Learning Goals

5

Describe why and how organizations empower employees. Distinguish among the five types of 2 teams in the workplace. Identify the characteristics of an 3 effective team. Summarize the stages of team 4 development. Relate team cohesiveness and 5 norms to effective team performance. Describe the factors that can cause 6 conflict in teams and how to man-

- age conflict. **7** Explain the importance and process
- of effective communication.
- 8 Compare the different types of communication.
- 9 Explain external communication and how to manage a public crisis.

In bit owing Performance In bit owing Performance In bit owner ment, In bit owner ment, In bit owner, and Communication To communication hen Diane Davidson accepted a job at W. L. Gore & Associates, she found a corporate structure and culture very different from what she'd experienced in her fifteen years in the apparel industry. Gore makes the famous Gore-Tex fabric and other leading products, which generate about \$1.3 billion in sales. Innovation is key to the company's continuing success, and that focus is reflected in its teamwork.

"When I arrived at Gore, I didn't know who did what," Davidson remembers. "I wondered how anything got done here. It was driving me crazy." Struggling with the concept of having a mentor called a "starting sponsor" instead of a manager to report to, Davidson kept asking, "Who's my boss?"

To which her sponsor replied, "Stop using the B-word." ideas work, and then to attract other associates to **W. L. GOPE FREES Its WORKERS to Perform**

Gore's unique combination of self-managed teams, employee empowerment, and employee ownership has kept it on *Fortune*'s list of "100 Best Companies to Work For" every year since the list' debut in 1984, a distinction only seven other companies have ever achieved. Gore is also one of the country's 100 largest companies that are 50 percent or more employee owned. All 7,000 Gore employees own shares in the firm. But the company has no hierarchy, no bosses, and no job titles. As Davidson eventually found out, "Your team is your boss, because you don't want to let them down. Everyone's your boss, and no one's your boss."

Instead of job descriptions, Gore employees—who are called "associates"—have individual sets of "commitments" they make to their teams. Those commitments often allow the person to create a nontraditional work role that bridges several different functions such as sales, marketing, product design, and product sponsorship. It usually takes new team members as much as a year or more to get used to the process, create their roles, and build credibility. During that period, they are also encouraged to spend about 10 percent of their time on developing new ideas. develop the ideas with them in small teams. Gore believes this practice fosters "natural leadership" and credits it with forming a remarkable environment in which employees work together because of internal motivation, rather than from a sense of duty imposed from the outside. About

half the company's employees consider themselves leaders.

ideas on their own, to communicate about them with

anyone in the firm, to figure out what to do to make the

Associates are free to pursue

Despite the focus on teamwork and independent thinking, not all new initiatives at the company succeed, of course. But those that are axed get a celebratory send-off, the same as is given to ideas that succeed. That endorsement encourages risk taking, as does the pay structure at the firm. Each year, a committee of team members decides the value of an individual's contribution, counting past and present performance as well as future potential.

The company resembles a set of small task forces, with few corporate ranks or titles. In fact, job titles are optional at Gore. Responsibility is "pushed out" to the individual team member, not consolidated in a leader who is defined by a predetermined corporate structure. Some organization, however, is reflected in the company's division into four product areas: (1) fabrics, including the famous breathable waterproof textile; (2) medical; (3) industrial; and (4) electronic. The firm also has several support functions such as human resources and information technology. Each of these areas has a leader, and CEO Terri Kelly oversees the entire operations as president. But as Kelly says, "Leaders need to be approachable and real. They can't only fly at 50,000 feet." As for her own job, Kelly says that at Gore, "It's never about the CEO. You're an associate, and you just happen to be the CEO."¹

Top manage and commu employees a performance involve emp ering them t work in team

Top managers at most firms recognize that teamwork and communication are essential for encouraging employees and helping them improve organizational performance. This chapter focuses on how organizations involve employees by sharing information and empowering them to make critical decisions, allowing them to work in teams, and fostering communication. We begin by discussing the ways managers are expanding their employees' decision-making authority and responsibility. Then we explain why and how a growing number of firms rely on teams of workers rather than individuals to make decisions and carry out assignments. Finally, we discuss how effective communication allows workers to share information that improves decision making.

EMPOWERING EMPLOYEES

empowerment giving

employees authority and responsibility to make decisions about their work without traditional managerial approval and control. An important component of effective management is **empowerment** of employees. Managers promote this goal by giving employees authority and responsibility to make decisions about their work without traditional managerial approval and control. Empowerment seeks to tap the brainpower of all workers to find improved ways of doing their jobs and executing their ideas. Empowerment frees managers from hands-on control of subordinates. It also motivates workers by adding challenges to their jobs and giving them a feeling of ownership. Managers empower employees by sharing company information and decision-making authority and by rewarding them based on company performance.

