonprincipled. Such a person lacks moral authority and is not trusted or respected. Even as important as vision is to leadership success, more important are values, because the values of the leader will determine the rightness and wrongness of all that he or she does.

What a leader says and does regarding values has enormous influence on others. More than any memo, directive, or brass band, the **actions** of the leader communicate. The leader's actions set the tone for people's behavior toward one another and for performance on the job. An effective leader accomplishes, through personal example, the building of individual commitment and group cooperation toward accomplishment of the task or mission. The leader who is honest, unselfish, and dedicated in his own actions helps the group succeed.⁷⁰

When Warren Buffett took over as interim chairman of Salomon after the Treasury auction crisis, his first action was to instruct senior managers to report “instantaneously and directly” any legal violations or moral failures by Salomon employees. He told the firm's assembled personnel: “Lose money for the firm, I will be very understanding; lose a shred of reputation for the firm, I will be ruthless.” Executives like Buffett understand instinctively what researchers have documented—a commitment to basic values such as honesty and responsibility is crucial for building trust, and trust is the bedrock of organizational survival and growth over the long term.⁷¹

Although historically negligent, it is interesting to note that more and more business schools are teaching basic principles of ethical leadership. Almost half of all business schools now require one or more courses in ethics, and business ethics doctoral programs have been established at the University of Pennsylvania's Wharton School and the University of Virginia's Darden School of Business.⁷²

It is safe to say that a leader's value system will be known. It won't be a secret because it will reveal itself in the policies and decisions she makes, the way she spends her time, and for what she sacrifices. In general, a leader's belief or value system will determine her success. The following are six values of caring leaders in every field and level of responsibility:

1. *Honesty*—knowing oneself and being honest in all dealings with others.
2. *Consideration*—doing unto others as you would have them do unto you.
3. *Responsibility*—taking the attitude that life is what you make it and choosing to make a difference.
4. *Persistence*—being determined; if at first you don't succeed, try, try again.
5. *Excellence*—living by the motto, Anything worth doing is worth doing well.
6. *Commitment*—viewing the great essentials of life as someone to love and something to do.⁷³

The overall value of the caring leader is to serve guided by the *Golden Rule* of treating others as one would like to be treated. In the business world, this means service to four groups of people. The caring leader focuses on the welfare of (1) *customers*—anticipating their needs and providing state-of-the-art products; (2) *employees*—providing a healthy work environment, treating them with fairness, and helping them achieve their professional potential; (3) *shareholders*—maintaining a strong growth rate and return on investment; and (4) *community*—exemplifying the highest standards of ethical behavior and contributing to the well-being of society.⁷⁴

Values are important elements of leadership character because they affect everything a person does or is. The more you understand your values, the clearer you can be in your ideas about life, the more confident you can be in your actions, and the more developed you will be as a leader. Because of the ability to influence moral behavior, the leader should address two questions: (1) What values or principles do I wish to promote? (2) Are my actions helping accomplish that goal?

Personal Values

All aspects and institutions of society require leaders who are competent, caring, and value-based—committed to certain ideals and goals. A useful model and tool that addresses this issue is *The Study of Values* by Gordon Allport, Phillip Vernon, and Gardner Lindzey, based on Eduard Spranger's *Types of Men*. Complete Exercise 7–1 to discover your own value orientation.

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Exercise 7-1
Personal Values—What Is Important to You?⁷⁵

Each of the following questions has six possible responses. Rank these responses by assigning a 6 to the one you prefer the most, a 5 to the next, and so on down to 1, the least preferred of the alternatives. Sometimes you may have trouble making choices, but there should be no ties; you should make a choice.

1. Which of the following branches of study do you consider most important?

- a. philosophy
- b. political science
- c. psychology
- d. theology
- e. business
- f. art

2. Which of the following qualities is most descriptive of you?

- a. religious
- b. unselfish
- c. artistic
- d. persuasive
- e. practical
- f. intelligent

3. Of the following famous people, who is most interesting to you?

- a. Albert Einstein—discoverer of the theory of relativity
- b. Henry Ford—automobile entrepreneur
- c. Napoleon Bonaparte—political leader and military strategist
- d. Martin Luther—leader of the Protestant Reformation
- e. Michelangelo—sculptor and painter
- f. Albert Schweitzer—missionary and humanitarian

4. What kind of person do you prefer to be? One who

- a. is industrious and economically self-sufficient
- b. has leadership qualities and organizing ability
- c. has spiritual or religious values
- d. is philosophical and interested in knowledge
- e. is compassionate and understanding toward others
- f. has artistic sensitivity and skill

5. Which of the following is most interesting to you?

- a. artistic experiences
- b. thinking about life
- c. accumulation of wealth
- d. religious faith
- e. leading others
- f. serving others

6. In which of the following would you prefer to participate?

- a. business venture
- b. artistic performance
- c. religious activity
- d. project to help the poor
- e. scientific study
- f. political campaign

7. Which publication would you prefer to read?
- a. *History of the Arts*
 - b. *Psychology Today*
 - c. *Power Politics*
 - d. *Scientific American*
 - e. *Religions Today*
 - f. *The Wall Street Journal*
8. In choosing a spouse, whom would you prefer? One who
- a. likes to help people
 - b. is a leader in his or her field
 - c. is practical and enterprising
 - d. is artistically gifted
 - e. has a deep spiritual belief
 - f. is interested in philosophy and learning
9. Which activity do you consider more important for children?
- a. scouting
 - b. Junior Achievement
 - c. religious training
 - d. creative arts
 - e. student government
 - f. science club
10. What should be the goal of government leaders?
- a. promoting creative and aesthetic interests
 - b. establishing a position of power and respect in the world
 - c. developing commerce and industry
 - d. supporting education and learning
 - e. providing a supportive climate for spiritual growth and development
 - f. promoting the social welfare of citizens
11. Which of the following courses would you prefer to teach?
- a. anthropology
 - b. religions of the world
 - c. philosophy
 - d. political science
 - e. poetry
 - f. business administration
12. What would you do if you had sufficient time and money?
- a. go on a retreat for spiritual renewal
 - b. increase your money-making ability
 - c. develop leadership skills
 - d. help those who are less fortunate
 - e. study the fine arts, such as theater, music, and painting
 - f. write an original essay, article, or book
13. Which courses would you promote if you were able to influence educational policies?
- a. political and governmental studies
 - b. philosophy and science
 - c. economics and occupational skills
 - d. social problems and issues
 - e. spiritual and religious studies
 - f. music and art

14. Which of the following news items would be most interesting to you?
- a. "Business Conditions Favorable"
 - b. "Relief Arrives for Poor"
 - c. "Religious Leaders Meet"
 - d. "President Addresses the Nation"
 - e. "What's New in the Arts"
 - f. "Scientific Breakthrough Revealed"
15. Which subjects would you prefer to discuss?
- a. music, film, and theater
 - b. the meaning of human existence
 - c. spiritual experiences
 - d. wars in history
 - e. business opportunities
 - f. social conditions
16. What do you think the purpose should be for space exploration?
- a. to unify people around the world
 - b. to gain knowledge of our universe
 - c. to reveal the beauty of our world
 - d. to discover answers to spiritual questions
 - e. to control world affairs
 - f. to develop trade and business opportunities
17. Which profession would you enter if all salaries were equal and you felt you had equal aptitude to succeed in any one of the six?
- a. counseling
 - b. fine arts
 - c. science
 - d. politics
 - e. business
 - f. ministry
18. Whose life and works are most interesting to you?
- a. Madame Curie—discoverer of radium
 - b. Katherine Graham—businesswoman
 - c. Margaret Thatcher—British prime minister
 - d. Mother Teresa—religious leader
 - e. Martha Graham—ballerina and choreographer
 - f. Harriet Beecher Stowe—author of *Uncle Tom's Cabin*
19. Which television program would you prefer to watch?
- a. *Art Appreciation*
 - b. *Spiritual Values*
 - c. *Investment Opportunities*
 - d. *Marriage and the Family*
 - e. *Political Power and Social Persuasion*
 - f. *The Origins of Intelligence*
20. Which of the following positions would you like to have?
- a. political leader
 - b. artist
 - c. teacher
 - d. theologian
 - e. writer
 - f. business entrepreneur

Scoring:

Step 1:

For each lettered response to each question, insert your score in the appropriate space in the following chart. Note that the letters are not always in the same column.

Example: a. 2 b. 6 c. 4 d. 5 e. 3 f. 1

	I	II	III	IV	V	VI
1.	a. _____	e. _____	f. _____	c. _____	b. _____	d. _____
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5.	b. _____	c. _____	a. _____	f. _____	e. _____	d. _____
6.	e. _____	a. _____	b. _____	d. _____	f. _____	c. _____
7.	d. _____	f. _____	a. _____	b. _____	c. _____	e. _____
8.	f. _____	c. _____	d. _____	a. _____	b. _____	e. _____
9.	f. _____	b. _____	d. _____	a. _____	e. _____	c. _____
10.	d. _____	c. _____	a. _____	f. _____	b. _____	e. _____
11.	c. _____	f. _____	e. _____	a. _____	d. _____	b. _____
12.	f. _____	b. _____	e. _____	d. _____	c. _____	a. _____
13.	b. _____	c. _____	f. _____	d. _____	a. _____	e. _____
14.	f. _____	a. _____	e. _____	b. _____	d. _____	c. _____
15.	b. _____	e. _____	a. _____	f. _____	d. _____	c. _____
16.	b. _____	f. _____	c. _____	a. _____	e. _____	d. _____
17.	c. _____	e. _____	b. _____	a. _____	d. _____	f. _____
18.	a. _____	b. _____	e. _____	f. _____	c. _____	d. _____
19.	f. _____	c. _____	a. _____	d. _____	e. _____	b. _____
20.	e. _____	f. _____	b. _____	c. _____	a. _____	d. _____
Totals	_____	_____	_____	_____	_____	_____

Step 2:

Add the scores for each column, and record the total in the appropriate space.

Step 3:

Mark the total for each personal value column in the appropriate place in Figure 7-1. Connect the scores with straight lines to form a profile of your overall value orientation. See the example in Figure 7-2.

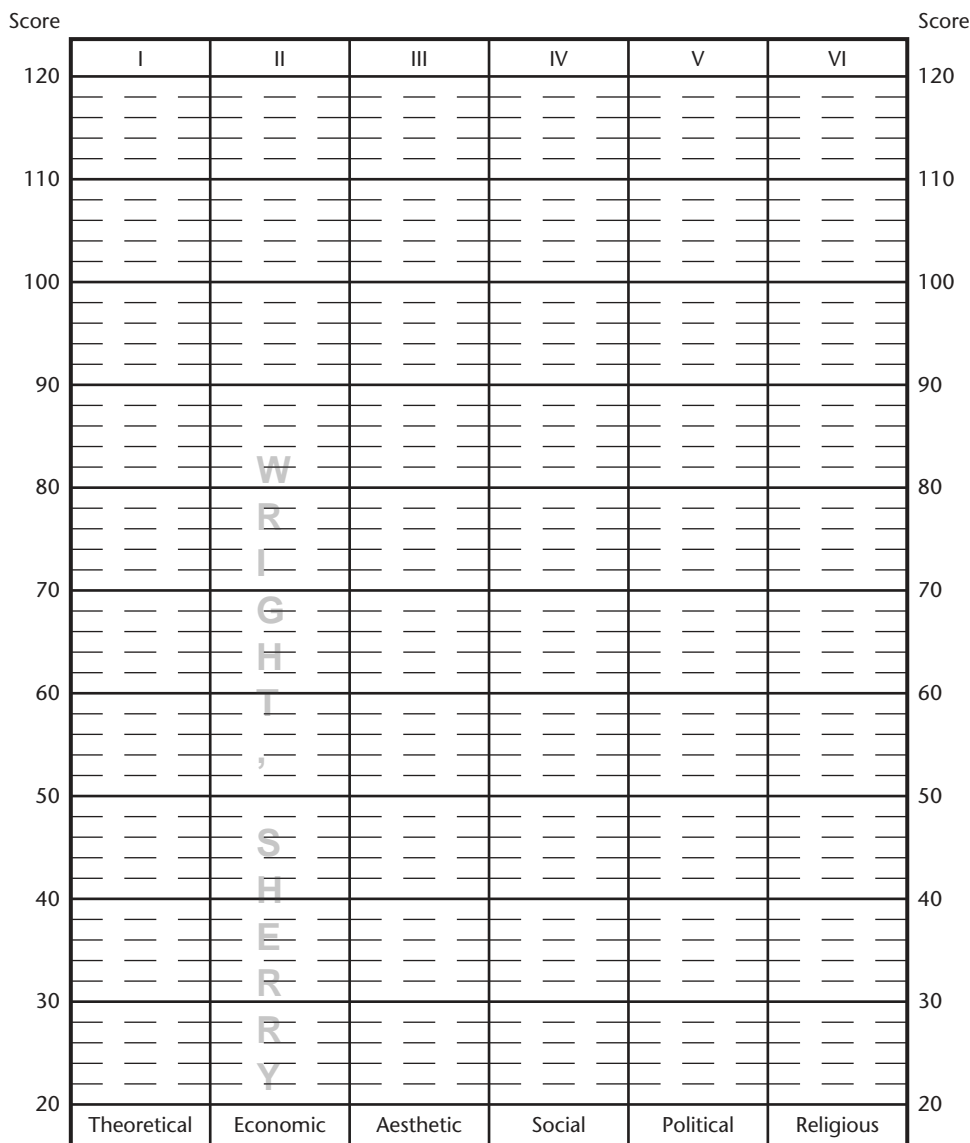
Interpretation:

A description of each personal value follows:

Theoretical. The primary interest of the theoretical person is the discovery of truth. In the laboratory, field, and library, and in personal affairs as well, the purpose of the theoretical person is to know the truth above all other goals. In the pursuit of truth, the theoretical person prefers a cognitive approach, one that looks for identities and differences, as opposed to the beauty or utility of objects. This person's needs are to observe, reason, and understand. Because the theoretical person's values are empirical, critical, and rational, this person is an intellectual and frequently is a scientist or philosopher. Major concerns of such a person are to order and systematize knowledge and to understand the meaning of life.

Economic. The economic person is interested in what is useful. Based originally on the satisfaction of bodily needs and self-preservation, the interest in usefulness extends to the practical affairs of the business world—the production and marketing of goods, and the accumulation of wealth. This type of person is enterprising and efficient, reflecting the

Figure 7-1
Your Personal Value Orientation

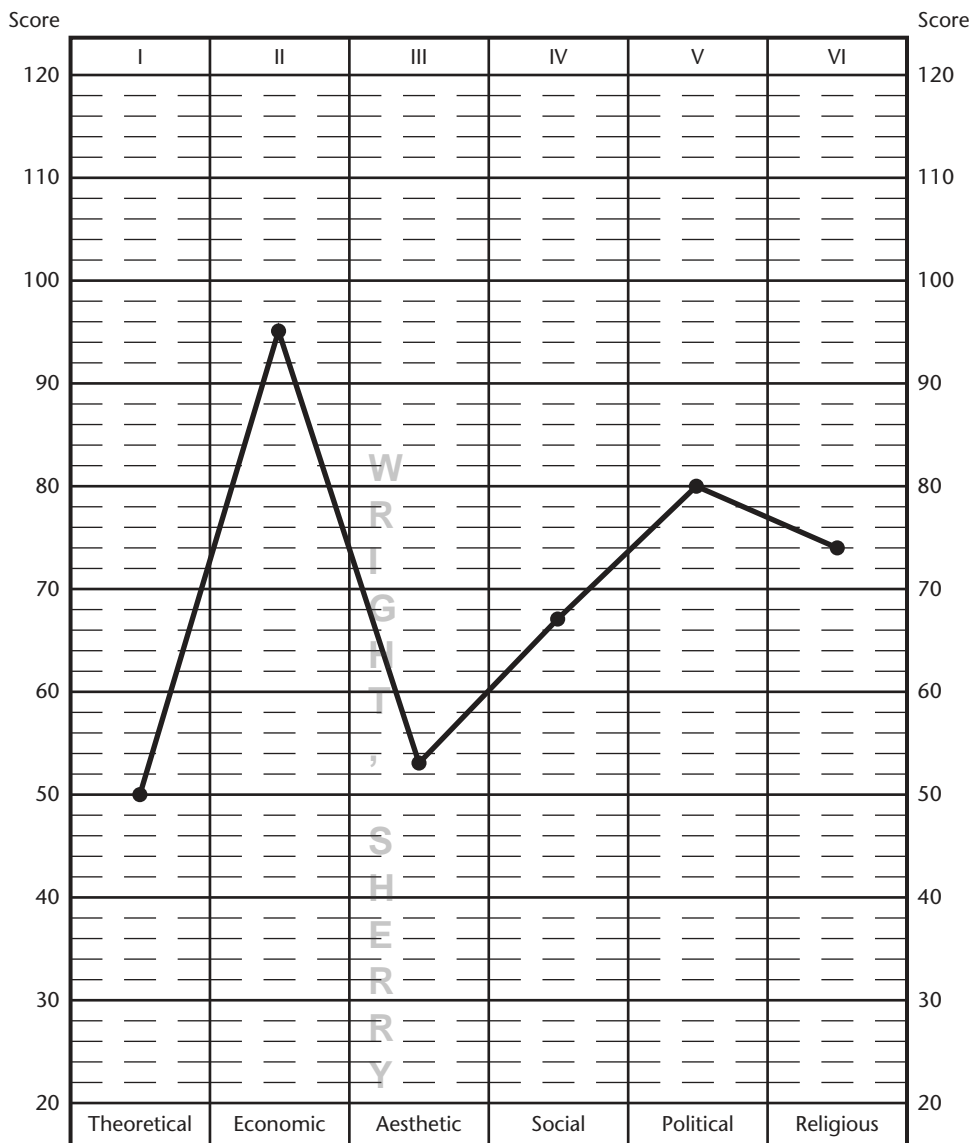


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stereotype of the average businessperson. Economic values sometimes come into conflict with other values. The economic person wants education to be practical and regards unapplied knowledge as wasteful. Great feats of engineering and application result from the demands economic people make on people in science. Economic values may conflict with aesthetic values, such as in the advertising and promotion of products and services, except when art meets commercial ends. In relationships with people, the economic person is more likely to be interested in surpassing others in wealth than in dominating them politically or in serving them socially.

Aesthetic. The aesthetic person finds highest satisfaction in form, harmony, and beauty. The value of each single experience is judged from the standpoint of grace, symmetry, and fitness. The aesthetic person regards life as a procession of events, with each impression to be enjoyed for its own sake. An aesthetic person may or may not be a creative artist; the aesthetic person finds chief interest in the artistic episodes of life. Unlike the theoretical person, the aesthetic person usually chooses, with the poet John Keats, to consider truth as equivalent to beauty, or agrees with H. L. Mencken that to make a thing charming is a million times more important than to make it true.⁷⁶ In the economic sphere, the aesthetic person often sees the process of manufacturing,

Figure 7-2
Example: Personal Value
Orientation



advertising, and trade as a destruction of important aesthetic values. In social affairs, the aesthetic person may be said to be interested in people, but not necessarily in their welfare. The aesthetic person tends toward individualism, self-sufficiency, and idealism in personal relations.

Social. The highest value for this type of person is love. The altruistic or philanthropic aspect of love is the interest of the social person. Humanistic by nature, the social person prizes other people as ends in and of themselves, and not as tools or means to other goals. Therefore, the social person is kind, sympathetic, and helpful toward others. Such a person may find the economic and political values to be cold and inhumane. In contrast to the political type, the social person regards love instead of power as the most suitable form of human relationship. In purest form, social values are totally unselfish.

Political. The political person is interested in power and influence, although the person's activities may not fall within the narrow field of politics. Whatever the vocation, the political person seeks to be a *Machtmensch*, an individual who is powerful. Leaders in any field usually will have a high interest in power and status. Because competition and struggle play a large part in all of life—between the sexes, between groups, between nations, and between individuals—many philosophers have viewed power as the most universal and most fundamental of human motives. In certain people, however, the desire

for direct expression of power is uppermost, and their primary values are social influence and the exercise of authority.

Religious. The highest value of this type of person is spiritual peace. A religious person may or may not belong to an organized religion; people are religious if they but seek to comprehend the cosmos as a whole and to relate themselves to its embracing totality. Religious people have as their goal the creation of the highest and most satisfying value experience. Some people who are religious focus on events, people, and experiences in this world; that is, they experience meaning in the affirmation of life and active participation therein. With zest and enthusiasm, they see something divine in every event. On the other hand, some religious people are transcendental mystics, seeking to unite themselves with a higher reality by withdrawing from life. This type is ascetic, and like the holy men of India, finds inner peace and unity through self-denial and meditation. In many individuals, the affirmation and negation of human existence alternate to yield the greatest value satisfaction.

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In evaluating your personal values, remember the following points:

- All six values on the questionnaire are positive. The questions do not measure negative values, such as greed or violence.
- Culture influences personal values. Through the processes of imprinting, modeling, and socialization, people learn to place higher importance on some values over others. Thus, the prestige afforded the monarch, priest, businessperson, scientist, artist, and teacher depends on the values promoted by each society. In the Pygmy culture, for example, the male with the greatest social esteem usually is not the strongest, wealthiest, most spiritual, most artistic, or most intelligent; rather, he is the one who shares most generously. Consider American society: What are the primary values for people in the United States today? Are they the same for men and women? Do they reflect your personal values?
- By forcing choices among six personal values, the questionnaire provides an overall value orientation. This means that your lowest personal value may be more important to you than the highest personal value of another individual. Similarly, your highest may be less important to you than the lowest of another individual. The questionnaire measures the relative strength of six personal values, so that you obtain a picture of *your* overall value orientation, or an understanding of what is most important to you.
- Ideally, a person's life will allow maximum expression of personal values. This helps explain the achievements and satisfactions of "theoretical" Albert Einstein, "economic" John D. Rockefeller, "aesthetic" Leonardo da Vinci, "social" Jane Addams, "political" Elizabeth I, and "religious" Martin Luther.
- Basic value systems are fairly firm by the time most people reach adulthood. Ideas about what is important are well established and are unlikely to change unless a significant emotional event takes place. For most people, few experiences are significant or emotional enough to disrupt basic values formed during childhood and adolescence. As a rule, if a person changes basic values during the adult years, it is only because a situation is experienced that previous values cannot resolve.⁷⁷
- Different organizations reflect and endorse different values, and each organization's success depends on having people in it, especially leaders, who promote its value system. Some people may be ideally suited for *theoretical* organizations such as universities, *economic* organizations such as corporations, *aesthetic* organizations such as performing groups, *social* organizations such as human service agencies, *political* organizations such as political parties, or *religious* organizations such as churches, synagogues, and mosques. Mismatches can be stressful for both the individual and the organization. Examples include the social person who gives away the store, the individual who uses religious position for personal power, and the art curator whose priority is profit. Consider your own values. What type of organization, if any, would be most appropriate for you?⁷⁸

Remember, the personal values questionnaire does not measure other important factors, such as aptitude, personal interests, and individual temperament, nor does it measure levels of morality, a critical element in leadership and human relationships. Finally, remember that different values can actually enrich a group or an organization. In this spirit, use the following thought as a guide: "Our errors and our controversies in the sphere of human relations often arise from looking on people as though they could be altogether bad, or altogether good."⁷⁹

Exercise 7-2 can be used to clarify individual and organizational values.

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Exercise 7–2 Values Auction

We are not born with values, but we are born into cultures and societies that promote, teach, and impart their values to us. The process of acquiring values begins at birth. But it is not a static process. Our values change continually throughout our lives. For example, as children, our highest value might have been play; as adolescents, perhaps it was peer relationships; as young adults, our highest value may be raising children or the work we do. For many older people, service to others is the highest value. We are formed largely by the experiences we have, and our values form, grow, and change accordingly.⁸⁰

Because values are important in an individual's personal, social, and occupational adjustment, it is important to understand basic value patterns. This exercise will help you

- Determine those life values that are of greatest importance to you.
- Explore the degree of trust you have in the group.
- Examine how well you compete and cooperate.
- Consider how your values affect your decisions regarding personal and professional life goals.

Auction Rules:

During this values auction, you will have the opportunity to buy, and thus own, any of the values listed—if your bid is highest. Owning a value means you have full rights and privileges to do with the value whatever you choose at the conclusion of the exercise. Follow these rules:

1. Gather in a group for the purpose of having an auction for the 20 values listed on the Values Auction Sheet.
2. Choose one person to be the auctioneer.
3. Each person should receive 10 tokens valued at \$100 each to be used for bidding. Only these tokens will be accepted as payment for any value purchased.
4. You may elect to pool your resources with other group members in order to purchase a particularly high-priced value. This means that two, three, four, or more people may extend a bid for any one value. You are allowed to participate, and win, in such a pool *one time only*. If you pool, but lose, you are allowed to pool again.
5. The auctioneer's task is to collect the highest number of tokens possible in the course of the auction. After the auction has begun, no further questions will be answered by the auctioneer. Allow 5 to 10 minutes for participants to budget desired amounts for preferred values. Notice that these amounts may change during the course of the auction. Use the Values Auction Sheet to record budgeted amounts and to keep a record of winning bids.
6. Begin the auction.

Values Auction Sheet

	Amount I Budgeted	Highest Amount I Bid	Top Bid
1. All the food and drink you want without ever getting fat	_____	_____	_____
2. Freedom to be and do what you want in life	_____	_____	_____
3. A chance to direct the destiny of a nation	_____	_____	_____
4. The love and admiration of good friends	_____	_____	_____
5. Travel and tickets to any cultural or athletic event as often as you wish	_____	_____	_____
6. Complete self-confidence with a positive outlook on life	_____	_____	_____
7. A happy, healthy family	_____	_____	_____
8. Recognition as the most desirable person in the world	_____	_____	_____
9. A long life free of illness	_____	_____	_____
10. A complete library with all the time you need to enjoy it	_____	_____	_____
11. A deep and satisfying religious faith	_____	_____	_____
12. A lifetime of financial security and material wealth	_____	_____	_____
13. A lovely home in a beautiful setting	_____	_____	_____
14. A world without prejudice and cruelty	_____	_____	_____
15. A world without sickness and poverty	_____	_____	_____
16. International fame and renown for your achievements	_____	_____	_____
17. An understanding of the meaning of life	_____	_____	_____
18. The chance to be a contestant on a <i>Survivor</i> TV episode	_____	_____	_____
19. The highest success in your chosen profession	_____	_____	_____
20. A deep and satisfying love with someone	_____	_____	_____

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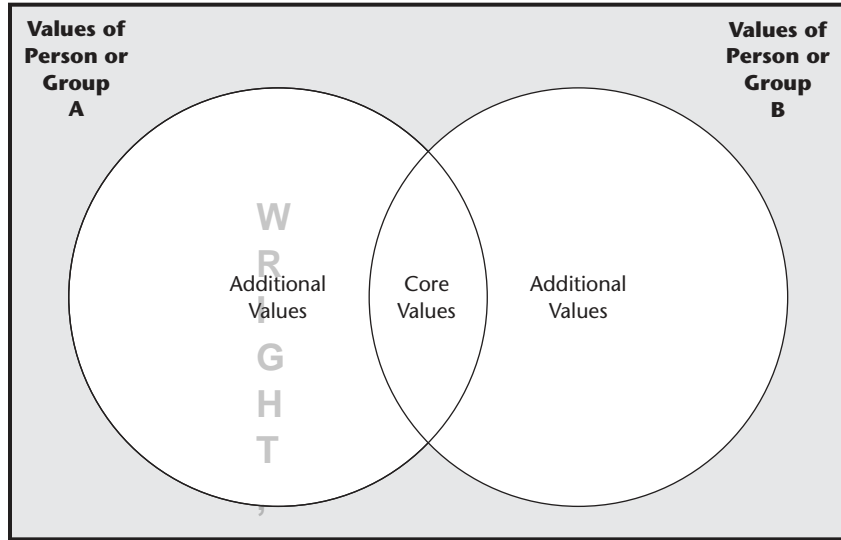
At the conclusion of the values auction, consider the following questions:

1. What values did you win that are truly important to you? What values did you miss?
2. How competitive and cooperative were you during the values auction? Does this suggest a need to be more aggressive if you are going to achieve what is important to you? Does this indicate a need to be more cooperative and open to strategic alliances?
3. Are you living your life in line with your values? Do your work, community, and personal life conditions support your value system?

After completing the values auction, people can discuss and agree upon core values, usually three, for the organization or group. These values should be the stars that guide members of the organization in all moral dilemmas. They should be the “hills worth dying on,” or the principles worth losing one’s position or membership to uphold.

Disputes can often be avoided if people will discuss their value systems and find points of common interest and agreement. This situation is pictured in Figure 7–3.

Figure 7–3
Core Values Are Points of Common Interest



Through discussion, shared values—those that define the basic character of the group, tribe, or family—can be emphasized. For example, shared values may represent the Catholic church, the Cherokee tribe, the Smith family, or a particular business organization. Additional individual values at the fourth, fifth, and sixth levels can serve to enrich a community, especially if there is tolerance and appreciation of diversity.⁸¹

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Organizational Ethics

In his book *Management: Tasks, Responsibility, Practices*, Peter Drucker suggests that once an organization reaches the size of 1,000 employees, work rules should be developed to maximize efficiency and serve as a guide for employee conduct. Such a code of conduct can be important in determining the nature, reputation, and success of the organization.⁸² The best work rules meet the following criteria: They reflect the ethical ideals of the ownership, or, in the case of public organizations, the public trust; they are reviewed periodically for needed revisions; they are few in number; they are stated clearly; they are communicated to all employees; and they apply equally to all employees, regardless of level of authority or nature of duties.

A comprehensive code of ethics for an organization includes guidelines in each of the following areas:

- *Government relations.* How does the organization pay its taxes and obey national and international law?
- *Employee relations.* How does the organization deal with employee welfare and grievances?
- *Business relations.* How does the organization deal with suppliers and competitors?
- *Production.* What are the standards of quality for the organization's products and services?
- *Consumer relations.* How does the organization price and advertise its products and services?
- *Community and environmental relations.* What are the effects of the organization on its social and physical environment?

For example, Procter & Gamble has an ethical community and environmental quality policy, as follows:

Procter & Gamble is committed to providing products of superior quality and value that best fill the needs of the world's consumers. To carry out this commitment, it is Procter & Gamble's policy to

- Ensure our products, packaging, and operations are *safe* for our employees, consumers, and the environment.
- Reduce or prevent the *environmental impact* of our products and packaging in their design, manufacture, distribution, use, and disposal whenever possible.
- Meet or exceed the requirements of all environmental *laws and regulations*.
- Continually assess our environmental technology and programs, and *monitor* programs toward environmental goals.
- Provide our consumers, customers, employees, communities, public interest groups, and others with relevant and appropriate *factual information* about the environmental quality of P&G products, packaging, and operations.
- Ensure every employee understands and is *responsible and accountable* for incorporating environmental quality considerations in daily business activities.
- Have operating policies, programs, and resources in place to *implement* our environmental quality policy.⁸³

The misdeeds of organizations such as Enron, Arthur Andersen, WorldCom, and others have moved ethics to center stage in American Society.⁸⁴ Responding to a series of corporate scandals, the U.S. Congress passed the Sarbanes-Oxley Act in 2002 to improve and maintain investor confidence. The law requires companies to have more independent boards of directors, to adhere strictly to accounting rules, and to have senior managers personally sign off on financial results. Violations result in heavy fines and criminal prosecution. The time and money costs of compliance are high, but efforts to meet the requirements can reduce the likelihood of misdeeds.⁸⁵

Organizational ethics is an issue that concerns virtually everyone—customers, employees, owners, and citizens at large. In his influential book *Vanguard*

Management, James O'Toole identifies the key characteristics of ethical and successful organizations:

- They try to satisfy all their constituencies—customers, employees, owners, suppliers, dealers, communities, and governments. They subscribe to the utilitarian ideal—the greatest good for the greatest number.
- They are dedicated to high and broad purposes. Profit is viewed as an essential means to a higher end—human service and quality of life.
- They are committed to learning, investing enormous resources and effort to remaining current and responsive to change. They view employee growth and development as a critical foundation of business success.
- They try to be the best at whatever they do. Their performance standards rise continually. Excellence in product and service is an organizationwide commitment and source of pride.⁸⁶

One of the most influential guidelines for ethics at work comes from Rotary International. Many generations of leaders from all areas of the world have been taught to test their actions against four basic questions:

1. Is it the truth?
2. Is it fair to all concerned?
3. Will it build goodwill and better relationships?
4. Will it be beneficial to all concerned?⁸⁷

Why Are Ethics at Work Important to Leaders?

The following are five good reasons to be concerned about leadership ethics:

- Bernard Ebbers, former CEO of WorldCom, is serving a 25-year prison sentence for fraud and conspiracy.
- Jeffrey Skilling, former CEO of Enron, is serving a 24-year prison sentence for securities fraud and insider trading.
- John Rigas, former CEO of Adelphia Communications, is serving a 12-year prison sentence for conspiracy and bank fraud.
- Dennis Kozlowski, former CEO of Tyco, is serving an 8-year prison sentence for grand larceny and falsifying business records.⁸⁸
- Bernard Madoff is serving a 150-year prison sentence for his “Ponzi scheme” against investors.

In her excellent book *Value Shift*, Lynn Sharp Paine cites a variety of motives linking leaders and ethics at work: (1) One executive believes high ethical standards and business success are positively related; (2) another sees ethical commitment as a basis for building customer trust; (3) another believes a reputation for integrity will help attract and keep the best employees; (4) another wants his company to be a role model for society; (5) another wants to avoid any conflict with the law; and (6) another answers succinctly and pragmatically, “60 Minutes.” Misconduct threatens leaders at all levels of responsibility; even those who are not personally involved can suffer reputational and financial damage.⁸⁹

The social and economic costs of ethical misconduct can include: (1) loss of customers and sales; (2) increased turnover and loss of good employees; (3) demoralized and cynical managers and workers; (4) loss of ownership equity; (5) high operating costs due to misspent energy and poor execution; (6) additional legal expenses and possible fines, penalties, and settlement costs; (7) high funding costs imposed by lenders and investors; (8) loss of public trust and goodwill; and (9) loss of financial viability and ultimate failure of the enterprise.⁹⁰

For some leaders, the concern for ethics at work is less about defensive measures and damage control and more about principled leadership. These leaders adhere to high standards of moral reasoning and value ideals such as truth, trust, and respect as the building blocks of a successful organization. With these leaders, there is little discussion about risk prevention and public opinion. Their behavior is about responsibility and doing what is right *because it is right*. The result is employees who take pride in their organization and engage in discretionary behavior beyond the defined requirements of the job.⁹¹

Ethical Climates of Organizations

In dealing with moral dilemmas regarding people, products, prices, and profits, organizations typically reflect one of three ethical climates: (1) profit-maximizing; (2) trusteeship; or (3) quality-of-life management. Each climate provides different levels of organizational support for ethical decision making.⁹²

Exercise 7–3 presents a description of each climate on 14 ethical dimensions. As you complete the exercise, you will see how different ethical climates influence moral judgments and result in different experiences for employees, customers, and citizens. As you read the descriptions, ask yourself what type of organization you respect; what type of organization you have; and what you can do to influence the ethics of your organization.

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Exercise 7–3 Organizational Ethics⁹³

Evaluate your organization by circling the appropriate description of the prevailing climate—profit-maximizing, trusteeship, or quality-of-life management—for each of the 14 ethical dimensions listed in the first column.