Sharing Information and Decision-Making Authority

One of the most effective methods of empowering employees is to keep them informed about the company's financial performance. Companies such as Virginia-based Anderson & Associates provide regular reports to their employees on key financial information, such as profit-and-loss statements. Anderson, an engineering firm that designs roads, water and sewer lines, and water treatment facilities, posts financial statements, training schedules, policy documents, and other information on the company's internal Web site.² Any employee can visit the site and look up the company's cash flow, design standards, and photos of co-workers in other cities, as well as basic measures of financial performance. Senior vice president Brad Stipes says, "I can open up [CEO] Ken Anderson's time sheet. I'm not just accountable to Ken Anderson. I'm accountable to everybody. We're judged on the numbers, and everyone [in the company] can see those numbers."³

HIT&MISS

Hampton Inn Empowers Front-Line Employees

Would you spend a dollar to get \$7 back? Hampton Inn, a division of the Hilton hotel group, does it regularly. Each year, the chain of 1,300 hotels refunds about 0.5 percent of its total room revenues to guests who aren't satisfied with their rooms or service. For every dollar refunded, the company estimates it gets back about \$7 in new business, either from a new customer or from an unhappy one who was won over when the chain stood by its commitment to service. Hampton Inn guarantees total guest satisfaction in all its hotels throughout the United States, Canada, and Latin America with this statement: "If you're not 100% satisfied, we don't expect you to pay. That's our promise and your guarantee."

What makes the policy so effective is that every employee in the hotel—whether a front desk clerk, a housekeeper, a maintenance worker, or a restaurant hostess—is empowered to offer guests a free stay on the spot if they are unhappy for any reason. Guests don't have to send their complaints to the manager, call an 800 number, answer a lot of questions, or fill out a response card and then wait for a refund. All they need to do is tell someone why they're unhappy, and not only is the problem corrected immediately, but their room is also free.

Recent Hampton Inn guests included Tom Taylor, a Michigan auditor who told the front desk clerk about the incorrect directions on the hotel's Web site, room lights that were left unplugged, and air conditioning that was too cold. Taylor was immediately offered both nights of his stay free, but he was so impressed by the response that one free night was enough to keep him a happy guest; he insisted on paying for the second one himself. Chris Byrd, a pharmaceutical industry consultant from Arizona, found crumbs in a chair and hair in the bathroom of his Hampton Inn room. Even though he left without complaining, the hotel found out about the problems through Byrd's response to the customer satisfaction e-mail it sent him. Offered a free room to apply to his next stay, Byrd, who hadn't planned to use Hampton Inn again, instead became a fan of the chain. "I wouldn't have come back if they didn't come up with an offer," he said.

Questions for Critical Thinking

- 1. Could Hampton Inn's guarantee work for other service firms? Why or why not?
- 2. If you managed employees who were empowered as Hampton Inn's are, how would you ensure that they make appropriate decisions on their own about when and how to satisfy customers?

Sources: Hampton Inn Web site, accessed July 2, 2006, http://hamptoninn.hilton.com; Gerri Willis, "Trip from Hell? It's Payback Time," CNN/Money, accessed July 2, 2006, http://money.cnn.com; Gary Stoller, "Companies Give Front-Line Employees More Power," USA Today, accessed July 2, 2006, http://www.usatoday.com.

Like other companies that practice this strategy of open-book management, Anderson also trains its employees to interpret financial statements so they can understand how their work contributes to company profits. Using information technology to empower employees does carry some risks. One is that information may reach competitors. Although Anderson & Associates considered this problem, management decided that sharing information was essential to the company's strategy.

The second way in which companies empower employees is to give them broad authority to make workplace decisions that implement a firm's vision and its competitive strategy. Even among nonmanagement staff, empowerment extends to decisions and activities traditionally handled by managers. Employees might be responsible for such tasks as purchasing supplies, making hiring decisions, scheduling production or work hours, overseeing the safety program, and granting pay increases. At Mission Controls Automation, a manufacturing company in Costa Mesa, California, employees not only receive the same financial information as company management but also are responsible for hiring. Every job applicant is reviewed by a team called SNAGs, which stands for Screening New Applicant Groups. No one is hired unless every SNAG member gives his or her approval.⁴ For more on employee empowerment, see the "Hit & Miss" feature, which explains how Hampton Inn empowers its employees.

Linking Rewards to Company Performance

Perhaps the ultimate step in convincing employees of their stake in the continuing prosperity of their firm is worker ownership, which makes employees financial participants in company performance. Two widely used ways that companies provide worker ownership are employee stock ownership plans and stock options. Table 10.1 compares these two methods of employee ownership.

Employee Stock Ownership Plans Around 10 million workers at 11,500 different companies participate in **employee stock ownership plans (ESOPs)** worth half a trillion dollars.⁵ These plans benefit employees by giving them ownership stakes in their companies, leading to potential profits as the value of their firm increases. Under ESOPs, the employer buys shares of the company stock on behalf of the employee as a retirement benefit. The accounts continue to grow in value tax-free, and when employees leave the company, they can cash in their stock shares. Employees are motivated to work harder and smarter than they would without ESOPs because, as part owners, they share in their firm's financial success. Ryan Till is a salesperson for Chicago-based Anson Industries, a construction firm completely owned by its managers and employees. Till says that without the ESOP plan, "I definitely wouldn't work Saturdays and Sundays and holidays like I do now. It helps to motivate you that last little bit, just when you're starting to think, 'Why am I here?'"⁶

As retirement plans, ESOPs must comply with government regulations designed to protect pension benefits. Because ESOPs can be expensive to set up, they are more common in larger firms than in smaller ones. Public companies with ESOPs average around 14,000 employees.⁷ ESOPs work incredibly well. Productivity jumps by 4 percent in the first year alone when ESOPs are introduced. Moreover, a review of 70 studies from the past 25 years shows that profits rise an average of 14 percent with ESOPs, compared with traditional companies.⁸