Ethical Dimension	Profit-Maximizing	Trusteeship	Quality-of-Life Management
1. Social definition of <i>good</i>	What is good for me is what counts.	What is good for my organization is what counts.	What is good for humankind is good for my organization and ultimately is best for me.
2. Democracy at work	I am a rugged individualist and will do as I please.	I am an individualist, but I recognize the value of employee participation in the decision-making process.	Democratic management is fundamental to a successful organization.
3. Attitude toward profit	I seek as much profit as the market will bear.	I want a substantial profit.	Profit is necessary, but not to the exclusion of other considerations that influence human welfare.
4. Attitude toward wealth	My wealth is more important than other people's feelings.	Money is important, but so are people.	Other people's needs are more important than my wealth.
5. Labor relations	Labor is a commodity to be bought and sold.	Labor has certain rights that must be recognized.	It is essential to preserve employee dignity, even if profit is reduced.
6. Consumer protection	Let the buyer beware.	Let us not cheat the customer.	Consumer welfare comes first; satisfaction is guaranteed.
7. Self-interest versus altruism	My interest comes first.	Self-interest and the interests of others are considered.	I will always do what is in the best interest of all concerned.
8. Employee relations	Employee personal problems must be left at home.	I recognize that employees have needs and goals beyond economics.	I employ the whole person and am concerned with achieving maximum employee welfare.
9. Management accountability	Management is accountable solely to the owners.	Accountability of management is to the owners, customers, employees, and suppliers.	Accountability of management is to owners, customers, employees, suppliers, and society in general.
10. Attitude toward technology	Progress is more important than people's feelings.	Technology is important, but so are people.	Human needs are more important than technology advances.
11. Minority relations	Minorities have their place in society, but not with me.	Some people are more important than others, and they should be treated accordingly.	Everyone—regardless of age, color, creed, or sex—should be treated equally.
12. Attitude toward government	Government is best when it stays out of my way.	Government is a necessary evil.	Business and government should work together to solve society's problems.
13. Human–environment interface	The environment exists for economic ends.	People should control and manipulate the environment.	People must preserve the environment for the highest quality of life.
14. Aesthetic values	Aesthetic values are a low priority.	Aesthetic values are OK, but not to the exclusion of economic needs.	Aesthetic values must be preserved, even if economic costs are increased.

Scoring:

Assign a score of 1 to each *profit-maximizing* response, 2 to each *trusteeship* response, and 3 to each *quality-of-life management* response. Add the scores and enter the total here: _____.

Interpretation:

The terms *profit-maximizing*, *trusteeship*, and *quality-of-life management* correspond with Kohlberg's levels of morality—I, II, III. *Profit-maximizing* reflects pre-conventional morality. In this case, the organization's focus is on self-gain and avoidance of punishment. *Trusteeship* reflects conventional morality. The organization behaves to conform to the expectations of others and to satisfy higher authorities. *Quality-of-life management* reflects post-conventional morality. Here, the ethical climate of the organization is to do what is right, over and above self-interest and apart from the influence of others. With this climate, ethical conduct is based on the highest moral principles. Use your total score to determine your organization's overall climate and level of morality.

Scores	Level of Morality
14–23	Profit-maximizing—level I, pre-conventional
24–32	Trusteeship—level II, conventional
33–42	Quality-of-life management—level III, post-conventional

The following is an example of a *quality-of-life management—level III* company credo:

We will be honest and trustworthy in all our dealings. We will treat every individual with respect and dignity. We will follow the Golden Rule in all matters. We will strive for excellence in all work performed. We will obey the laws of our land in fact and in spirit. We will always do the right thing in every situation to the best of our abilities. If we fail in abiding by these principles, we will do whatever is needed to make amends.

Although many organizations have a code of ethics, far fewer have a comprehensive ethics program that includes training, procedures for reporting violations, and discipline for violations. Only 43 percent include ethics in performance reviews and 23 percent have a comprehensive ethics and compliance program.⁹⁴ Maintaining consistent ethical behavior by all employees is an ongoing challenge. What are danger signs that an organization may be allowing or even encouraging unethical behavior?

1. Failure to establish a written code of ethics.
2. Failure to include ethical conduct as part of performance appraisal.
3. Unwillingness to take an ethical stand that may impose financial cost.
4. Consideration of ethics solely as a legal issue or public relations tool.
5. Lack of clear procedures for handling ethical problems.
6. Condoning unethical leadership practices.⁹⁵

What is the central solution for maintaining an ethical work environment? Leaders at all levels are selected and rewarded for their performance in meeting both integrity and business standards, and if violations occur, even leaders who were otherwise successful are held accountable and disciplined, sending a powerful message that ethical behavior is valued and will be upheld in every instance.⁹⁶

The question may be asked, Won't quality-of-life management organizations fail in competition with rough-riding, profit-maximizing organizations? Research does not bear this out. Data show a positive and significant relationship between the ethical climate of organizations and the level of profit. The higher the ethical climate, the higher the level of profit when computed over a period of years. In contrast, examples from Enron to Worldcom show the negative consequences of unprincipled, profit-maximizing morality.⁹⁷

Increasingly, organizations are being held to high standards in both moral and financial dimensions. Corporate reputation rankings, employee morale surveys, customer satisfaction records, and quality performance reports are used as measures of success that have bottom-line financial impact. The best organizations are those that satisfy both the social and financial expectations of their constituencies.⁹⁸

Lynn Sharp Paine argues that "ethics counts" is a better slogan than "ethics pays," which casts ethical commitment as only a servant to financial interests. "Ethics counts" embraces values and morality as full partners in the quest for outstanding performance. This philosophy of business recognizes the intrinsic worth of other human values, and takes moral considerations seriously in their own right, over and above material gain.⁹⁹

The Tylenol Story

There is no better example to show how "ethics counts" than the Johnson & Johnson Tylenol crisis. When CEO James Burke and other executives of the company were unable to solve the mystery of seven deaths linked to the company's popular Tylenol capsules, they took the dramatic and unprecedented action of immediately removing 31 million bottles of the pain reliever from stores and inventory out of concern for the safety of the public and to avoid any further deaths associated with the product. At that time, Tylenol was Johnson & Johnson's most important brand name, accounting for 8 percent of annual sales and 16 percent to 18 percent of net profit. Had Johnson & Johnson's motives been viewed as purely monetary and selfish, the reputation and ensuing positive financial consequences of its actions would have been very different. The Johnson & Johnson Tylenol crisis demonstrates clearly how the well-being of society and the well-being of an organization are inextricably related.¹⁰⁰

The WorldCom Case

In contrast to the Tylenol story, consider the role of ethics in “The Rise and Fall of WorldCom.”

Bernie Ebbers built WorldCom, Inc. (now part of Verizon, Inc.) into one of the world’s largest telecommunications firms. Yet he and chief financial officer (CFO) Scott Sullivan have become better known for creating a massive corporate accounting fraud that led to the largest bankruptcy in U.S history. Two investigative reports and subsequent court cases concluded that WorldCom executives were responsible for billions in fraudulent or unsupported accounting entries. How did this mammoth accounting scandal occur without anyone raising alarm? Evidence suggests that Ebbers and Sullivan held considerable power and influence that prevented accounting staff from complaining, or even knowing, about the fraud.

Ebber’s inner circle held tight control over the flow of all financial information. Ebber’s group also restricted distribution of company-level financial reports and prevented sensitive reports from being prepared at all. Accountants didn’t even have access to the computer files in which some of the largest fraudulent entries were made. As a result, employees had to rely on Ebber’s executive team to justify the accounting entries that were requested

Another reason why employees complied with questionable accounting practices was that CFO Scott Sullivan wielded immense personal power. He was considered a “whiz kid” with impeccable integrity who had won the prestigious “CFO Excellence Award.” Thus, when Sullivan’s office asked staff to make questionable entries, some accountants assumed Sullivan had found an innovative- and legal-accounting loophole. If Sullivan’s influence didn’t work, other executives took a more coercive approach. Employees cited incidents where they were publicly berated for questioning headquarters’ decisions and intimidated if they asked for more information. When one employee at a branch refused to alter an accounting entry, WorldCom’s controller threatened to fly in from WorldCom’s Mississippi headquarters to make the change himself. The employee changed the entry.

Ebbers had similar influence over WorldCom’s Board of Directors. Sources indicate that his personal charisma and intolerance of dissension produced a passive board that rubber-stamped most of his recommendations. As one report concluded: “The Board of Directors appears to have embraced suggestions by Mr. Ebbers without question or dissent, even under circumstances where its members now readily acknowledge they had significant misgivings regarding his recommended course of action.”¹⁰¹

The examples of Tylenol and WorldCom show it is not enough to merely create a values statement, distribute a code of conduct, and exhort employees to high standards; leaders must model and reinforce the values of the organization. The role of the leader is paramount in establishing the moral tone and ethical climate of the organization. With power to set policy and make decisions, the leader can create a place that attracts and rewards the best in both ethical conduct and business performance.

Author Carol Cooper summarizes the need for values-based and principled leadership: The world needs more people who do not have a price at which they can be bought; who do not borrow from integrity to pay for expediency; who are as honest in small matters as they are in large ones; who know how to win with grace and lose with dignity; whose handshake is an ironclad contract; who are not afraid to go against the grain of popular opinion; who are occasionally wrong and always willing to admit it. In short, the world needs *leaders*.¹⁰²

Case Study:

Wendy Kopp—The Recruiter

Sitting in a lunchroom at Columbia University with the school's star students—the senior class president, the student council VP, the premed triple major, and 15 other superachievers—Wendy Kopp is begging them to shelve their career plans to teach in America's most troubled public schools. "This problem has to be this generation's issue," she tells the future grads. "We know we can solve it if we get enough true leaders."

Kopp is talking with prospective recruits for Teach for America, the Peace Corps-like program that she dreamed up when she was a senior at Princeton. As she speaks, she frequently covers her mouth with her right hand, a nervous gesture. But the students, too, are nervous about the job Kopp is asking them to do. Seniors who compete to be Teach for America corps members must endure hours of interviews and tests designed to assess their organizational skills, perseverance, and resiliency—critical traits since recruits receive only five weeks of teacher training (albeit grueling) before they get plopped into a classroom in the South Bronx or some other impoverished locale. As the students voice their qualms about TFA—"What if I fail? Won't poor kids reject Ivy League teachers?"—Kopp doesn't sugarcoat the obstacles: "It can be really overwhelming and depressing," she warns. "We all have bad days, and people who teach in Teach for America probably have more bad days than most."

Kopp's pitch is part challenge and part cautionary tale, yet the combination has been a winning one. [In 2006], 19,000 college students—including 10 percent of the senior class at Yale and Dartmouth, 9 percent at Columbia, and 8 percent at Duke and the University of Chicago—applied to Teach for America. (While local school districts cover the salaries of TFA teachers, TFA screens and trains them—and requires a two-year commitment.) "We recruit insanely aggressively," says Kopp, 39, who accepted 2,400 of those 19,000 applicants this year. That makes Kopp's non-profit one of the largest hirers of college seniors, according to CollegeGrad.com—bigger than Microsoft, Procter & Gamble, Accenture, or General Electric.

Kopp, in fact, has built such a mighty recruiting machine that corporations are angling to work with TFA to buff their own images on campus. "One of the few jobs that people pass up Goldman Sachs' offers for is Teach for America," says Edie Hunt, Goldman's co-COO [chief operating officer] of human-capital management. (First-year pay at Goldman averages \$65,000, about twice what a TFA corps member makes.)

Wendy Kopp never wanted to be a corporate role model. She just wanted to reform public education. Growing up in Dallas (where her parents owned a travel-guide business), she moved from parochial school to public school in sixth grade and went on to be valedictorian of her high school. Her interest in the failures of America's public schools began at Princeton, where she helped organize a conference on education reform during the fall of her senior year. Her senior thesis was entitled "A Plan and Argument for the Creation of a National Teacher Corps," and she wrote a letter to then-President George H. W. Bush, urging him to establish such a two-year service program. "I received a job-rejection letter in response," she recalls.

Rejection spurred her on. Failing to land a job after college (she was turned down by Morgan Stanley, Goldman, McKinsey, Bain, and P&G), she decided to launch the teaching corps herself. Though she describes herself as "very shy," Kopp drummed up the courage to cold-call scores of CEOs and foundation leaders. A Mobil executive named Rex Adams agreed to give her a seed grant of \$26,000, and Dick Fisher, then-CEO of Morgan Stanley (and a Princeton alum), donated office space. A letter to the chairman of Hertz got her six cars for TFA's skeleton crew of recruiters (who included Richard Barth, now Kopp's husband). Other early believers—Merck, Union Carbide, Apple Computer, Young & Rubicam, and fellow Texan Ross Perot—chipped in, building her first-year budget to \$2.5 million. That was enough to recruit, train, and place 500 teachers.

Kopp wants to continue the success of TFA. “We’re trying to be the top employer of recent grads in the country,” she says. “Size gives us leverage to have a tangible impact on school systems.” [And this she has done.]¹⁰³

Questions

1. How would you describe Wendy Kopp’s success based on what you have learned in this chapter?

2. Would you apply for a TFA job? What are the ethical implications of your answer?

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Part Three Summary

After reading Part Three, you should know the following key concepts, principles, and terms. Fill in the blanks from memory, or copy the answers listed below.

Ethics is the branch of philosophy concerned with (a) _____. The most important influences on character formation are (b) _____, _____, and _____. The three levels of moral development are (c) _____, _____, and _____, with the highest level being characteristic of only 20 percent of the adult population. Value ideals include (d) _____, _____, _____, _____, and _____. (e) _____ is the foundation that underlies and gives life to all other virtues and values. A concept in ethics that can be used to assess the strength of one's values is (f) _____. Fully ethical individuals know, cherish, declare, act on, and act habitually on their values. The leader's (g) _____ are critical in establishing the values and moral tone of an organization. One of the most influential codes of ethical conduct in the workplace is provided by Rotary International, which asks leaders to measure all actions against four questions: (h) _____, _____, _____, and _____.

Answer Key for Part Three Summary

- a. **moral judgments and right and wrong conduct**, page 94
- b. **associations, books, self-concept**, page 99
- c. **preconventional, conventional, postconventional**, page 100
- d. **honesty, respect, service, excellence, integrity**, page 109
- e. **courage**, page 109
- f. **full-swing values**, page 112
- g. **actions**, page 115
- h. **Is it the truth? Is it fair to all concerned? Will it build goodwill and better relationships? Will it be beneficial to all concerned?** page 132

Reflection Points—Personal Thoughts on Leadership Ethics, the Role of Values, and Ethics at Work

Complete the following questions and activities to personalize the content of Part Three. Space is provided for writing your thoughts.

- Cite examples of the influence of leadership on the ethical behavior of a work group, an organization, or a society. Use personal or historical examples.

- Discuss levels of morality in the workplace today. Give examples of leadership actions that are preconventional, conventional, and postconventional.

- What values are important to you? How strong is your value system? Do you exhibit full-swing values and courage of conviction in ethical dilemmas?

- If you were the president of a company, what values would you promote? What values would guide you in dealing with people, products, prices, and profits?

- Develop a code of ethics for an organization. The code should be between one and five pages in length. Present and defend this code of ethics before an audience of interested people.

- Discuss organizations with differing ethical climates. What is it like to work in profit-maximizing, trusteeship, and quality-of-life management organizations?

- A committed person with a good heart and a good idea can make a difference in the world. Based on your values, what could you do to improve the lives of others? How can you engage and serve society?

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Part Three Video Case

Patagonia

Yvon Chouinard began climbing as a 14-year-old member of the Southern California Falconry Club. At the time, the only available pitons (spikes used in mountain climbing) were made of soft iron, used once, and left in the rock. In 1957 Chouinard bought a used coal-fired forge to make reusable iron pitons; the word spread and soon he was in business. From climbing equipment to apparel, his company, Patagonia, has evolved into a highly successful private firm with annual revenues of \$250 million. Chouinard has kept it private so that he can continue to pursue his mission: earth first, profits second.

According to CEO Michael Crooke, Patagonia is a very special company with a set of core values that is more than the bottom line. Because of the basic values, employees come to work every day with the attitude that they are making a difference. For each new hire, Patagonia receives 900 résumés. To understand the firm's success in satisfying employees, one need only look at a catalog. Not many companies place such significance on environmental and social issues. From the start, Yvon Chouinard advocated a purer, equipment-light approach to making climbing hardware in order to preserve the environment. The philosophy has continued. A recent catalog featured an essay entitled, "Do You Need This Product?" The message? If you don't need another shirt or jacket, don't buy it. Patagonia's management believes that this honest approach, while rare, creates loyal customers and dedicated employees.

To many environmentalists, corporations are the enemy. Patagonia takes a different approach. The company's goal is to make a difference; to do so, it must use its power to work from within the system. Patagonia is a successful company socially, environmentally, and financially. The success starts with great products and great people. Product quality and guarantees assure that the products meet high expectations at any store no matter the location in the world.

In choosing employees, Patagonia looks for people who are passionate about an interest or cause. Over the years, many workers with similar causes and values have joined the company. The culture is based on commitment to environmental, moral, ethical, and philosophical causes. Patagonia employees derive true meaning from work, family, and health, rather than money and status. The goal is psychological success, achieved through a protean career.

Patagonia spends little on recruiting. The firm experiences very low turnover, about 4 percent annually. Each year, *Fortune* magazine rates the company as one of the best to work for. Why have workers found so much satisfaction with their jobs at Patagonia? Four reasons:

- *Let My People Surf.* The philosophy of Yvon Chouinard, not only an accomplished climber but also a passionate surfer, is that you have to surf when the surf's up. At Patagonia, workers set their own schedules; when they need to work, they get their jobs finished. To develop great products, you need to be users of the products. You can't develop great surfboards if you don't surf.
- *Environmental Internship.* After employees have completed a year, the company pays up to 60 days' salary for each individual to intern for an environmental group. The only requirement is that employees present a slide show when they return. Some employees have left Patagonia after the internships to become full-time activists. That's fine with the firm. Patagonia recently joined with several other apparel companies and six leading anti-sweatshop groups to devise a single set of labor standards with a common factory inspection system.
- *Child Development Center.* Started in 1985, the child care facility is one of the first of its kind and an integral component of the company. Children are part of the campus all day, every day. The connection between work and family increases job satisfaction. Knowing their children are being well cared for onsite helps employees become fully committed.