Stock Options Another popular way for companies to share ownership with their employees is through the use of **stock options**, or rights to buy a specified amount of company stock at a given price within a given time period. In contrast to an ESOP, in which the company holds stock for the benefit of employees, stock options give employees a chance to own the stock themselves if they exercise their options by completing the stock purchase. According to the National Center for Employee Ownership, stock options work like this: "A stock option

Table

10.1

Employee Stock Ownership Plans and Stock Options

ESOP	Stock Options
Company-sponsored trust fund holds shares of stock for employees	Company gives employees the option to buy shares of its stock
Usually covers all full-time employees	Can be granted to one, a few, or all employees
Employer pays for the shares of stock	Employees pay a set price to exercise the option
Employees receive stock shares (or value of stock) upon retiring or leaving the company	Employees receive shares of stock when (and if) they exercise the option, usually during a set period.
	eet," "How an Employee Stock Ownership Plan (ESOP) Works," and "A 'National Center for Employee Ownership, accessed July 2, 2006, http:/

"They Said It"

"Chief executives, who themselves own few shares of their companies, have no more feeling for the average stockholder than they do for baboons in Africa." —T. Boone Pickens (b. 1928) American entrepreneur plan grants employees the right to buy company stock at a specified price during a specified period once the option has vested. So if an employee gets an option on 100 shares at \$10 and the stock price goes up to \$20, the employee can 'exercise' the option and buy those 100 shares at \$10 each, sell them on the market for \$20 each, and pocket the difference. But if the stock price never rises above the option price, the employee will simply not exercise the option."⁹

Though options were once limited to senior executives and members of the board of directors, some companies now grant stock options to employees at all levels. Moreover, federal labor laws allow stock options to be granted to hourly and salaried employees. Stock options have turned hundreds of employees at firms such as Home Depot, Microsoft, and Google into millionaires.

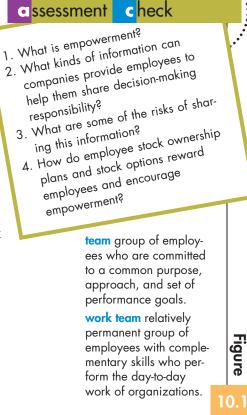
Some argue, however, that to be most effective as motivators, stock options need to be granted to a much broader base of employees. About one-third of all stock options issued by U.S. corporations go to the top five executives at each firm. Much of the remainder goes to other executives and managers, who make up only about 2 percent of the U.S. workforce. Yet there is solid evidence that stock options motivate regular employees to perform better.

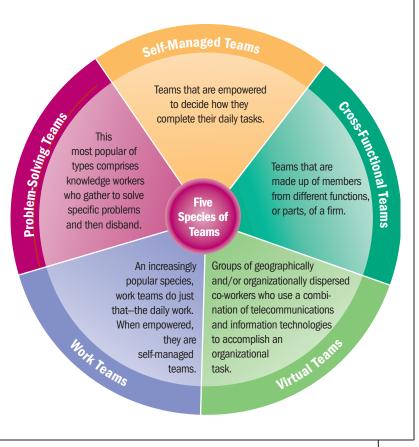
Five Species of Teams

TEAMS

A **team** is a group of people with complementary skills who are committed to a common purpose, approach, and set of performance goals. All team members hold themselves mutually responsible and accountable for accomplishing their objectives. Teams are widely used in business and in many not-for-profit organizations such as hospitals and government agencies. Teams are one of the most frequently discussed topics in employee training programs, in which individuals often learn team-building skills. Many firms emphasize the importance of teams during their hiring processes, asking job applicants about their previous experiences as team members. Why? Because companies want to hire people who can work well with other people and pool their talents and ideas to achieve more together than they could achieve working alone. Today, as shown in Figure 10.1, there are five basic types of teams: work teams, problem-solving teams, self-managed teams, crossfunctional teams, and virtual teams.

About two-thirds of U.S. firms currently use **work teams**, which are relatively permanent groups of employees. In this approach, people with complementary skills perform the day-to-day work of the organization. Most of Wal-Mart's major vendors maintain offices near its headquarters in Bentonville, Arkansas. Typically, the vendor offices







In a survey of federal government employees conducted by Partnership for Public Service, the National Aeronautics and Space Administration (NASA) ranked high on its support for and use of teams.

"They Said It"

"Now an army is a team. It lives, eats, sleeps, fights as a team. This individuality stuff is a bunch of crap." —George C. Scott (1927–1999) American actor (in Franklin Schaffner's 1970 motion picture Patton)

problem-solving team

temporary combination of workers who gather to solve a specific problem and then disband.

self-managed team

work team that has the authority decide how its members complete their daily tasks.

cross-functional team

team made up of members from different functions, such as production, marketing, and finance. operate as work teams, and the head of these vendor offices often has the title of "team leader."

In contrast to work teams, a **problem-solving team** is a temporary combination of workers who gather to solve a specific problem and then disband. They differ from work teams in important ways, though. Work teams are permanent units designed to handle any business problem that arises, but problem-solving teams pursue specific missions. These missions can be broadly stated, such as finding out why customers are satisfied or how to transition from one major computer system to another, or narrowly defined, such as solving the overheating problem in Generator 4 or determining the best way and time to move from an old office location to a new one. Once the team completes its task by solving the assigned problem, it usually disbands.

A work team empowered with the authority to decide how its members complete their daily tasks is called a **self-managed team**. A self-managed team works most

effectively when it combines employees with a range of skills and functions. Members are cross-trained to perform each other's jobs as needed. Distributing decision-making authority in this way can free members to concentrate on satisfying customers. Whole Foods Market, a national chain of upscale food stores, has a structure based on self-managed work teams. Company managers decided that Whole Foods could be most innovative if employees made decisions themselves. Every employee is part of a team, and each store has about ten teams handling separate functions, such as groceries, bakery, and customer service. Each team handles responsibilities related to setting goals, hiring and training employees, scheduling team members, and purchasing goods to stock. Teams meet at least monthly to review goals and performance, solve problems, and explore new ideas. Whole Foods awards bonuses based on the teams' performance relative to their goals.¹⁰

A team made up of members from different functions, such as production, marketing, and finance, is called a **cross-functional team**. Most often, cross-functional teams work on specific problems or projects, but they can also serve as permanent work team arrangements. The value of cross-functional teams comes from their ability to bring many different perspectives to a work effort. When Hypertherm, a Hanover, New Hampshire–based maker of metal cutting machines, experienced conflict between its engineering and marketing departments, CEO Richard Couch reorganized the company into five cross-functional teams, one for each line of products. To strengthen the teams, he rearranged offices so that the salespeople, engineers, marketers, and researchers for each product sat next to each other in nearby cubicles. An engineer griped about "sitting next to this marketing guy. I don't have anything to say to him." Couch remembered, "I thought precisely my point. Maybe you will actually say something to him," now that you sit together.¹¹ For more on cross-functional teams, see the "Hit & Miss" feature describing GE's action learning teams.

Virtual teams are groups of geographically or organizationally dispersed co-workers who use a combination of telecommunications and information technologies to accomplish an organizational task. Because of the availability of e-mail, videoconferencing, and group communication software, members of virtual teams rarely meet face-to-face. For example, consulting firm PricewaterhouseCoopers (PWC) has 190 employees in its training department in the United States located in 70 different offices. One-fourth of those staff members work at home, never setting foot in the office. Yet these employees regularly work together in virtual teams as they write proposals, put together training programs, or offer advice to PWC consultants.

HIT&MISS

GE's Action Learning Teams

General Electric combines cross-functional and problemsolving teams by having managers and employees from different parts of the company work together to apply their specialized knowledge to a challenge posed by upper-level executives. Top management often acts on these teams' suggestions to solve puzzling questions and problems within the firm.

GE makes wide use of such teams, gathering people from manufacturing, sales, marketing, legal, and finance, for example, to tackle specific problems. Because GE also fast-tracks its most promising young employees, the younger members of its action learning teams have a unique opportunity to work with and learn from more experienced personnel. As GE's chief learning officer says, team members "get exposed to very big projects and issues, but with a safety net. You learn by doing, and you get continuous feedback on your performance." And the teams "encourage people to learn a lot about a lot of things, not just their own jobs. It reduces the likelihood that when boomers do retire, you'll be left saying, 'Gee, old Alex was the only person here who knew how to do this."

Another characteristic of action learning teams is that time to reflect and discuss the assigned task is built into their structure. While "learning by doing" is one of the major benefits employees get from participation in the team, learning from reflection, from ambiguity, and

even from coping with small failures along the way are also hallmarks of action learning.

At GE, action learning teams seem certain to remain a popular magnet for up-and-coming managers. Todd Wyman, 37, has risen through nine different positions since joining the company right after college. At 33, he was managing the supply chain for GE's Mexican manufacturing operations, worth \$1 billion a year. Action learning teams gave him the chance to work in Romania, Belgium, Qatar, and Latin America. Now manager of GE's rail transportation global supply chain, Wyman highlights a very personal benefit of action learning: "Giving people really challenging jobs early in their careers is important for companies that want to retain them."

Questions for Critical Thinking

- 1. How would you select members of a successful action learning team? What criteria would you use?
- 2. Explain why most recommendations of action learning teams are accepted by top management. What do you think accounts for their successful track record?

Sources: Damon Darlin, "Growing Tomorrow," Business 2.0, accessed July 2, 2006, http://www.business2.com; Anne Fisher, "How to Battle the Coming Brain Drain," Fortune, accessed July 2, 2006, http://www.fortune.com; Udo Dierk and Scott Saslow, "Action Learning in Management Development Programs," Chief Learning Officer, May 2005, pp. 20–25.

Manager Peter Nicolas says, "Virtual teaming is the norm for us." But when Nicolas leads a new virtual team that has never worked together before, he says, "I always try to do the kickoff meeting face-to-face. If we can put people in the same room, we do," because it is the best way to build "enthusiasm and to get clear about everyone's roles and responsibilities." Then, over time, "We also try to bring the group back together for major milestones in a project."¹² The principal advantage of virtual teams is that they are very flexible. Employees can work with each other regardless of physical location, time zone, or organizational affiliation. But as PWC's experience shows, the give-and-take that naturally occurs in face-to-face meetings is much more difficult to achieve in virtual teams. Thus, bringing virtual team members together on a regular basis is one of the best ways to overcome this difficulty.

virtual team group of geographically and/or organizationally dispersed co-workers who use a combination of telecommunications and information technologies to accomplish an organizational task.

check

TEAM CHARACTERISTICS

Effective teams share a number of characteristics. They must be an appropriate size to accomplish their work. In addition to size, teams also can be categorized a ssessment

- 2. What are the five types of teams and how are they different?

according to the similarities and differences among team members, called *level* and *diversity*. We discuss these three characteristics next.