- *One Percent for the Planet.* In 1985, Patagonia started an “earth tax” and donates 1 percent of sales to grassroots environmental activists worldwide. Each group has its own budget for local activism. Patagonia employees serve on grant committees that fund proposals. Because of employee involvement, this program also contributes to worker satisfaction.

Questions for Discussion

1. What values are important at Patagonia?
2. How do values play an important role in attracting and retaining top employees?

For more information, see www.patagonia.com/web/us/home.

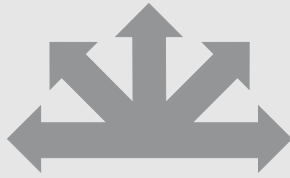
Action Assignment

As a bridge between learning and doing, complete the following action assignment.

1. What is the most important idea you have learned in Part Three?
2. How can you apply what you have learned? What will you do, with whom, where, when, and, most important, why?

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Part 4

The Empowerment of People

8. Leadership Authority 9. Empowerment in the Workplace and the Quality Imperative

LEADERSHIP IS SERVICE, not selfishness. The leader grows more and lasts longer by placing the well-being of all above the well-being of self. Through service to others, the leader becomes strong.

—Lao-tzu
Tao-te Ching, sixth century BC

Learning Objectives

After studying Part Four, you will be able to:

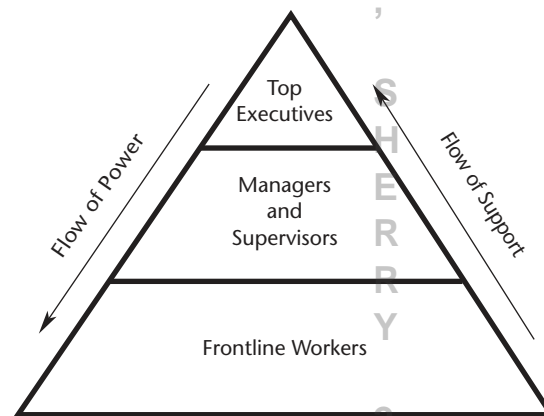
- Describe the philosophy and practice of participative leadership.
- Understand leadership as a calling to serve.
- Know the sources and types of leadership power.
- Identify practical steps a leader can take to empower others and develop a high-performance workplace.
- Know the historical roots of the quality movement.
- Improve performance through quality initiatives.

CHAPTER
8

Leadership Authority

There are two views of leadership authority—*top-down* and *bottom-up*.¹ The top-down view holds that leadership authority is based on position in a social hierarchy, and that power flows from the highest level to the lowest. The classical organizational pyramid has frontline workers supporting managers and supervisors, who, in turn, support top-level executives. This pyramid of authority serves as the basis of most classical organizational structures. See Figure 8–1.

Figure 8–1
Classical Organizational
Structure

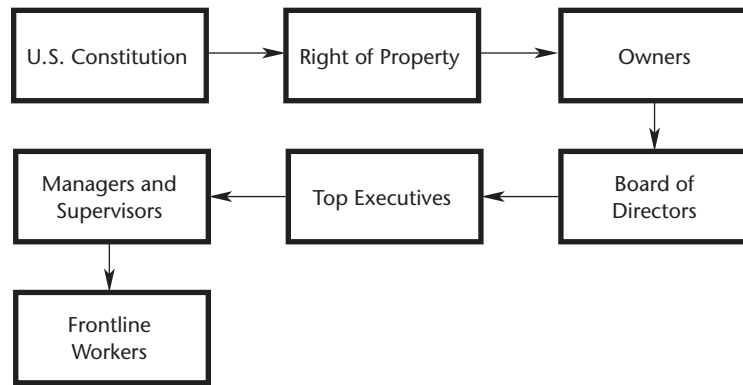


The first application of the organizational pyramid in the United States was made in the 1850s. David McCallum, general superintendent of the New York and Erie Railroad, prepared an organization chart for his company. Formalizing the position and status of all employees in a hierarchical structure was soon adopted by most other American companies.²

The top-down concept is well established, and it is the traditional view of leadership authority in the United States. The right of authority is derived from the right of private property, which is guaranteed in the Constitution. This guarantee gives owners of property the right to manage their affairs as they decide, as long as they do not violate the rights of others as determined by law. Owners may transfer power to a board of directors, which, in turn, may appoint top executives to manage the organization. These executives may delegate authority to managers and supervisors, who may empower employees to act in the interests of the organization. This transfer of authority is seen in Figure 8–2.

The bottom-up view of authority contends that power flows from below, because people can always reject a directive. By saying yes or no, the individual affirms or denies the authority of others.³ This view of authority was first described by Chester

Figure 8–2
Classical Transfer
of Authority⁴



Barnard of AT&T. Barnard was a career executive (including president of New Jersey Bell Telephone Company and later, head of two foundations), who wrote several influential books on management and organizations including *The Functions of the Executive*, 1938. He emphasized that organizations depend on effective communication and that a manager's formal authority depends on the employee's willingness to accept that power. According to Barnard, people will accept an order if four conditions are met: (1) the person understands the order; (2) the person believes the order is consistent with the organization's goals; (3) the person believes the order is compatible with his or her interests; and (4) the person is mentally and physically able to comply with the order.⁵

Effective leaders make certain that their directives fall within their subordinates' zones of acceptance. Otherwise, orders may be met with resistance and even hostility, as the following story shows:

An agent of the Textile Workers Union of America likes to tell the story of the occasion when a new manager appeared in the mill where he was working. The manager came into the weave room the day he arrived. He walked directly over to the agent and said, "Are you Belloc?" The agent acknowledged that he was. The manager said, "I am the new manager here. When I manage a mill, I run it. Do you understand?" The agent nodded, and then waved his hand. The workers, intently watching this encounter, shut down every loom in the room immediately. The agent turned to the manager and said, "All right, go ahead and run it."⁶

Both the top-down and the bottom-up views of authority have merit. By accepting employment, employees acknowledge the authority of owners and managers to make decisions and give orders, as well as their own duty to comply and obey. Also, the successful manager is the first to acknowledge the power of employees to achieve both their own and organizational goals. A manager can govern most effectively with the consent of those being governed. This condition shows the interdependence common to most leader–follower relationships.⁷

An approach to leadership that recognizes both the top-down and bottom-up views of authority, and that effectively addresses the interdependent nature of the leader–follower condition, is **servant leadership**.⁸

Servant Leadership

Management author Robert Greenleaf states that servant leadership is a calling to serve. This calling begins with the feeling deep down inside that one cares about people and wants to help others. Then conscious choice causes one to aspire to lead. The great leader is a servant first, and that is the secret of his or her greatness.⁹

The servant leader is different from the individual who is motivated by selfish goals. Winston Churchill captured the spirit of servant leadership when he said,

“We make a living by what we get, but we make a life by what we give. What is the use of living if not to strive for noble causes and to make this muddled world a better place for those who will live in it after we are gone?”¹⁰

People do not trust the self-server, whose primary thoughts are for personal gain. Trust is given to the leader who works for the common good and has the interests of others at heart. The servant leader is the one people will choose to follow, the one with whom they will prefer to work.

Greenleaf coined the term *servant leadership* after reading *The Journey to the East*, by Herrmann Hesse. In this story, Leo, a cheerful and caring servant, supports a group of travelers on a long and difficult journey. His helpful ways keep the group’s morale high and purpose clear. Years later, the storyteller comes upon a spiritual order and discovers that Leo is the group’s highly respected leader. By serving the travelers unselfishly rather than trying to lead them for personal gain or prestige, Leo had helped ensure their survival and eventual success. This story represented a transformation in the meaning of leadership for Greenleaf. Servant leadership is not about personal ego or material rewards. It is about a true motivation to serve the interests of others.¹¹

A sure sign of servant leadership is the leader who stays in touch with the challenges and problems of others. One good way to do this is to get out of the executive suite and onto the shop floor, out of headquarters and into the field, out of the ivory tower and into the real world.

One company has an active reception area: pickup, delivery, walk-in customers, and in-coming calls. To give receptionists a little relief, and to stay in touch with real customers, real employees, real products, and real problems, each top executive is on a duty roster giving two hours a month at the reception desk . . . including the president.¹²

Servant leaders do not view leadership as a position of power; rather they are coaches, stewards, and facilitators. They seek to create climates where others can do great work. Their approach is to ask, “How can I help?”¹³

Quint Studer, author of *Hardwiring Excellence*, identifies four questions servant leaders should ask all employees: (1) What is going right? (2) What can be improved? (3) Do you have what you need? (4) How can I help you achieve your goals? New employees should be asked: (1) How has your experience been compared to what you thought it would be? (2) What has worked well? What has not worked well? (3) You have a fresh pair of eyes. What ideas and suggestions do you recommend?¹⁴

Access, Communication, and Support

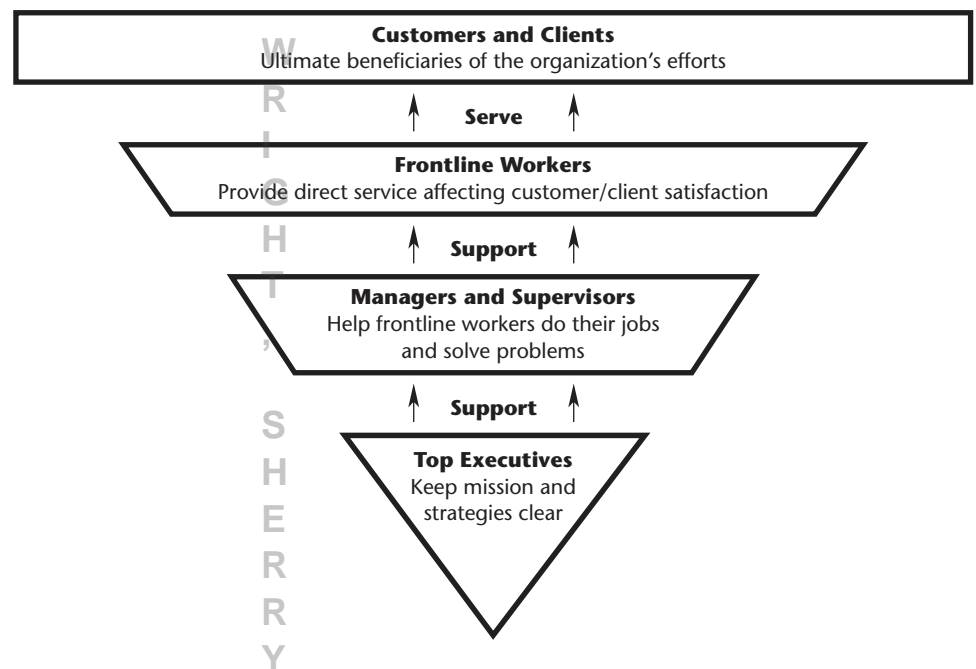
The servant leader is committed to people, and this commitment is shown through **access, communication, and support**:

- **Access.** People need to have access to their leaders, to be able to read their faces, to see recognition of their own existence reflected in their leaders’ eyes. Management by objectives and other rational techniques of management do not alter fundamental human needs. People need contact and support, and effective leaders at all levels of responsibility recognize this as one of their primary tasks. The age of computers, information technology, and e-mail does not change the importance of the human moment at work.
- **Communication.** The effective leader knows the value of communication. As long ago as 59 BC, Julius Caesar kept people up-to-date with handwritten sheets and posters distributed around Rome. Communication in today’s organizations is frequently discussed, but not always delivered. The suggestion that leaders meet with their people on a regular basis is often greeted with the response that there is not enough time. But such meetings provide valuable opportunities to share information, lay out the work, anticipate problems, and gather momentum. They also serve to reinforce a sense of cooperative helpfulness and mutual support. Meetings can serve as an opportunity to close the communication loop and see if frontline people are receiving information and hearing the leader’s message.

- *Support.* Even in routine operations, when there is no emergency or strategic crisis, people benefit from support in the form of feedback. As a rule, they do not get enough of it. One can ask people in almost any organization, “How do you know if you are doing a good job?” Ninety percent are likely to respond, “If I do something wrong, I’ll hear about it.” Too often this topic is discussed as if praise were the only answer; it is not. What people are saying is that they do not have sufficient discussion about performance and tangible support from their leaders to improve effectiveness. Successful leaders know that praise without support is an empty gesture.¹⁵

Servant leadership encourages trust, listening, and the ethical use of power and empowerment. A picture can be an excellent way to convey a concept. The servant leader uses the upside-down pyramid approach to leadership. See Figure 8–3.

Figure 8–3
The Upside-Down Pyramid
Approach to Leadership



Frontline workers are near the top of the pyramid. They are supported in their efforts by leaders below them. The implications are dramatic for day-to-day work. From this perspective, each person provides added value. The whole organization is devoted to satisfying the customer, and this is made possible through the support of caring leaders.¹⁶

A Case of Servant Leadership

Brian Tierney was a young trader in the Commercial Operations Division of American Electric Power. His senior leaders saw important leadership qualities in Brian—he cared about people, cared about the company, kept job knowledge current, and, critically, he possessed integrity.

The company developed Brian's leadership skills through formal training, challenging stretch assignments, and counseling from senior members of management. When the time came to choose a new vice president of commercial operations, Brian got the call. Prior to this time, the trading floor was one level below the executive offices. On the day Brian was promoted, he moved his office to the entrance of the trading floor and opened the door. This concrete and visible action improved employee access, communication, and support, and resulted in significant improvement of performance of an already successful trading operation.

Brian was next promoted to senior vice president over three operating divisions of the company. In this position, he continued to practice the upside-down servant

approach to leadership. Most recently, Brian became the chief financial officer of his company. Brian's case shows both the value and the rewards of servant leadership in today's workplace.

Max DePree, in his book *Leadership Is an Art*, describes the character of servant leadership:

The first responsibility of a leader is to define what can be. The last is to say thank you. In between the two, the leader must become a servant and a debtor. That sums up the progress of an artful leader.

In a day when so much energy seems to be spent on maintenance and manuals, on bureaucracy and meaningless quantification, to be a leader is to enjoy the special privileges of complexity, of ambiguity, of diversity. But to be a leader means, especially, having the opportunity to make a meaningful difference in the lives of those who permit leaders to lead.¹⁷

Can you think of a servant leader who embodies DePree's ideal? Consider her or his actions and impact on people. How do you fulfill this role?

Authentic Leadership

Closely related to servant leadership is the concept of authentic leadership, described by Bill George in his book by the same title. Authentic leaders have a genuine desire to serve others. They lead from core values, they have courage and self-discipline, they establish trusting relationships, and they are purpose driven. Consider the example of Nelson Mandela, the first black president of South Africa.

Mandela was a servant to all of the people, regardless of color. He knew who he was at his core, and his leadership actions reflected those values. He had courage and discipline to remain true to his conviction in the face of personal pain and hardship. He remained kind and trusting in his relationships, yet was unyielding in his mission to achieve justice and equality for all. Mandela was a role model for authentic leadership.

On trial in South Africa in 1963, Mandela said: "I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal I hope to live for and to achieve. But if need be, it is an ideal for which I am prepared to die." The verdict: life imprisonment. Mandela visualized the future of South Africa using the metaphor of a rainbow, a society tolerant of the color of others. This belief helped him survive 27 years of imprisonment.¹⁸

Military Leadership

Caring and servant leadership permeate the American military. The focus of the military is on the followers, their well-being and development. Leaders at all levels are taught to put the needs of their subordinates before their own and to lead by the principle, "Mission first, soldiers always." Consider the results: The world's best military force of 18-year-olds led by 20-year-olds led by 25-year-olds that the world has ever known.¹⁹

Participative Leadership Philosophy

How do you tap the constructive power of people? How do you create both a humanistic and a productive workplace? The answer is through participative leadership. The process begins with involving people, which is necessary to achieve understanding, which is necessary to achieve commitment. It is important to know the views and consider the interests of all who are affected when decisions are made.

To develop an empowered workplace that leads to high-quality products and services, leaders must adopt the kind of leadership philosophy promoted by the Japanese Union of Scientists and Engineers:

No matter how much factories are mechanized, as long as there are people still working there, they should be treated as human individuals. Those companies that do not give due consideration to humanity will lose their best people sooner or later. There can be no excuse for disregarding individual personality, slighting a person's ability, regarding people as machinery, and discriminating against them. People spend much of their lifetime at their working place. It would be much more desirable to work in a pleasant place where humanity is paid due respect and where people feel their work has some real meaning. That is what quality practices aim to achieve. A mechanized factory still requires control by a workshop of people.²⁰

A concrete example of the participative leadership philosophy is Jack Stack, the CEO from Springfield, Missouri, who popularized open-book management in the 1980s. Open-book management involves sharing financial information with employees and encouraging them to recommend ideas that improve those financial results.²¹

An Open-Book Example

Employees at Artists' Frame Service in Chicago knew what the company charged customers, and knew their pay was only a fraction of that. The CEO wanted them to understand that the difference between invoice prices and their salaries wasn't all profit. So the employees were given a demonstration of the company's expenses, illustrated as portions of a hypothetical \$100 order.

As the presenter explained where the money was going, different departments came forward to claim the proceeds of the sale. An oversized \$5 bill, for example, was disbursed to cover the cost of the company's yellow page listing, which costs the company roughly 5 percent of its receipts. The pile of cash was whittled down as claims were made by rent, health insurance, and other fixed and operating expenses that many employees don't think about. When all the bills were paid, \$5 remained.

The demonstration improved morale by giving workers an understanding of the company's expenses, and challenging them to look for ways to save the company money. When they understood how lean a company has to run to stay competitive, buyers began ordering in bulk and watching inventory carefully, and clerks began finding ways to handle orders more efficiently.²²

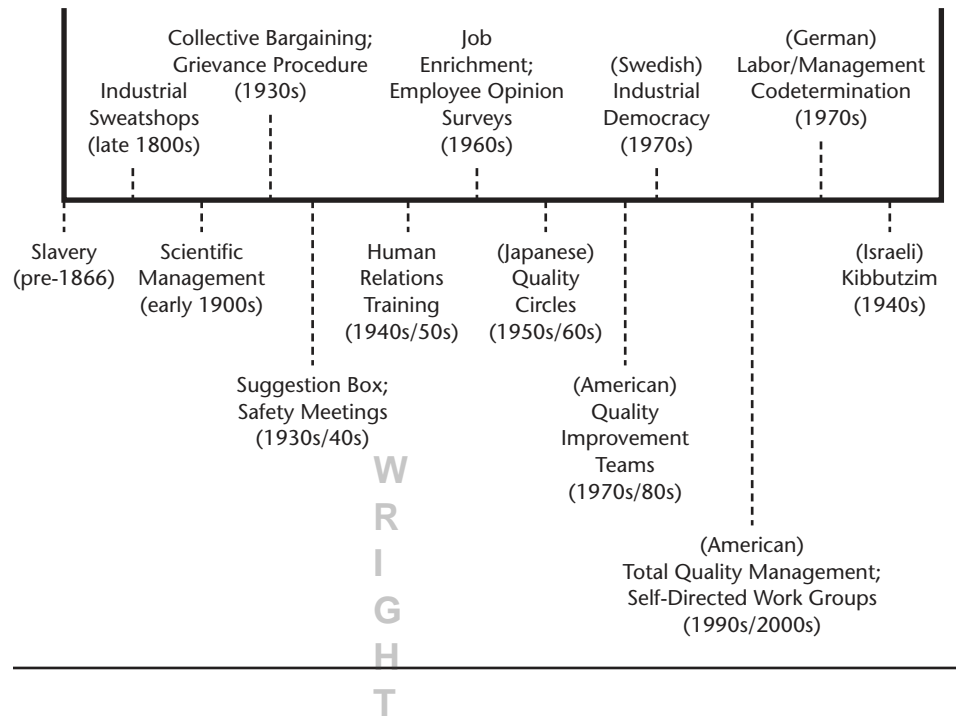
Management authors Warren Bennis and Philip Slater identify the shift toward participative leadership as necessary if organizations are to survive under conditions of chronic change. They define participative leadership as **democratic**, not as permissive or laissez-faire, management. This type of management involves a system of beliefs and common values that govern behavior. These include:

- Full and free communication, regardless of rank and power.
- A reliance on consensus, rather than on traditional forms of coercion and compromise, to manage conflict.
- The idea that influence is based on technical competence and knowledge, rather than on the vagaries of personal whim or the prerogatives of power.
- An atmosphere that permits and even encourages emotional expression as well as task-oriented acts.
- A basically human bias, one that accepts the inevitability of conflict between the organization and the individual, but that is willing to cope with and mediate this conflict on rational grounds.²³

Examples of work systems and techniques for employee participation in the United States and abroad can be arranged along a continuum, as shown in Figure 8–4. On the left part of this continuum, employees possess less power and are less involved in the decision-making process. Workers in industrial sweatshop systems exert less control over their work lives than do employees in industrial democracy systems.

Figure 8–4 explains much of the popularity and success of total quality management and other empowerment efforts. It shows quality improvement groups

Figure 8–4
Continuum
of Empowerment²⁴



to the right of middle—satisfying needs for employee involvement, yet not so participative that owners and managers fear loss of power and ownership.

Participative leadership has been employed effectively by many supervisors and managers to build employee morale and achieve high performance. With roots in democratic ideals, participative leadership allows the leader to tap the constructive power of the group. In *Productive Workplaces*, Marvin Weisbord writes:

The democratic process is the best procedure yet devised for promoting decision-making that is a part of all social living, and at the same time, safeguarding to each individual the conditions necessary for self-realization. The democratic process allows each individual to participate in making decisions that determine his or her conditions of life.²⁵

The Leadership Position

Leadership is needed in all areas of society and at all levels of responsibility. Titles of leadership include *president*, *chief*, *captain*, *manager*, *director*, and *supervisor*, to name just a few. Both responsibility and power come with the office of leadership. The challenge is to meet the responsibility of the position without abusing its power.

An example of a leader using power effectively is Herb Kelleher, former CEO of Southwest Airlines. At one point in his career, he was recognized by *BusinessWeek*, *Fortune*, and *The Wall Street Journal* as America's most effective executive. He states:

I started to get involved in the day-to-day operations. I got to know people in a personal way, and that was very enjoyable for me. You'd go over to maintenance and talk about how the planes were running. You'd talk to the flight attendants and get involved in such discussions as what their uniforms ought to be.

You have to treat your employees like customers. When you treat them right, then they will treat the customers right. This has been a powerful competitive weapon for us at Southwest Airlines. You've got to take the time to listen to people's ideas. If you just tell somebody *no*, that's an act of power and, in my opinion, an abuse of power. You don't want to constrain people in their thinking.²⁶

Negative Consequences in the Use of Power

Abraham Lincoln once said, "Nearly everyone can stand adversity, but if you want to test a person's true character, give him power."²⁷ And T. S. Eliot wrote, "Half of the harm that is done in this world is caused by people who have power and want to feel

important. They do not mean to do harm; they are simply absorbed in the useless struggle to think well of themselves.”²⁸

One interesting study reveals the tragic consequences of the negative use of power in the medical world. Researchers found a dramatic difference in performance results between intensive care units (ICUs) in which the staff unquestioningly followed the lead of an autocratic physician in charge and those ICUs that functioned as a team of colleagues, all of whom were free to make suggestions that might benefit the patient. The “obedient,” power-oriented ICUs experienced higher staff turnover, lower efficiency, and twice the rate of patient deaths.²⁹

The idea of using and not abusing the power that comes from leadership position is very old. The following quote is from Lao-tzu, the founder of Taoism, who was born in the village of Jhren, China, in 604 BC:

I have three precious things which I hold fast and prize. The first is gentleness; the second is frugality; the third is humility, which keeps me from putting myself before others. Be gentle and you can be bold; be frugal and you can be liberal; avoid putting yourself before others and you can become a leader.³⁰

Taoism is one of China’s ancient spiritual traditions that is viewed as both a philosophy and a religion. The *Tao-te Ching* is a book of virtue comprising only 5,000 words. It lays out the Tao, or “the Way,” that is believed to be present in everything that exists in the world. It is seen as the continuity behind life’s ever-changing forces. The Tao gives rise to the opposite but complementary forces of yin and yang, which are the source of the endless changes that the world endures.

Sources of Leadership Power

The successful leader masters the use of power to influence the behavior of others. John French and Bertram Raven developed the most cited and discussed typology of power. Table 8–1 shows sources and types of power used by leaders: One is based in the leadership position; the second is based in the leader’s personal qualities. To personalize the concept of leadership power, complete Exercise 8–1.

Table 8–1
Sources and Types of
Power Used by Leaders³¹

Power of the Position

Based on what leaders can offer to others

Reward power is the capacity to offer something of value as a means of influencing others: “If you do what I ask, you will be rewarded.”

Coercive power is the capacity to punish as a means of influencing others: “If you don’t do what I ask, you will be punished.”

Legitimate power is the capacity to influence others by virtue of formal authority or the rights of office: “Because I am the leader, you should do as I ask.”

Information power comes from having access to data and news of importance to others: “I have important information, so you should do as I ask.”

Power of the Person

Based on how leaders are viewed by others

Expert power is the capacity to influence others because of expertise—specialized knowledge or skill. Ability in an art, science, profession, or trade are examples.

Referent power is the capacity to influence others because of their desire to identify with the leader. Unselfish motives and virtuous character raise trust and respect.

Rational power is the capacity to influence others because of well-developed reasoning and problem-solving ability. Intelligence increases power.

Charisma power is the ability to motivate and inspire others to action by force of personal traits, including optimism, sense of adventure, and commitment to a cause.

Abigail Johnson is a good example of a leader who effectively uses both the power of the position and the power of the person. As president of Fidelity, the financial services company with \$1.4 trillion in mutual funds and other assets under management, she possesses the power of position. Although she is the granddaughter of the company’s founder, she worked her way up through the ranks, beginning as a customer service telephone representative. Along the way, she developed expert power based on technical knowledge and referent power based on building strong internal and external networks.³² Generally, power is given to leaders who get results and have good human relations skills. Similarly, power is taken from those who are incompetent and are callous or cruel.³³

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Exercise 8-1 What Type of Power Does Your Supervisor Use?³⁴

Indicate how strongly you agree or disagree with the following statements as they describe your immediate supervisor. If you are not currently employed, evaluate a supervisor you have had in the past. For each statement, select the most appropriate response, using the following scale: 1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree.

My supervisor

1. ____ Recognizes efforts and rewards accomplishments.
2. ____ Uses fear to control behavior.
3. ____ Shows appreciation for work well done.
4. ____ Manipulates others to gain compliance.
5. ____ Makes timely decisions to get things done.
6. ____ Stays abreast of job-related news.
7. ____ Exercises authority and power of position.
8. ____ Provides skill and advice to solve job problems.
9. ____ Maintains access to important facts and data.
10. ____ Keeps job knowledge current.
11. ____ Has high ideals and standards of conduct.
12. ____ Thinks clearly and explains things logically.
13. ____ Causes people to respect what he or she stands for.
14. ____ Creates a vision and strong sense of purpose.
15. ____ Gets the facts before making decisions.
16. ____ Motivates others and inspires them to action.

Scoring:

Power of the Position

1. Add the numbers assigned to statements 1 and 3. This is the *reward power* score.

2. Add the numbers assigned to statements 2 and 4. This is the *coercive power* score.

3. Add the numbers assigned to statements 5 and 7. This is the *legitimate power* score.

4. Add the numbers assigned to statements 6 and 9. This is the *information power* score.

Power of the Person

5. Add the numbers assigned to statements 8 and 10. This is the *expert power* score.

6. Add the numbers assigned to statements 11 and 13. This is the *referent power* score.

7. Add the numbers assigned to statements 12 and 15. This is the *rational power* score.

8. Add the numbers assigned to statements 14 and 16. This is the *charisma power* score.

Discussion:

The effective leader emphasizes the power of the person to accomplish goals. This involves maintaining knowledge and skill (expertise), having high moral character (referent power), demonstrating effective problem-solving ability (rational power), and motivating and inspiring people (charisma). The effective leader also uses the power of the position to reward efforts and accomplishments (rewards), make effective decisions (legitimacy), and keep people informed on important matters (information). The effective leader rarely if ever uses fear (coercion) as a form of power. Coercion involves threats, punishment, and negative rewards.

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Psychological Size and Two-Way Communication

The concept of **psychological size** has special relevance for people in authority positions. The individual who determines careers, decides wages, and makes job assignments has considerable power over others, and this power can influence the communication process.

Employees are in a weaker position, dependent to some degree on the authority figure to protect them and watch out for their well-being. Some will deny this observation, but one has only to observe the typical work environment to see how differences in psychological size can affect relationships and determine the way things are done. Deference and paternalism are not uncommon.³⁵

People in positions of authority are often surprised to discover that others may fear their power and inhibit behavior accordingly. A graphic representation of a leader with big psychological size and the one-way communication that can result is presented in Figure 8-5.

Figure 8-5
Abuse of Psychological Size



One-way communication presents three problems:

1. *People may be reluctant to say or do anything that might offend the powerful figure.* According to George Reedy in *The Twilight of the Presidency*, even people who had enjoyed two-way communication with Lyndon Johnson when he was in the Senate began to censure their behavior once he assumed the presidency.³⁶

2. *People may become dependent on the leader to make all the decisions.* Unwilling to risk making a mistake and being criticized, people may fail to take initiative. The leader must then solve all the problems and make all the decisions. Dependency on the leader underuses direct reports and overburdens the leader.

3. *People may become resentful of the leader.* The leader is seen as autocratic and arrogant, and this perception may cause anger, hostility, and even rebellion. Consider the case of the infamous Captain Queeg in the film classic *The Caine Mutiny*. The captain's abusive behavior eventually led to tragedy for everyone.

How can leaders avoid the abuse of psychological size and develop the two-way communication that is necessary for both employee morale and job performance? First, they must recognize the factors that contribute to psychological bigness:

High-status position.

Use of terminal statements so that no disagreement is possible.

Formal, distant manner.

Know-it-all, superior attitude.
 Commanding physical appearance.
 Power to make decisions.
 Use of sarcasm and ridicule.
 Job competence.
 Cruel and punishing remarks.
 Ability to express oneself.
 Interrupting and shouting at others.
 Public criticism.

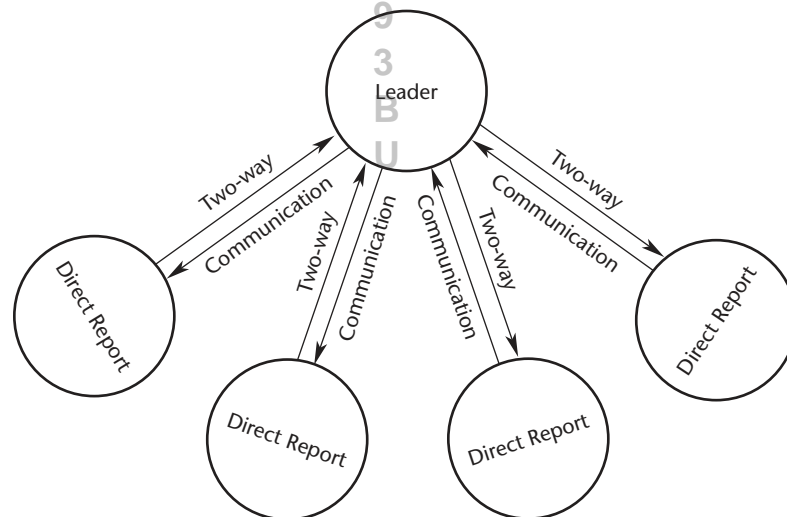
Some of the items on this list are distinctly positive. For example, job competence and the ability to express oneself are desirable traits. Additionally, some of the factors causing psychological bigness are attributes of the person or the office, and it may be difficult or undesirable to change them. For example, neither a leader's commanding physical appearance nor the power to make decisions should be changed. Similarly, the status of the position is most likely an unchangeable factor. The seven remaining factors of psychological bigness on the list above, however, serve no purpose except to alienate people and result in one-way communication.

- Use of sarcasm and ridicule.
- Use of terminal statements so that no disagreement is possible.
- Formal, distant manner.
- Cruel and punishing remarks.
- Know-it-all, superior attitude.
- Interrupting and shouting at others.
- Public criticism.

As a rule, leaders should avoid any behavior that demeans or intimidates another person. The solution is to equalize psychological size. A picture of the proper use of psychological size and good two-way communication is presented in Figure 8–6.

Many leaders mistakenly think that the best way to equalize psychological size is to reduce their own size. In doing so, however, they may reduce their size so much that respect is lost and cannot be regained. Few individuals have the ability to go from large psychological size to small psychological size and back again without

Figure 8–6
 Effective Use
 of Psychological Size



losing effectiveness. Therefore, the most effective approach is not for leaders to reduce their own psychological size, but to raise the size of others.

The effective leader is a very big circle with a very big reputation, but this leader never gets in the way of the growth of others. The best way to raise psychological size is to show genuine interest in people. Through attention to others and sincere **listening**, the leader shows that others are important. A proven technique is to give people a project, some work to “grow into.” This approach builds pride and commitment, and increases the productivity of the group as a whole.

Leaders should keep in mind three important points in developing two-way communication. First, model an honest and open style of communication. Be direct and sincere in speaking. Second, be patient. It takes time and trust to create dialogue between people, and too rapid a change from one style of operating to another may be interpreted as insincerity or may confuse people. Third, make a sincere effort to draw people out without constantly evaluating their remarks. This will be seen as a demonstration of respect and will help create true dialogue. The following guidelines can help accomplish this goal:³⁷

- *Stop talking.* You cannot listen to others if you are talking. Shakespeare wrote, “Give every man thine ear, but few thy voice.”³⁸ We each have two ears and one mouth, and we should use these in proportion.
- *Put the talker at ease.* Help the other person feel free to talk. Provide a supportive environment or atmosphere. Sit or stand in a relaxed manner.
- *Show the person that you want to listen.* Look and act interested. Don’t read your mail while the other person is talking. Maintain eye contact.
- *Remove distractions.* Don’t doodle on, tap, or shuffle papers. Shut down the computer. Hold telephone calls. Will it be quieter if you close the door?
- *Empathize with the person.* Try to put yourself in the other person’s place to understand the speaker’s point of view.
- *Be patient.* Allow time. Don’t interrupt. Don’t walk toward the door or walk away while the other person is talking. Some people take longer than others to make a point.
- *Hold your temper.* An emotional person may misinterpret a message or may say something unintended. If you are angry, cool off before responding. Take a walk, or try counting to 10.
- *Go easy on argument and criticism.* Being judgmental puts the speaker on the defensive and may result in a blowup, or it may cause the person to shut down. Listen to understand, rather than to make judgments.
- *Ask questions.* This response encourages the speaker and shows you are listening. It also helps develop additional points. Few actions demonstrate respect as much as asking others for their opinion.
- *Encourage clarification.* When the speaker touches on a point you want to know more about, simply repeat the statement as a question. This technique will allow clarification and elaboration.
- *Stop talking.* This is the first and last point, because all others depend on it. You cannot do a good job of listening while you are talking. As Shakespeare wrote, “Give thy thoughts no tongue.”³⁹

Overall, a leader’s use of psychological bigness and overbearance is effective for only a short period of time. After a while, dissatisfaction causes employees to rebel or escape. Effective leaders at all levels of authority understand this human relations principle.