Team Size

Teams can range in size from as small as two people to as large as 150 people. In practice, however, most teams have fewer than twelve members. Although no ideal size limit applies to every team, research on team effectiveness indicates that they achieve maximum results with about six or seven members.¹³ A group of this size is big enough to benefit from a variety of diverse skills, yet small enough to allow members to communicate easily and feel part of a close-knit group.

Certainly, groups smaller or larger than this ideal size can do effective work, but they can create added challenges for a team leader. Participants in small teams of two to four members often show a desire to get along with each other. They tend to favor informal interactions marked by discussions of personal topics, and they make only limited demands on team leaders. A large team with more than twelve members poses a different challenge for team leaders because decision making may work slowly and participants may feel less committed to team goals. Larger teams also tend to foster disagreements, absenteeism, and membership turnover. Subgroups may form, leading to possible conflicts among various functions. As a general rule, a team of more than 20 people should be divided into subteams, each with its own members and goals.

Team Level and Team Diversity

Team level is the average level of ability, experience, personality, or any other factor on a team. For example, a high level of team experience means that a team has members who, on average, are very experienced. This does not mean that every member of the team has considerable experience but that enough team members do to significantly raise the average level of experience on the team. Businesses consider team level when they need teams with a particular set of skills or capabilities to do their jobs well.

While team level represents the average level or capability on a team, team diversity represents the variances or differences in ability, experience, personality, or any other factor on a team. In other words, strong teams not only have talented members (as demonstrated by their team level) but also members who are different in terms of ability, experience, or personality. Team diversity is an important consideration for teams that must complete a wide range of different tasks or particularly complex tasks. A cross-functional team establishes one type of diversity by bringing together the expertise of members from different functions in the organization. For instance, many financial companies are moving away from using individual financial advisors to using diverse teams of financial advisors. At Wachovia Services, Don DeWees Jr. is part of a ten-member team that advises 800 wealthy clients. The members of this team are specialists in investments, retirement planning, strategies to reduce taxes, and trust and

> estate planning. Said DeWees, "We look at ourselves as the families' CFO [chief financial officer], the go-to guys to help answer all the questions."¹⁴ Wachovia's use of diverse teams is part of a growing trend; half of Merrill Lynch's financial advisors now work on diverse teams, as do 40 percent of those at Smith Barney and 38 percent of those at UBS.

Stages of Team Development

Teams typically progress through five stages of development: forming, storming, norming, performing, and adjourning. Although not every team passes through each of these stages, teams that do tend to be better performers. These stages are summarized in Figure 10.2.

team level average level of ability, experience, personality, or any other factor on a team.

team diversity variances or differences in ability, experience, personality, or any other factor on a team



- effectiveness, diversity, and communication flow with how many members? 2. Explain team level and team
- diversity.

Stage 1: Forming The first stage, forming, is an orientation period during which team members get to know each other and find out what behaviors are acceptable to the group. Team members begin with curiosity about expectations of them and whether they will fit in with the group. An effective team leader provides time for members to become acquainted.

Stage 2: Storming The personalities of team members begin to emerge at the storming stage as members clarify their roles and expectations. Conflicts may arise, as people disagree over the team's mission and jockey for position and control of the group. Subgroups may form based on common interests or concerns. At this stage, the team leader must encourage everyone to participate, allowing members to work through their uncertainties and conflicts Teams must move beyond this stage to achieve real productivity.

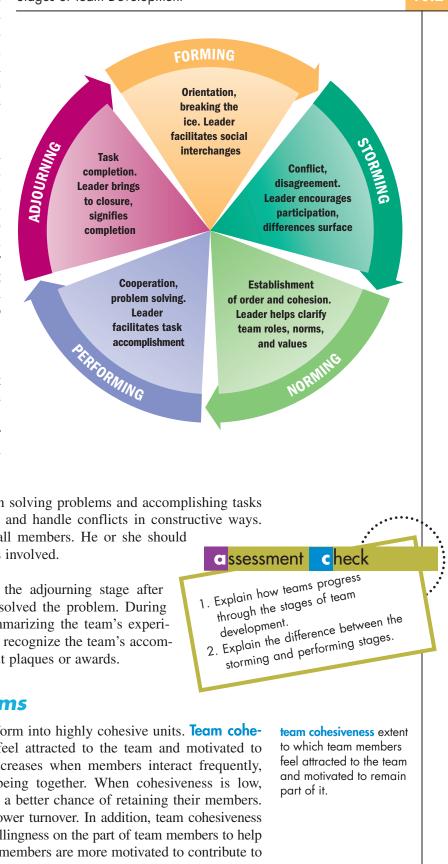
Stage 3: Norming During the norming stage, members resolve differences among them, accept each other, and reach broad agreement about the roles of the team leader and other participants. This stage is usually brief, and the team leader should use it to emphasize the team's unity and the importance of its objectives.

Stage 4: Performing Team members focus on solving problems and accomplishing tasks at the performing stage. They interact frequently and handle conflicts in constructive ways. The team leader encourages contributions from all members. He or she should attempt to get any nonparticipating team members involved.

Stage 5: Adjourning The team disbands at the adjourning stage after members have completed their assigned task or solved the problem. During this phase, the focus is on wrapping up and summarizing the team's experiences and accomplishments. The team leader may recognize the team's accomplishments with a celebration, perhaps handing out plaques or awards.

Team Cohesiveness and Norms

Teams tend to maximize productivity when they form into highly cohesive units. **Team cohesiveness** is the extent to which team members feel attracted to the team and motivated to remain part of it. This cohesiveness typically increases when members interact frequently, share common attitudes and goals, and enjoy being together. When cohesiveness is low, morale suffers. By contrast, cohesive groups have a better chance of retaining their members. As a result, cohesive groups typically experience lower turnover. In addition, team cohesiveness promotes cooperative behavior, generosity, and a willingness on the part of team members to help each other. When team cohesiveness is high, team members are more motivated to contribute to



10.2

Stages of Team Development



New Age Transportation's employees spend most of their days staring at computer screens to track customer orders, their shipments, and their invoices. To break the sometimes stressful work environment at the Lake Zurich, Illinois firm, top managers suggested twice-a-day dance breaks. The ten-minute breaks were a hit-they fostered team cohesiveness by getting employees from different departments, who normally wouldn't interact, to talk with one another.

team norm informal standard of conduct shared by team members that guides their behavior.

check **a**ssessment

- 1. How does cohesiveness
- 2. Explain how team norms positively and negatively affect teams.

that identify key values and clarify team members' expectations. Not all norms, though, are positive. For example, the norm in most operating rooms is that the COURTESY surgeon is clearly in charge. At first look, there doesn't

performance and consistently perform better.

seem to be anything wrong with that. After all, if the surgeon weren't in charge, who would be? However, at 20 hospitals, 60 percent of the operating room staffersnurses, technicians, and other doctors-agreed with this statement: "In the ORs here, it is difficult to speak up if I perceive a problem with patient care."15 And when nurses and other operating room staffers don't speak up, serious mistakes can occur.

the team, because they want the approval of other team members. Not surprisingly, studies have clearly established that cohesive teams quickly achieve high levels of

A **team norm** is a standard of conduct shared by team members that guides their behavior. Norms are not formal written guidelines; they are informal standards

In highly productive teams, however, norms contribute to constructive work and the accomplishment of team goals. In fact, many hospitals are trying to change the norms in their operating rooms so that surgeons will be more team-oriented and other operating room personnel will speak up when there are problems. VHA, which helps 2,400 hospitals coordinate

> best practices, has a new program called "Transformation of the Operating Room," in which operating teams use "safety pauses" and "time-outs." The surgical team pauses for a moment, is asked if anyone has concerns or comments, and then addresses them if need be. Studies show that programs such as this are not only changing the norms in operating rooms but also reducing mistakes, such as operating on the wrong leg or noticing that key surgical instruments are missing prior to beginning surgery.¹⁶

Team Conflict

"They Said It"

"The team that trusts their leader and each other-is more likely to be successful." —Mike Krzyzewski (b. 1947) Head basketball coach, Duke University

> **conflict** antagonistic interaction in which one party attempts to thwart the intentions or goals of another.

Conflict is an antagonistic interaction in which one party attempts to thwart the intentions or goals of another. Conflict and disagreement are inevitable in most teams. But this shouldn't surprise anyone. People who work together are naturally going to disagree about what and how things are done. What causes conflict in teams? Although almost anything can lead to conflict-casual remarks that unintentionally offend a team member or fighting over scarce resources—the primary cause of team conflict is disagreement over team goals and priorities. Other common causes of team conflict include disagreements over task-related issues, interpersonal incompatibilities, and simple fatigue.

Though most people view conflict negatively, the key to dealing with it is not avoiding it, but making sure that the team experiences the right kind of conflict. Cognitive conflict focuses on problem-related differences of opinion, and reconciling these differences strongly improve team performance. With cognitive conflict, team members disagree because their different experiences and expertise lead them to different views of the problem and its solutions. Cognitive conflict is also characterized by a willingness to examine, compare, and reconcile differences to produce the best possible solution. By contrast, affective conflict refers to the emotional reactions that can occur when disagreements become personal rather than professional, and these differences strongly decrease team performance. Because affective conflict

often results in hostility, anger, resentment, distrust, cynicism, and apathy, it can make people uncomfortable, cause them to withdraw, decrease their commitment to a team, lower the satisfaction of team members, and decrease team cohesiveness. So unlike cognitive conflict, affective conflict undermines team performance by preventing teams from engaging in activities that are critical to team effectiveness.

What can managers do to manage team conflict? Emphasizing cognitive conflict alone isn't enough, because cognitive and affective conflict can occur together in the same teams. Attempts to agree on a difficult issue can quickly deteriorate from cognitive to affective conflict if the discussion turns personal and tempers and emotions flare. So while cognitive conflict is clearly the better approach to take, encouraging conflict of any type should be approached with caution. Perhaps the team leader's most important contribution to conflict resolution can be facilitating good communication so

that teammates respect each other and are free to disagree with each other. Ongoing, effective communication ensures that team members perceive each other accurately, understand what is expected of them, and obtain the information they need. Improved communication increases the chances of working cooperatively as a team. The remainder of this chapter discusses the importance of effective communication and the development of good communication skills.