Lessons from Gandhi

What can we learn from Gandhi, the Indian spiritual and political leader? We can learn what Gandhi learned from his wife Kasturbi during 57 years of marriage. When they were married in their teens, as was the custom in India, the young bridegroom was full of strong opinions and recommendations for his young wife to implement. Her usual approach was to listen and smile, but then to proceed with her own methods and at her own pace.

Later in life, Gandhi reported that he had learned the power of civil disobedience and the importance of patience from his wife. From her, he had learned a lifelong leadership message—most people, in the final analysis, will do what they personally choose to do, and no amount of coaxing or force can overcome an idea or principle that is personally believed. Great leaders guide and inspire—not command and control.⁴⁰

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CHAPTER
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Empowerment in the Workplace and the Quality Imperative

In a report for the Brookings Institution, Steve Levine and Laura D'Andrea reviewed all major studies of empowerment in the workplace. Their findings: "If you sum it all up, employee participation has a positive impact on business success. It is almost never negative or neutral. Moreover, studies of employee-owned companies show that stock ownership alone doesn't motivate employees to work harder, while ownership combined with participation does."⁴¹

Federal Express, now known simply as FedEx, has remained the market leader in the industry it helped create 40 years ago. The name FedEx is synonymous with overnight delivery. Participative leadership and employee empowerment have been instrumental in the company's success. Fred Smith, Chairman of Federal Express, explains the importance of empowerment in the workplace:

Empowering people is the single most important element in managing our organization. Empowered people have the necessary information to make decisions and act; they don't have to wait for multiple levels of authorization. Empowered people identify problems and they fix them. They do what it takes to keep customers happy. Empowered people don't have time for turf battles, because when everyone shares power and a common goal, turf becomes irrelevant and teamwork becomes an imperative.⁴²

To diagnose the need for empowerment in a group or organization, answer the following questions:

- Do people seem uninterested in their work?
- Are absenteeism or turnover rates too high?
- Do people lack loyalty and team spirit?
- Is there a lack of communication among individuals and groups?
- Is there a low level of pride?
- Are costs too high as a result of waste and inefficiency?
- Does the quality of product or quality of service need to be improved?

If the answer is "yes" to any of these questions, then empowering people can help.

A great deal of empowerment in the workplace is generated by efforts to improve performance. As companies are forced to compete in an increasingly global economy, they are finding that the path to success is long and winding. On that path are many boulders and pebbles that must be cleared. It takes the strength of management to remove the boulders—build a new plant, create a new product, and the like. And it takes the attention and effort of employees to cast away the

pebbles—solve problems with products and meet customer needs. Everyone must work together.

A story is told about a worker at a Ford plant many years ago who suggested a manufacturing improvement that saved the company hundreds of thousands of dollars. Henry Ford himself rewarded the employee and asked him when he had thought of the idea. “Years ago,” the employee said. Asked by an incredulous Ford why he didn’t say anything earlier, the employee replied, “Nobody asked me.”⁴³

Today, just as yesterday, the task of the leader is to unleash and channel the power of people. When he was asked, “What is your job?” General Electric’s Jack Welch said: “I have three things to do. I have to choose the right people, allocate the right number of dollars, and transmit ideas from one group to another with the speed of light. I am really a communicator and facilitator for the work of others.”⁴⁴

As one of the most widely admired and studied CEOs of his time, Welch enriched not only GE’s shareholders but also the shareholders of other companies around the globe. His total economic impact is impossible to calculate, but his leadership had staggering influence on GE’s performance during his tenure in charge. Under his leadership, the company’s revenue grew from \$27 billion to over \$100 billion in 20 years.

Welch began by changing GE’s goal, which previously had been simply to grow faster than the economy. Welch gave GE a new mission: to be the world’s most valuable company. As the centerpiece of the plan was his declaration that every GE business must be number one or number two in its industry.

Welch believed that the best strategies would not work without the right leaders. So he selected, trained, and held leaders accountable to the four E’s of leadership: high personal *energy*, the ability to *energize* others, the *edge* to make tough decisions, and the ability to *execute* strategy.

Welch then concentrated on reforming the practices and culture that determined day by day how the company worked. He began by burning GE’s blue books, five thick volumes of guidance for every GE manager. His message to GE’s managers was, “You own these businesses. Take charge of them. Think for yourself. Get headquarters out of your hair. Fight the bureaucracy. Hate it. Kick it. Break it.”

If employees were surprised by the words, they were more surprised by the actions that followed. Welch wiped out entire layers of bureaucratic management, and he launched the famous *workout process*, in which employees at all levels of an operation gathered for “town meetings” with their bosses and asked questions or made proposals about how the place could run better—80 percent requiring some kind of response then and there.

The multiday workout sessions took huge chunks of wasted money and time out of GE’s processes, but their more important effect was to teach people that they had a right to speak up and be taken seriously; those who advanced good ideas were rewarded, as were those who implemented them.

The next natural step was to spread good ideas across the company. Doing this sounds logical and obvious—but it hadn’t been done before. Then a more radical move followed: borrowing good ideas from other companies. Welch advocated this one personally to show it was actually OK, and today he states that what GE learned about asset management from Toyota or about quick market intelligence from Walmart has been enormously important in the success of the company.

Welch implemented Six Sigma at GE, a program that sets the goal of 99.99 percent quality production outcomes, or only 3.4 defective products per million operations. He required managers to set “stretch” goals, which were the highest they thought they had a reasonable chance of achieving.

At least as important as these high-profile changes were Welch’s behind-the-scenes people practices, which he says took more of his time than anything else. When a manager met with Welch, the exchange was candid, not scripted. There were arguments. There was shouting. The manager almost certainly had to do new thinking on the spot. Afterward, Welch would dispatch a highly specific written summary of commitments the manager had made, and when Welch followed up later—also in

writing—he would refer to the previous summary. He did this with relentless consistency with scores of managers.⁴⁵ The empowerment tactics used by Jack Welch can be applied in all sizes and types of private, public, and not-for-profit organizations.⁴⁶

Principles of an Empowered Workplace

Robert Cole, influential author and educator, identifies five principles of leadership that empower people. Implicit in these principles is the assumption that broad participation in the decision-making process is necessary for success.

- **Trust in people.** Assume they will work to implement organizational goals if given a chance.
- **Invest in people.** View people as the organization's most important resource, which, if cultivated, will yield positive returns.
- **Recognize accomplishments.** Symbolic rewards are extremely important. Show people that they are valued.
- **Decentralize decision making.** Put responsibility for making decisions where the information is and as close to the customer as possible.
- **View work as a cooperative effort.** Model and reinforce the idea that by working together, people accomplish more.⁴⁷

Characteristics of an Empowered Workplace

People experience feelings of ownership in empowered organizations. This ensures that they will do everything they possibly can to create success. Not only are their egos invested in the organization, but their abilities are as well. In the end, the result is victory for the person and the organization. See Table 9–1.

Table 9–1
Workplace Empowerment⁴⁸

Process	Unempowered	Out of Control	Empowered
Decision making	Check with leader on all decisions.	Check with nobody on decisions.	Check with those affected on decisions.
Performance planning	Leader writes performance plan and reviews with subordinates.	There is no performance plan.	Subordinate writes performance plan and reviews with leader.
Making policy	Leader decides policy.	People ignore policy.	Work with those responsible to develop policy.
Problem solving	Wait for “them” to fix problems.	Bypass “system” to work around problems.	Find out who “they” are and work together to fix problems.
Taking initiative	Never volunteer for anything—wait to be asked or assigned.	Many people work on the same thing without communicating.	Recognize what needs to be done; inform leader and others affected; start action to improve.
Defining roles	Roles and responsibilities are defined by leader.	Roles and responsibilities are conflicting and unclear.	Work together to define roles and responsibilities.
Setting standards	Perform to standards determined by others.	There is no concern with standards.	Work together to determine standards of employee effectiveness.

The following case shows the role of empowerment in facilitating change on a global scale.

Empowerment Facilitates Change

Nissan Motor Company was on the brink of bankruptcy when French automaker Renault purchased a controlling interest and installed Carlos Ghosn as the effective head of the Japanese automaker. Along with Nissan's known problems of high debt and plummeting market share, Ghosn (pronounced "gone") saw that Nissan managers had no apparent sense of urgency to change. "Even though the evidence is against them, they sit down and they watch the problem a little bit longer," says Ghosn.

Ghosn's challenge was to act quickly, yet minimize the inevitable resistance that arises when an outsider tries to change traditional Japanese business practices. "I was non-Nissan, non-Japanese," he says. "I knew that if I tried to dictate changes from above, the effort would backfire, undermining morale and productivity. But if I was too passive, the company would simply continue its downward spiral."

To resolve this dilemma, Ghosn formed nine cross-functional teams of 10 middle managers each and gave them the mandate to identify innovative proposals for a specific area (marketing, manufacturing, etc.) within three months. Each team could form subteams with additional people to analyze specific issues in more detail. In all, more than 500 middle managers and other employees were involved in the so-called Nissan Revival Plan.

After a slow start—Nissan managers weren't accustomed to such authority or working with colleagues across functions or cultures—ideas began to flow as Ghosn stuck to his deadline, reminded team members of the automaker's desperate situation, and encouraged teams to break traditions. Three months later, the nine teams submitted a bold plan to close three assembly plants, eliminate thousands of jobs, cut the number of suppliers by half, reduce purchasing costs by 20 percent, return to profitability, cut the company's debt by half, and introduce 22 new models within the next two years.

Although [they were] risky, Ghosn accepted all of the proposals. Moreover, when revealing the plan publicly on the eve of the annual Tokyo Motor Show, Ghosn added his own commitment to the plan: "If you ask people to go through a difficult period of time, they have to trust that you're sharing it with them," Ghosn explains. "So I said that if we did not fulfill our commitments, I would resign."

Ghosn's strategy for organizational change and the Nissan Revival Plan worked. Within 12 months, the automaker had increased sales and market share and posted its first profit in seven years. The company introduced innovative models and expanded operations. Ghosn, who received high praise throughout Japan and abroad, is now Chairman and CEO of Renault, Nissan Motor Company.⁴⁹

The Importance of Communication

An essential element of an empowered workplace is good communication. One of the best ways to achieve effective communication is to recognize where most people prefer to get information, as opposed to where they actually receive it. Table 9-2 shows various types of communication and ranks them, both as actual and as preferred information sources.

Table 9-2
Where People Go for
Information⁵⁰

Actual Rank	Source	Major Source for Employees	Preferred Rank
1	Immediate supervisor	55.1%	1
2	Grapevine	39.8	15
3	Policy handbook and other written information	32.0	4
4	Bulletin board(s)	31.5	9
5	Small group meetings	28.1	2
6	Regular, general member publication	27.9	6
7	Annual business report	24.6	7
8	Regular, local member publication	20.2	8
9	Mass meetings	15.9	11
10	Union	13.2	13
11	Orientation program	12.5	5
12	Top executives	11.7	3
13	Audiovisual programs	10.2	12
14	Mass media	9.7	14
15	Upward communication programs	9.0	10

The actual and preferred rankings of where people go for information show that people want accurate, timely, and complete information, and that their most preferred sources are the *immediate supervisor, small group meetings, top executives, policy handbook, orientation programs, and member newsletters*.

Effective leaders realize that it is impossible to *not* communicate, even when you are not speaking. For example, a closed office door can communicate a powerful message. Communication is the most important tool we have to get work done, and the best leaders are those who acknowledge this and work on communication ability and content.

Successful companies use creative mechanisms to ensure communication. Consider Mother's "work table—cross-pollination technique": The company's 100 employees perform their daily work around one giant table that extends 300 feet like a skateboard ramp around the entire floor. Every three weeks, employees are asked to relocate their workspace—laptop, portable phone, and other tools—and move to another area around the table between two new people. One week, you might be sitting between a finance person and a creative marketeer. The next, you might be sitting between a partner in the firm and someone from production. Why the musical chairs exercise? It breaks down communication barriers and encourages cross-pollination of ideas.⁵¹

Managing the Grapevine

Cisco CEO John Chambers states: Every leader is challenged to both hear and be heard. How does Chambers address this never-ending and critical need? He uses a combination of hi-touch and hi-tech methods that work well for him.

1. Regularly getting out of the office and talking with small and large groups of employees.
2. Daily email because it gives the ability to send a clear message to large numbers of people.
3. Forty to 50 voicemails a day (on the way to and from work) because he is a voice person who likes to listen to emotions and speak with emotion, too.
4. Video on demand—his primary communication vehicle today—ten to fifteen videos a quarter that employees and customers can watch when they want.
5. A monthly CEO breakfast with anyone who has a birthday in that month—no directors or VPs in the room—to keep a finger on the pulse of what's working and what's not. Chambers says, "It is brutal, but it is my most enjoyable session."⁵²

Filling the “Need to Know” Gap

There are many books and articles on how to communicate; the question is, What should be communicated? Employees from the executive suite to the shop floor have three “needs to know”: (1) They need to know the grand plan—the purpose, values, and strategies for success for the organization; (2) they need to know what is expected of them personally, and why; and (3) they need to have feedback on individual performance, with recognition for their efforts.

One can see this must be a top-to-bottom process to be most effective; if things are fuzzy at headquarters, they will be even more fuzzy at the “doing” level. It is obvious, yet often ignored, that the never-ending task of leaders is to be sure these messages are clearly communicated and understood by every individual in the organization. Those who occupy leadership positions must be held accountable for doing so.⁵³

The High-Performance Workplace

What practical steps can a leader take to develop a high-performance workplace? Management authors Eric Harvey and Alexander Lucia have identified 144 time-tested ways to increase leader effectiveness. Presented in Table 9–3 are 20 of the best. An effective approach is to review these 20 and pick five to implement. By concentrating on five, the leader can make a measurable difference in work morale and job performance.

Table 9–3 Practical Tips for Developing a High-Performance Workplace⁵⁴

1. *Adopt an orientation to action and results.* Focus on results-oriented processes and outcomes that add value to the organization, rather than on staying busy with activities and events that merely consume time.
2. *Recognize and reward those who make improvements to products, processes, and services.* Remember: What gets celebrated gets repeated.
3. *Be customer-driven.* Build customer satisfaction by underpromising, overdelivering, and following up to be sure customers are satisfied. Solicit input on how your products and services can be improved.
4. *Maintain a commitment to self-development.* Become a continuous learning machine. Set a personal goal to learn something new about your job, your organization, or your professional discipline every week.
5. *Make timely and value-driven decisions.* Involve those who must implement decisions in the decision-making process. Consider the ideas and opinions of those who do the work, because they frequently have a great deal to contribute. In addition, they'll be more likely to support decisions they help make.
6. *Be flexible.* Understand and appreciate that others may not do things exactly as you would do them. Be open-minded—you might discover their way is even better than yours.
7. *Coach others to succeed.* Pay attention to “middle stars.” Avoid the trap of focusing only on the “super stars” (those with exceptional performance) and the “fallen stars” (those with significant performance problems). Most people shine somewhere in the middle.
8. *Schedule a short meeting with each of your direct reports once every two or three weeks.* Discuss their work in progress, provide feedback on how they are doing, and ask how you and others can contribute to their success.
9. *Minimize obstacles.* Ask each member of your work group to identify the three most significant obstacles to his or her performance. Create a master list, and develop a strategy to eliminate the obstacles.
10. *Benchmark the best.* Study industries, organizations, and individuals that beat the competition by overcoming challenges and obstacles. Also, review case studies of those that did not—and lost.
11. *Address deficiencies.* Pay attention when someone has a performance problem. Unaddressed deficiencies can have a negative effect on every member of your team. By dealing with performance issues as early as possible, you can prevent them from growing more serious—and more distasteful for both you and the individual to face.
12. *Let your conscience be your guide.* Do the right thing no matter how inconvenient, unpopular, or painful it may seem. *That's integrity!*
13. *Enhance the work environment.* Ask fellow workers to submit three ideas for enhancing the quality of work life in your area. Create a master list of ideas, and start implementing the doable ones as quickly as possible.
14. *Spread the sparkle.* Get enthused about others who are enthusiastic—it's contagious and can snowball quickly. Recognize and reward those who help contribute to a culture of contagious enthusiasm.
15. *Display resilience.* It's not whether you get knocked down, it's whether you get up that counts. Take a hike—go on a 10-minute walk to calm down, reflect, and develop a bounce-back strategy.

Continued

Table 9-3 Continued

16. *Show concern for others.* Remember special occasions. Send cards with personalized messages to your fellow workers on special days, such as birthdays and anniversaries with the organization.
17. *Spend one-on-one time with each member of your team.* Open these get-togethers with a general question, such as “How are things going with you?” Then really listen to what the person has to say. Listening is an important way to demonstrate that you care.
18. *Manage meetings effectively.* Supply participants with a written agenda two to three days before a meeting. Make sure the agenda includes meeting objective(s), issues to be discussed, start/end times and location, and information regarding who will be attending, how participants should prepare, and what they should bring. End all meetings with a short review of the results. Discuss what was accomplished and what, if anything, needs to be done after the meeting.
19. *Be sure everyone who reports to you has clarity of assignment and tools to succeed.* Do they know the grand plan and their place in it? Do they have equipment and supplies to do their best work?
20. *Communicate effectively.* Think before you speak, and plan before you write. Understand your message before expecting others to. Target your communication to the intended audience by using terminology they are likely to understand. Consider pretesting important communications on individuals who will give you candid feedback.