THE IMPORTANCE OF EFFECTIVE COMMUNICATION

Andrea Tam is the production manager of a small clothing design company in Vancouver, British Columbia. When she asked her boss what to do with 1,100 yards of unused fabric, she hoped for a quick answer. She waited, and waited, and waited for her boss to communicate his wishes. He never told her, so she eventually decided to let the fabric sit in a warehouse in China, costing the company storage fees and lost revenue.¹⁷

Communication can be defined as a meaningful exchange of information through messages. Few businesses, including the clothing design company that Andrea Tam works for, can succeed without effective communication. Managers spend about 80 percent of their time six hours and 24 minutes of every eight-hour day—in direct communication with others,

whether on the telephone, in meetings, via e-mail, or in individual conversations. Company recruiters consistently rate effective communication, such as listening, conversing, and giving feedback, as the most important skill they're looking for when hiring college graduates. In this last half of the chapter, you'll learn about the communication process, the basic forms of communication, and ways to improve communication within organizations.

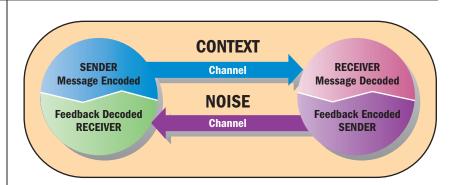
The importance of communication was in a glaring spotlight after Hurricane Katrina devastated New Orleans and the Mississippi Gulf Coast. Because cell phone towers were damaged during the storm, emergency responders did not know who was in trouble or where they were. The teams also could not communicate with headquarters staff. assessment check

 What is cognitive conflict and how does it affect teams?
Explain affective conflict and its impact on teams.

> communication meaningful exchange of information through messages.



10.3 The Communication Process



The Process of Communication

Every communication follows a step-by-step process that involves interactions among six elements: sender, message, channel, audience, feedback, and context. This process is illustrated in Figure 10.3.

In the first step, the *sender* composes the message and sends it through a communication carrier, or channel. Encoding a message means that the sender translates its meaning into understandable terms and a form that

allows transmission through a chosen channel. The sender can communicate a particular message through many different channels, including written messages, face-to-face conversations, and electronic mail. A promotional message to the firm's customers may be communicated through such forms as radio and television ads, billboards, magazines, and sales messages. The *audience* consists of the people who receive the message. In decoding, the receiver of the message interprets its meaning. *Feedback* from the audience—in response to the sender's communication—helps the sender determine whether the audience has correctly interpreted the intended meaning of the message.

Every communication takes place in some sort of situational or cultural context. The context can exert a powerful influence on how well the process works. A conversation between two people in a quiet office, for example, may be a very different experience from the same conversation held in a crowded and noisy restaurant. A request by an American to borrow a flashlight from an Australian friend might produce only confusion; what Americans call flashlights, Australians call torches. Anthropologists classify cultures as low context and high context. Communication in low-context cultures tends to rely on explicit written and verbal messages. Examples include Switzerland, Austria, Germany, and the United States. In contrast, communication in high-context cultures—such as those of Japan, Latin America, and Indiadepends not only on the message itself but also on the conditions that surround it, including nonverbal cues, past and present experiences, and personal relationships between the parties. Westerners must carefully temper their low-context style to the expectations of colleagues and clients from high-context countries. Although Americans tend to favor direct interactions and want to "get down to business" soon after shaking hands or sitting down to a business dinner, businesspeople in Mexico and Asian countries prefer to become acquainted before discussing details. When conducting business in these cultures, wise visitors allow time for relaxed meals during which business-related topics are avoided.

Senders must pay attention to audience feedback, even requesting it if none is forthcoming, because this response clarifies whether the communication has conveyed the intended message. Feedback can indicate whether the receiver paid attention to a message and was able to decode it accurately. Even when the receiver tries to understand, the communication may fail if the message was poorly encoded with difficult or ambiguous words. Managers sometimes become fond of using fuzzy language such as *transparency, forward leading,* and *paradigm shift.* Feedback can indicate whether the sender's audience succeeded in decoding this jargon—or even bothered to try.

Even with the best of intentions, sender and audience can misunderstand each other. The Episcopal Church Medical Trust, which provides insurance coverage for 17,000 people, wanted to lower its costs by discouraging unnecessary visits to emergency rooms. Being the sender, it communicated the simple message that its health plan members would now have to pay an extra \$50 co-pay when visiting the emergency room for nonemergency treatment. That simple com-



munication was easily understood by its health plan members, who made fewer trips to emergency rooms. However, the Medical Trust's computer programmers misunderstood this simple communication and wrote computer code that charged the health plan members \$50 for each emergency room doctor who treated them, resulting in inaccurate co-pays as high as \$200 per visit. Vice president for plan administration Tim Hanover said, "Sometimes what your intent was isn't what comes across when the claims actually come in. Now whenever we want to make changes, we discuss [with our claims administrator] first how it's really going to work out."¹⁸