Leadership Challenge

Ren McPherson, past president of Dana Corporation, states: “Almost everybody agrees, ‘people are our most important asset.’ Yet almost no one really lives it. Great companies live their commitment to people.” It is an old truth that applies today: The human side counts. And it is no secret that the number one factor is the character and actions of empowering leaders.⁵⁵

Colin Powell is known for his leadership ability. He is universally admired as an empowering and effective leader. In *My American Journey*, he identifies rules gleaned from his years of experience: (1) have a vision; (2) be demanding; (3) check small things; (4) share credit; (5) be calm and kind; and (6) remember that perpetual optimism is a force multiplier.⁵⁶

In his work on servant leadership, Robert Greenleaf proposes that the world can be saved as long as three truly great institutions exist—one in the private sector, one in the public sector, and one in the nonprofit sector. He believes that these organizations will achieve success through a spirit of community, and that their success will serve as a beacon for the world. The key in every case is **caring leadership** and the **empowerment of people**.⁵⁷

The Quality Movement

If there is a single most important factor in efforts to empower employees, it is the quality challenge faced by companies struggling to compete in a global marketplace. Simply, quality products and service are demanded by consumers, and providing them requires a talented, committed, and empowered workforce.

Joseph Jablonski writes in *Implementing Total Quality Management*, “This is a cooperative form of doing business that relies on the talents and capabilities of both labor and management to continually improve quality and productivity using teams.”⁵⁸ Implicit in this definition are three essential ingredients: (1) participative leadership, (2) continuous process improvement, and (3) the use of groups.

The philosophy behind the quality movement is that the people closest to the work usually have the experience and knowledge needed to come up with the best solutions to work-related problems. Ren McPherson, former president of Dana Corporation and dean of business at Stanford University, points out:

Until we believe that the expert in any particular job is most often the person performing it, we shall forever limit the potential of that person in terms of contribution to the organization and in terms of personal development. Consider a manufacturing setting: Within their 25-square-foot area, nobody knows more about how to operate a machine, maximize its output, improve its quality, optimize the material flow, and keep it operating efficiently than do the machine operators, material handlers, and maintenance people responsible for it. Nobody.⁵⁹

The following are examples of improving quality through employee involvement:

The department store Nordstrom puts the philosophy and spirit of the quality movement into practice. Posted in the employee handbook is a five-by-eight-inch card with the following words: Welcome to Nordstrom. We are glad you are here! Our number one goal is to provide outstanding customer service. Set your personal and professional goals high. We have great confidence in your ability to achieve them, so our employee handbook is very simple. We have only one rule: "Use your good judgment in all situations." There are no additional rules. Please feel free to ask your department manager, store manager, or human resource office any question at any time.

At Ritz-Carlton, every worker is authorized to spend up to \$1,000 to fix any problem a guest encounters. Employees do not abuse the policy. "When you treat people responsibly, they act responsibly," states Patrick Mene, the hotel chain director of quality.

Sam Walton, founder of Walmart, was famous for tapping the ideas of frontline employees, the people closest to the customer, saying, "The key to our success is to get out into the stores and listen to what our associates have to say." It is interesting to note that when he died, Sam Walton was the richest man on the planet and also beloved by his employees and customers.

An example of "forgetting the consultant and asking the employee" comes from one of New York's leading cultural institutions. Before contracting with an expensive outside consultant to determine which of its many exhibits was the most popular with visitors, management got the idea to ask the janitor where he has to mop the most.⁶⁰

W. Edwards Deming

The influence of one person, **W. Edwards Deming**, has been critical in the history of the quality movement. In 1947 he was recruited by American authorities in Japan to help prepare a census, and immediately he took an interest in the restructuring of the Japanese economy. In 1950, a 49-year-old Deming delivered a speech to the Japanese Union of Scientists and Engineers (JUSE) entitled "The Virtues of Quality Control as a Manufacturing Philosophy." This speech was to have a profound effect on Deming's audience. The Japanese believed in this teacher from the United States with his spartan dedication to work and Socratic teaching style, and they applied his ideas.⁶¹

Deming became a Japanese folk hero, and since 1951, the Deming Prize has been awarded annually in recognition of outstanding achievement in quality control. In an interview before his death in 1993, Deming said, "I think I was the only man in 1950 who believed the Japanese could invade the markets of the world, and would, within five years. They did this through a dedicated and sustained commitment to quality."⁶²

The primary result of Deming's influence in Japan was that people at the production level were taught the statistical techniques of quality control, and then were delegated the task and the power to organize their work so that the quality of products could be improved. Also, Deming was able to convince top management of the necessity of personal involvement and commitment to building quality products.

In a lecture at the Hotel de Yama near Hakone, Japan, Deming produced a simple flow diagram to illustrate his concept of a quality system. That diagram, or a slight variation thereof, can be found in just about every Japanese corporation today. Essentially, Deming taught that the more quality you build into anything, the less it costs over a period of time.⁶³ He also taught the importance of designing a good system and process. To demonstrate this idea, Deming developed what he called the "Red Bead Experiment":

Ten people are picked and assigned jobs: six "willing workers," two "inspectors," one "chief inspector," and one "recorder." The objective is to show how a poorly managed system, not the workers, leads to defects and poor quality.

Deming explains that the "company" has received orders to make white beads. Unfortunately, the raw materials used in production contain a certain number of defects, or red beads.

With both the white and red beads in a plastic container, the six workers are given a paddle with fifty indentations in it and told to dip it into the container and pull it out with each indentation filled with a bead. They then take the paddle to the first inspector, who counts the red beads, or “defects.” The second inspector does the same, and the chief inspector checks their tally, which the recorder then records.

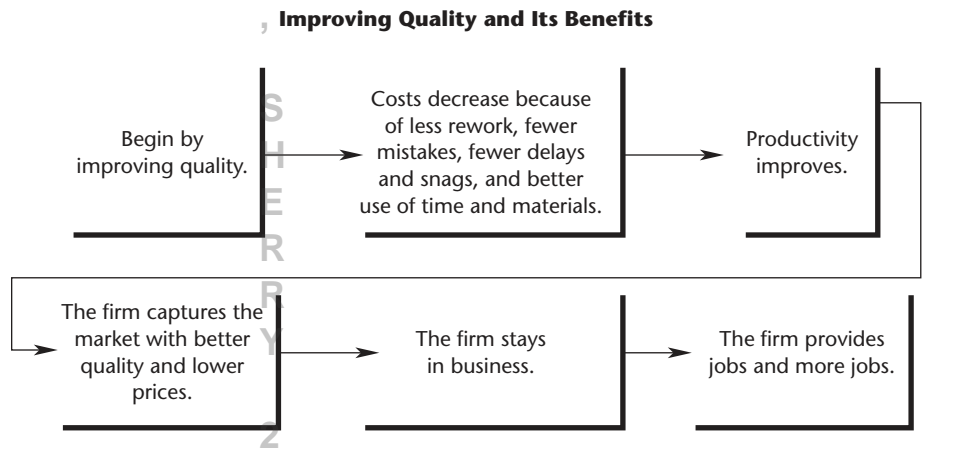
Deming, playing the role of a misguided manager, acts upon the results. A worker drawing out a paddle with fifteen red beads is put on probation, while a worker with just six red beads gets a merit raise. In the next round, the worker who had six red beads now has eight, and the worker with fifteen has ten. In his “misguided manager” role, Deming thinks he understands what’s happening: that the worker who got the merit raise has gotten sloppy—the raise went to his head—and the worker on probation has been frightened into performing better.

And so it continues—a cycle of reward and punishment in which management fails to understand that the defects are built into the system and that the workers have very little to do with it.

“We gave merit raises for what the system did; we put people on probation for what the system did,” Deming says. “Management was chasing phantoms, rewarding and punishing good workers, creating mistrust and fear, trying to control people instead of transforming a flawed system and then managing it.”⁶⁴

Quality was Deming’s message to the Japanese. They listened, they learned, and they practiced what Deming preached. Japanese manufacturers became profitable, well managed, and competitive. Deming describes a chain reaction for business success beginning with improving quality and resulting in jobs and more jobs. See Figure 9–1.

Figure 9–1
The Deming Chain
Reaction⁶⁵



Increasingly, American organizations—public and private, large and small—have followed the example of the successful Japanese in their efforts to improve quality. These organizations include General Electric, Motorola, Ford Motor Company, and the U.S. Army, Navy, and Air Force. Although quality improvement efforts were by no means universally successful, most organizations found their employees to be a valuable source of innovation and money-saving ideas. The following are typical examples:

In 1998, Boeing won the Malcolm Baldrige National Quality Award by achieving a 180-degree turnaround in quality with its C-17 military cargo jet. Using quality guidelines and improvement teams, Boeing cut the time it took to build a C-17 by 80% between 1994 and 1998. Productivity increased from \$200,000 per employee to \$327,000 per employee during this period of time.⁶⁶ In 2003, UBS PaineWebber brokers trained in team development generated 19 percent more revenues and 9 percent more assets than all other UBS PaineWebber advisers, whether they worked solo or on teams. The main reason for this improved performance is that properly trained teams offer clients better product and service development.⁶⁷

Experiences such as these are now commonplace as the quality movement and employee empowerment have spread throughout American business, industry, and government.

No discussion about leadership, empowerment, and quality is complete without including Deming's 14 points for a successful workplace. These points or practices can be applied in both private and public organizations.

The Deming Way⁶⁸

1. Create consistency and continuity of purpose. Plan products with an eye to the long-range needs of the company; don't succumb to the pressures of the quarterly report.
2. Set high standards. No company can compete in the world market until its management discards old notions about acceptable levels of mistakes, defects, and inadequate training and supervision.
3. Eliminate dependence on mass inspection for quality. Use statistical controls for incoming and outgoing goods.
4. Reduce the number of suppliers. Buy based on statistical evidence of quality, not price.
5. Recognize that there are two sources of quality problems: faulty systems (85 percent probability) and the production worker (15 percent probability). Strive to constantly improve the system.
6. Improve job training. Make continuous learning a way of life. Teach statistical techniques. The rudiments can be learned in a five-day intensive course.
7. Provide a higher level of supervision. Focus supervision on helping people to do a better job, and provide tools and techniques for people to have pride in their work.
8. Break down barriers between departments. Encourage problem solving through teamwork. Create a team consisting of design, research, sales, purchasing, and production personnel to eliminate errors and waste.
9. Stamp out fear by encouraging open, two-way communication.
10. Abolish numerical goals and slogans.
11. Use statistical methods for continuous improvement of quality and productivity.
12. Remove barriers to pride of work.
13. Institute a vigorous program of education and training to keep people abreast of new developments in methods, materials, and technologies.
14. Clearly define management's permanent commitment to quality and productivity.

Number 14 deserves special emphasis. Joseph Juran, a pioneering architect of the science of managing for quality, taught the importance of top management's ownership and participation. In the absence of visible commitment at the top, quality initiatives are doomed to failure.

Philosophical Roots of the Quality Movement

The following is a discussion of the philosophical roots of employee empowerment and the **quality movement**.

Beginning with Taylor

In 1911 Frederick W. Taylor wrote his famous book *Principles of Scientific Management*, which was eventually translated into dozens of languages. He developed one of the first monetary incentive systems to improve the productivity of workers who were loading pig iron onto railroad cars. His principles and incentive system were soon extended to many other industries, becoming the basis for a worldwide scientific management movement.

Taylor is recognized today as the father of modern management and of the industrial engineering discipline. His scientific management philosophy is summarized in four basic principles:

1. Develop a science for each element of an employee's work that replaces the old rule-of-thumb method.
2. Scientifically select, train, teach, and develop the worker. (In the past, the employee chose the job and was self-trained.)
3. Heartily cooperate with employees to ensure that all work is done in accordance with the principles of the science that has been developed.
4. Divide the work and responsibility between management and employee. Managers should take over all work for which they are better fitted than the worker. (In the past, the worker took almost all of the work and the greater part of the responsibility.)⁶⁹

Taylor has been criticized for advocating an extreme division of labor, resulting in routine, repetitive, and boring jobs on assembly lines. When his scientific management philosophy is considered in the frame of reference of the early 1900s, however, it is logical and even participative in nature. He advocated a systematic approach to problem solving, cooperation between labor and management, training of employees, a fair reward system, and proper assumption of responsibility by both labor and management. These were revolutionary concepts for that time. If only slightly modified, they apply to the enlightened leadership practices of today.⁷⁰

Scientific Management and the Model-T

Henry Ford took a revolutionary approach to automobile manufacturing by using scientific management principles.

After much study, machines and workers in Ford's new factory were placed in sequence so an automobile could be assembled without interruption along a moving production line. Mechanical energy and a conveyor belt were used to take the work to the workers.

The manufacture of parts likewise was revolutionized. For example, formerly it had taken one worker 20 minutes to assemble a flywheel magneto. By splitting the job into 29 different operations, putting the product on a mechanical conveyor, and changing the height of the conveyor, Ford cut production time to 5 minutes.

By 1914 chassis assembly time had been trimmed from almost 13 hours to 1 1/2 hours. The new methods of production required complete standardization, new machines, and an adaptable labor force. Costs dropped significantly, the Model-T became the first car accessible to the majority of Americans, and Ford dominated the industry for many years.⁷¹

The Human Relations School

In the 1920s, Elton Mayo, Fritz Roethlisberger, and a team of researchers from Harvard University conducted a series of studies at the Hawthorne Plant of the Western Electric Company in a suburb of Chicago. These studies were to profoundly affect management theory and practice. The Hawthorne studies marked the beginning of what would later be called the human relations school.

When the Harvard team began their work, their goal was to determine how environmental conditions, such as lighting and noise levels, affected employee productivity. They soon discovered that social factors and group norms influence productivity and motivation much more than do the combined effects of physical conditions, money, discipline, and even job security. In 1939 Roethlisberger summarized these findings in his famous book *Management and the Worker*.⁷²

In the 1950s and 1960s, the writings of Abraham Maslow, of "hierarchy of needs" fame, and Douglas McGregor, known for "theory X, theory Y," reinforced the human

relations school of thought. Other behavioral scientists, including Rensis Likert (four systems of management), Chris Argyris (integrating the individual and the organization), and Frederick Herzberg (motivation hygiene theory), joined these influential figures to set the stage for many participative management experiments in the United States and abroad.

A Human Relations Pioneer

In 1837, William Procter, an English retailer, and James Gamble, son of a Methodist minister, formed a partnership in Cincinnati to make soap and candles. Both were known for their integrity, and soon their business was thriving.

By 1883, the business had grown substantially. When William Cooper Procter, grandson of the founder, left Princeton University to work for the firm, he wanted to learn the business from the ground up. He started working on the factory floor. "He did every menial job from shoveling rosin and soap to pouring fatty mixtures into crutches. He brought his lunch in a paper bag . . . and sat on the floor [with the other workers] and ate with them, learning their feelings about work."

By 1884, Cooper Procter believed, from his own experience, that increasing workers' psychological commitment to the company would lead to higher productivity. His passion to increase employee commitment to the firm led him to propose a scandalous plan: Share profits with workers to increase their sense of responsibility and job satisfaction.

Still, the plan was not complete. Cooper Procter recognized a fundamental issue for the workers, some of whom continued to be his good friends, was the insecurity of old age. Public incorporation in 1890 gave Procter a new idea. After trying several versions, by 1903 he had discovered a way to meet all his goals for labor: A stock purchase plan. For every dollar a worker invested in P&G stock, the company would contribute four dollars' worth of stock.

Finally, Cooper Procter had resolved some key issues for labor that paid off in worker loyalty, improved productivity, and an increasing corporate reputation for caring and integrity. He went on to become CEO of the firm, and P&G today remains one of the most admired corporations in the United States.⁷³

Experiments in Participative Management

Some of the early pioneers in participative management included large firms, such as Texas Instruments, AT&T, General Foods, Boeing and Procter & Gamble, as well as smaller firms, such as Harwood Manufacturing and Lincoln Electric Company. These companies became famous for their innovative approaches to employee relations. Many of the participative management experiments they conducted in the 1950s and 1960s bear a close resemblance to employee empowerment and quality improvement practices of today.

Texas Instruments used work simplification training for line workers to help solve manufacturing problems and improve productivity. AT&T used job enrichment programs to increase motivation and employee output. General Foods designed a plant from the ground up around a team concept, in which workers were classified into skill categories and could progress to the top category by learning how to do all the jobs needed to run the plant. Procter & Gamble independently developed a concept of group work in the 1940s and 1950s. Many of these experiments were so successful that they are still in place today. Factors common to all successful experiments included the following:

- Management attitudes toward workers were positive; employees were viewed as important assets to the success of the company.
- Workers were given increased scope and control over job activities.
- Workers felt that the projects they undertook were important and doable, and had real-life applicability.
- Training in human relations, problem-solving, and decision-making skills was conducted through formal and informal means.

- Opportunities for advancement based on acquiring new skills and knowledge were provided.
- Productivity and morale increased during the period in which experiments were conducted.⁷⁴

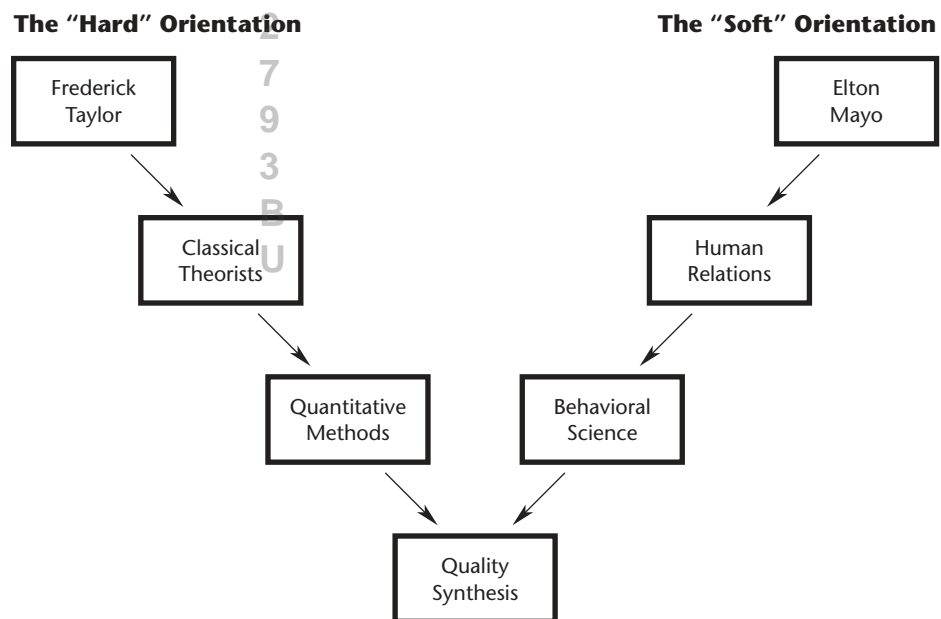
Quality Synthesis

As business schools and colleges expanded during the 1970s, old-line professors steeped in classical principles of management distilled from Frederick Taylor had to defend their theories against the onslaught of young behavioral scientists oriented toward human relations. Some time passed before both groups came to understand that there is no single best way to manage in a complex environment. Both the classicist and the behaviorist had to find that there was good in both points of view. During the 1970s, 1980s, and 1990s, the quality movement became the catalyst for joining these two management views. Here was one management technique that combined participative leadership practices with a problem-solving orientation, and it was being fervently employed in a real-world lab by the industrious Japanese as they outstripped competitors and set new standards of quality.⁷⁵

The leadership philosophy behind quality improvement efforts such as total quality management (TQM) and continuous quality improvement (CQI) is both *hard*, based on scientific management, and *soft*, concerned with the human side of work. It is this balance or blend that helps account for its general acceptance across the broad spectrum of managers today. By focusing on quality goals and using problem-solving tools and methods, quality improvement activities satisfy the needs of managers whose values lie with Frederick Taylor, the management classicists, and quantitative analysis. Such “hard-nosed” managers are drawn to the “end product” benefits of better products and services.

Likewise, by focusing on employee empowerment and personal growth, and by using group process techniques, quality improvement activities satisfy the needs of managers who trace their philosophical roots to Elton Mayo, Kurt Lewin, Abraham Maslow, Douglas McGregor, Rensis Likert, and other figures in the human relations and behavioral science school. These “soft-hearted” managers are especially pleased with the “in-process” benefits of improved morale, quality of work life, and the experience of community. See Figure 9–2.

Figure 9–2
The Leadership Philosophy behind Member Empowerment and the Quality Movement



Improving Performance through Quality Initiatives

How effective is the quality movement? What results are experienced by participating organizations? A Government Accounting Office (GAO) report on American management practices shows U.S. companies experience good results using quality improvement efforts to improve business performance.⁷⁶

Background

In recent years, a number of U.S. companies have found that they could not achieve world-class quality by using traditional approaches to managing product and service quality. To enhance their competitive position, American companies have reappraised the traditional view of quality and have adopted what is known as the total quality management model in running their businesses.

For many years the traditional way to achieve quality was through systematic final inspection. This approach is referred to as inspecting in quality. Intense foreign competition in general, and Japanese competition in particular, has led increasing numbers of U.S. companies to adopt total quality management practices that are prevention-based. This approach is often referred to as building in quality.

Results

- Companies that adopted quality management practices experienced an overall improvement in business performance. In nearly all cases, companies that used total quality management practices achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and improved profitability.
- Companies did not use a cookbook approach in implementing successful quality management systems, but common features that contributed to improved performance can be identified: Corporate attention was focused on meeting customer needs as a first priority; senior management led the way in building values into company operations; all employees were suitably trained, empowered, and involved in efforts to continuously improve quality and reduce costs; and systematic processes were integrated throughout the organization to foster continuous improvement.
- The diversity of companies studied showed that quality management is useful for small companies (500 or fewer employees) as well as large companies, and for service companies as well as manufacturers.
- Many different kinds of companies benefited from putting quality management practices into place. However, none of these companies reaped those benefits immediately. Companies improved their performance on average in about two and one-half years. Management allowed enough time for results to be achieved rather than emphasizing short-term gains.

Specific Findings

Specific findings revealed U.S. companies can improve performance through quality efforts.

- Better employee relations were realized. Employees experienced increased job satisfaction and improved attendance; employee turnover also decreased.
- Improved quality and lower cost were attained. Companies increased the reliability and on-time delivery of their product or service, and reduced errors, product lead time, and their cost of quality.
- Greater customer satisfaction was accomplished, based on the companies' survey results of their consumers' overall perceptions about a product or service, the number of complaints received, and customer retention rates.

For current information on improving performance through quality initiatives, see the Web site of the American Society for Quality (ASQ) (www.asq.org/) as well as the Web site for the Baldrige National Quality Program and National Quality Awards (www.quality.nist.gov), which are designed and managed by the National Institute of Standards and Technology (NIST).

Financial Benefits of Improving Quality

A report in *BusinessWeek* describes the financial impact of quality improvement efforts:

Total quality management (TQM) pays off handsomely. A study by the Georgia Institute of Technology and the College of William & Mary found that TQM award-winners posted 37% higher sales growth and 44% fatter stock prices, compared with a corporate control group. These results buttress similar findings for the stocks of 18 winners of the Malcolm Baldrige National Quality Award. They have outperformed the Standard & Poor's 500 stock index by over 100%.⁷⁷

Implicit in the value system of the quality movement is the saying "If you always do what you have always done, you will always get what you have always gotten." This statement reflects the spirit of the childhood rhyme "Good, better, best. Never let it rest until the good gets better, and the better is the best," as well as the Greek ideal of *aretaic*, or excellence itself, as a virtue.⁷⁸

Continuous Improvement Today

The quality movement is here to stay. Free markets and global competition combine to ensure competition for customers. Effective methods from Balanced Scorecard to Six Sigma are being used to help organizations rise to the challenge.⁷⁹

- *Six Sigma Quality*. One of the most important developments in quality management has been the introduction of statistical tools to analyze the causes of product defects in an approach called Six Sigma Quality. Originating at Motorola in 1986, Six Sigma became popular in the 1990s after it was embraced by General Electric. The term is now widely used to describe a variety of performance improvement efforts (improving quality, increasing efficiency, cutting costs, and the like).

In essence, Six Sigma seeks to remove variability from a process, thus avoiding errors and defects. Six Sigma quality is defined as having no more than 3.4 defects per million. At Six Sigma, a product or service is defect free 99.99966 percent of the time. The mantra of Six Sigma practitioners is DMAIC, standing for design, measure, analyze, improve, control for quality excellence.⁸⁰

- *Lean Manufacturing*. An increasingly popular approach to improving business performance is *lean manufacturing*, developed by Toyota as a way of achieving quality, flexibility, and cost effectiveness. The essence of *lean* is commonsense management. It emphasizes the use of accurate data, insightful analysis, creative thinking to design work processes, the reliable measurement of important inputs and outputs, and the workforce discipline to do this without exception.

In a *lean* operation, rejects are unacceptable, overhead and inventory costs are kept to a minimum, and employees are empowered to halt production to correct problems at their source so that future problems can be avoided. With a well-managed *lean* process, an organization can develop, produce, and distribute products with significantly less staff, space, tools, time, and overall costs.⁸¹

- *Checklist Procedures*. Physician Atul Gawande has an interesting prescription: Every professional should write—in her field or out, for others or herself, but by all means write. Taking his own medicine, Gawande has written a trilogy of books on medicine today (*Complication*, *Better*, and *The Checklist Manifesto*). Gawande's third book is a must-read for leaders and organizations challenged to get things done right, especially when tasks are complex and specialized knowledge and skills are required.

Gawande identifies the lowly checklist—well conceived, communicated, and executed—as a tried and true answer that can be applied in the high-tech world of aviation, construction, finance, and medicine. This helpful book can be read cover to cover and then applied in a customized way to achieve high quality and reliable performance in any size or type of organization.⁸²

- *ISO Standards*. The influence of the quality movement has become even more important with the emergence of ISO standards. ISO 9001 is a series of voluntary quality standards developed by the International Organization for Standardization, a network of national standards institutions in more than 150 countries. The number of

companies receiving ISO 9001 certification continues to grow as hundreds of thousands of companies in manufacturing and service industries throughout the world are ISO certified. ISO 9001 standards of performance are set in eight areas:

1. *Customer focus*—learning and addressing customer needs and expectations.
2. *Leadership*—establishing a vision and goals, establishing trust, and providing employees with the resources and inspiration to meet goals.
3. *Involvement of people*—establishing an environment in which employees understand their contribution, engage in problem solving, and acquire and share knowledge.
4. *Process approach to work*—defining the tasks needed to successfully carry out each process and assigning responsibility for them.
5. *System approach to management*—putting processes together into efficient systems that work together effectively.
6. *Continual improvement*—teaching people how to identify areas for improvement and rewarding them for making improvements.
7. *Factual approach to decision making*—gathering accurate performance data, sharing the data with employees, and using the data to make decisions.
8. *Mutually beneficial supplier relationships*—working in a cooperative way with suppliers.⁸³

The challenge to leaders and organizations today is to maintain predictability and reliability of current products and services, while simultaneously fostering innovation and creativity. Current success and future survival require mastering both ends of the quality spectrum. This is called avoiding the tyranny of the *or* and embracing the genius of the *and*. More academically, it is called organizational ambidexterity—being able to achieve multiple objectives at the same time. An example of organizational ambidexterity and business success is the story of Google, known for both innovation and reliability, stretch goals and incremental progress, core values and operational freedom, big thinking and bold action.⁸⁴

The Toyota Way and the Starbucks Experience

For years, Toyota was a role model of improving quality by tapping the constructive power of employees. Toyota viewed themselves as a manufacturer, and viewed its employees as the company's most important asset. Toyota gave employees the training, tools, and encouragement to solve problems as they arose and head off new problems before they occurred. The company supported and rewarded the intellect of frontline people as its secret to success. The result was a relentless march to become the best and biggest automobile company in the world. The soul of the Toyota production system was a principle called *Kaizen*. The word is often translated as "continuous improvement," but its essence is that engineers, managers, and line workers collaborated continually to systemize production tasks and identify changes to make work go more smoothly.⁸⁵

Starbucks is another example of a company that mastered both ends of the spectrum—business innovation as well as daily delivery of results. CEO and chairman Howard Schultz asked the question, How can you merge a quality coffee bean tradition with the charm of a European coffeehouse? The answer became the Starbucks experience, which transformed the ordinary to the extraordinary and created a brand name that became synonymous with the word *coffee*. At the doing level, Starbucks customers received consistent quality from store to store every day: "We have a basic line of deployment that we all understand, where person A is on the register, person B stays on the bar, and person C floats around making drinks if there is a long line. We also have checklists. Our brewed coffees, in theory, would be good for about five hours in the container in which they are made. But we brew a new container every hour to ensure that they are very fresh, very hot! It's the freshest coffee you can get."⁸⁶

In the world of work, stories are written in the ink of the moment. Past performance is a predictor but not a guarantee of future success. Only as long as the quality

of the product pleases the customer and the execution of service remains reliable will companies be role models for success. Focus and discipline helped Toyota and Starbucks rise to world prominence, but both brands have been tarnished in recent times. Recommitment and relentless adherence to time-tested principles are needed to regain their lofty posts. The leadership message is that quality performance and customer satisfaction are never-ending quests.

Malcolm Baldrige National Quality Award

In 1987 U.S. Congress established the Malcolm Baldrige National Quality Award to promote quality awareness, to recognize quality and business achievements of U.S. organizations, and to publicize these organizations' successful performance strategies. Now America's highest honor for performance excellence, the Baldrige Award is presented annually to U.S. organizations by the President of the United States. Awards are given in manufacturing, service, small business, education, and health care. In October 2004, legislation was passed to authorize the National Institute of Standards and Technology to expand the Baldrige award program to include nonprofit organizations. Awards are now given every year to companies and nonprofit organizations that have met specified standards of service in seven areas: (1) leadership; (2) strategic planning; (3) customer and market focus; (4) measurement, analysis, and knowledge management; (5) workforce focus; (6) process management; and (7) business results.⁸⁷

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Part Four Summary

After reading Part Four, you should know the following key concepts, principles, and terms. Fill in the blanks from memory, or copy the answers listed below.

Two kinds of leadership authority are top-down and bottom-up, both of which have merit. An approach to leadership that recognizes the value of both is (a) _____, emphasizing a commitment to people, as shown by (b) _____, _____, and _____. The essential character of leadership that involves people and gains their participation in decision making is (c) _____. The empowering leader raises the (d) _____ of others without lowering her or his own, primarily by (e) _____ to them, thus showing interest and respect. Three basic principles of an empowered workplace are to (f) _____, _____, and _____. Two of the top six places employees prefer to get information are (g) _____, and _____. Management author Robert Greenleaf believed that the world would be saved by having three truly great institutions as role models—one in each sector of society—private, public, and nonprofit. In each case, the secrets of success would be (h) _____ and _____. The central figure in the history of the quality movement has been (i) _____, primarily because of his influence first in Japan, then in the United States. The (j) _____ synthesizes the benefits of scientific management, most associated with Frederick Taylor, and behavioral science, associated with individuals such as Abraham Maslow and Douglas McGregor.

Answer Key for Part Four Summary

- a. **servant leadership**, page 147
- b. **access, communication, support**, page 148
- c. **democratic**, page 151
- d. **psychological size**, page 157
- e. **listening**, page 159
- f. (any three) **trust in people, invest in people, recognize accomplishments, decentralize decision making, view work as a cooperative effort**, page 163
- g. (any two) **immediate supervisor, small group meetings, top executives, policy handbook, orientation programs, member newsletters**, page 165
- h. **caring leadership, empowerment of people**, page 167
- i. **W. Edwards Deming**, page 168
- j. **quality movement**, page 170

Reflection Points—Personal Thoughts on Leadership Authority, Empowerment in the Workplace, and the Quality Imperative

Complete the following questions and activities to personalize the content of Part Four. Space is provided for writing your thoughts.

- How do you rate as a servant leader? Discuss commitment to others as shown by access, communication, and support.

- Describe a participative organization where leaders involve the people, gain understanding, and achieve good results. What do the leaders do? How do people react?

- Discuss the use and abuse of leadership power. Is it necessarily true that power corrupts and absolute power corrupts absolutely? Cite examples of leaders who improved as a result of the responsibility of leadership.

- Develop a five-point plan for organizational communication. What should be done to achieve the best communication possible—up, down, and sideways?

- Implement one to five practical tips for a high-performance workplace. Discuss the results.

- Critique “The Deming Way” as it applies to your workplace. Which points are present? Which are effective? Which points are missing? What are the results?

- Use participative leadership to improve performance. Assemble a team, and discuss problems, bottlenecks, and opportunities. Select one and develop a recommendation. Follow up and evaluate.

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Part Four Video Case

Pike Place Fish Market

Pike Place Fish is located in Seattle's historic, open-air Pike Place Market. Visitors from many parts of the world come not only to buy high-quality seafood and have it shipped home, but also to watch fishmongers throwing their wares and having fun. From a humble beginning as a small stand, Pike Place Fish has gained a big reputation. The change began when a young employee said, "Let's be world-famous," and the owner responded, "Why not?"

John Yokoyama worked at Pike Place Fish when the owner offered to sell him the business in 1965. Only 25, Yokoyama was reluctant to buy the struggling market, but after much thought he decided to give it a try. He knew nothing about managing people, and his management style was that of a tyrant: you do what I tell you or else. Pike Place Fish did not do well, and Yokoyama was close to failing. That's when Jim Bergquist entered the scene.

A consultant whose wife worked at the fish market, Bergquist approached Yokoyama with a proposition: Give me three months and I'll improve your business or else I'll quit. They agreed. Then, when they were trying to decide their strategy, the young worker made his wild suggestion. At first the partners regarded the notion of becoming world-famous as a joke, but the idea began to grow on them. They adopted the idea of becoming "world-famous," added the words to the logo, and had them printed on shipping boxes.

What does it mean to be world-famous? That's what Yokoyama, Bergquist, and their crew had to figure out. They decided it means making a difference in the lives of customers and others with whom they come into contact. "For us it means going beyond just providing outstanding service to people," explains Yokoyama. "We're out to discover how we can make their day. We've made a commitment to have our customers leave with the experience of having been served. They experience being appreciated whether they buy fish or not."

Providing such an experience for customers requires total commitment. At Pike Place Fish there are no jobs; rather, there are positions available for those who make the team. You have to commit to the purpose—being world-famous—or you won't even want to be on the team. New employees sometimes take three months to understand the distinction—*being* world-famous rather than merely wanting to be or believing you are—and become productive team members.

A big change for John Yokoyama was to share responsibility and power with workers. Yokoyama found the best way to manage the type of team he needed was to stay out of employees' way and let them be creative and manage themselves. Inspirational management is the preferred style. Pike Place Fish creates a context for personal growth and development. For instance, someone who wants to master the art of filleting fish will be coached to reach that goal. Anyone can be a coach, and everyone is allowed to coach others. The intention is for the coach to empower the other person to achieve. When coaching is needed, everyone has the responsibility to step up and contribute.

The best-selling book *Fish!* has popularized the workplace philosophy at Pike Place Fish. This book identifies four principles, based on the fishmongers at the Seattle market, for creating a fun-filled environment: play, make their day, be there, and choose your attitude. Pike Place Fish uses these principles to create a culture where employees are creative and mix well with customers. Sales, customer satisfaction, and employee retention have increased steadily since the "fish" philosophy has been introduced. Other companies, including Sprint and Marriott, also have adopted the principles.

Questions for Discussion

1. How does Pike Place Fish create an environment for workers to reach their maximum potential?
2. What roles do socialization and mentoring play in creating and nurturing this atmosphere?

For more information, see www.pikeplacefish.com.

Action Assignment

As a bridge between learning and doing, complete the following action assignment.

1. What is the most important idea you have learned in Part Four?
2. How can you apply what you have learned? What will you do, with whom, where, when, and, most important, why?

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