Noise during the communication process is some type of interference that influences the transmission of messages and feedback. Noise can result from simple physical factors such as poor reception of a cell phone message or static that drowns out a radio commercial. It can also be caused by more complex differences in people's attitudes and perceptions. Consequently, even when people are exposed to the same communications, they can end up with very different perceptions and understandings because of communication noise. This is why communication can be so difficult and frustrating for managers. It's also why executives have to purposefully stick to and repeat their messages to cut through the noise. Bill Zollars, CEO of Yellow Road-

way, a trucking firm based in Overland Park, Kansas, says, "When I first got to Yellow, we were in a bad state. So I spent 85% of my time on the road talking to people one-on-one or in small groups. I would start off in the morning with the sales force, then talk to drivers, and then the people on the docks. At the end of the day, I would have a customer dinner. I would say the same thing to every group and repeat it ad nauseam. The people traveling with me were ready to shoot me. But you have to be relentless in terms of your message."¹⁹

Basic Forms of Communication

People communicate in many different ways. Some obvious methods include calling a meeting of team members or writing a formal mission statement. Other much less obvious methods include gestures and facial expressions during a conversation or leaning forward when speaking to someone. These subtle variations can significantly influence the reception of the message. As Table 10.2 points out, different communications can assume various forms: oral and written, formal and informal, and verbal and nonverbal.

Forms of Communication

Form	Description	Examples
Oral communication	Communication transmitted through speech	Personal conversations, speeches, meetings, voice mail, telephone conversations, videoconferences
Written communication	Communication transmitted through writing	Letters, memos, formal reports, news releases, e-mail, faxes, online discussion groups, Internet messaging
Formal communication	Communication transmitted through the chain of command within an organization to other members or to people outside the organization	Internal—memos, reports, meetings, written propos- als, oral presentations, meeting minutes; External— letters, written proposals, oral presentations, speeches, news releases, press conferences
Informal communication	Communication transmitted outside formal channels without regard for the organiza- tion's hierarchy of authority	Rumors spread informally among employees via the grapevine
Verbal communication	Transmission of messages in the form of words	Meetings, telephone calls, voice mail, videoconferences
Nonverbal communication	Communication transmitted through actions and behaviors rather than through words	Gestures, facial expressions, posture, body lan- guage, dress, makeup

"They Said It"

"I can't figure out how to introduce the captain without panicking the passengers."

-Delta Airlines flight attendant, talking about pilot Mike Hyjek (pronounced "hijack")

Table

10.2

assessment check

1. What is the difference between communication in lowcontext and high-context cultures? 2. In the context of the communication process, what is noise?

(b)usiness (e)tiquette

Minding Your Telephone Manners

It's all too easy to forget the importance of the impression we make over the telephone. But that link is as critical for businesses as communicating faceto-face. To ensure that your telephone conversations at work send the right message about you and your firm, check out the following guidelines.

- Answer your own phone whenever possible, and answer promptly—by the third ring.
- Say, "Hello, this is [your name] speaking," or a variation that is preferred in your workplace or department.
- 3. If the caller has the wrong number, be gracious when acknowledging the error and hanging up. If you think you can redirect the call for the person, offer to do so first. Likewise, if you dial a wrong number, apologize briefly and hang up.
- Reduce background noise when using the phone to avoid distractions and to convey the message that the caller is your first priority.
- Return all calls within 24 hours. The only exception is urgent calls, which you should return immediately.
- 6. Speak slowly, clearly, and in a pleasant tone. Smile when

you speak—it conveys a positive attitude even if the other person can't see you.

- 7. If you are taking a call for someone else who is out, give as little detail as possible about where the person is and offer to either take a message or transfer the caller to a voice-mail system. If you take a message, get complete information, including the time of the call; write clearly; and make sure the message is delivered promptly.
- 8. When you make a call, dial carefully, identify yourself, and ask for the party to whom you wish to speak.
- Prepare what you need to say ahead of time and get to the point. Be considerate of others' time.
- Remember that you may be working with people who live in different time zones from yours. Make sure you call during their regular working hours, not yours.

Sources: "Telephone Etiquette," Essortment, accessed July 2, 2006, http://mt.essortment.com; "Telephone Etiquette Guide," California State University, Fullerton: Information Technology, accessed July 2, 2006, http://www.fullerton.edu; Lewena Bayer and Karen Mallett, "Telephone Etiquette," accessed August 15, 2005, Lifewise, http://www.canoe.ca. **Oral Communication** Managers spend a great deal of their time engaged in oral communication, both in person and on the phone. Some people prefer to communicate this way, believing that oral channels more accurately convey messages. Face-to-face oral communication allows people to combine words with such cues as facial expressions and tone of voice. Oral communication over the telephone lacks visual cues, but it offers some of the advantages of faceto-face communication, such as opportunities to hear the tone of voice and provide immediate feedback by asking questions about anything the receiver doesn't understand or raising new issues related to the message. For more on oral communication, see the "Business Etiquette" feature on minding your telephone matters.

Procter & Gamble's CEO, A. G. Lafley, believes strongly in the benefits of oral communication. Lafley says, "I'm not a big emailer. I prefer face-to-face whenever possible. And usually we're in a cafeteria or an auditorium somewhere, and I talk briefly, and then I spend half to two-thirds of the time on comments and questions and answers, which is when you really get at what's on people's minds."²⁰

In any medium, a vital component of oral communication is **listening**—receiving a message and interpreting its genuine meaning by accurately grasping the facts and feeling conveyed. Although listening is the first communication skill that people learn and the one they use most often, it is also the one in which they receive the least formal training.

Listening may seem easy, because the listener makes no obvious effort. This apparent passivity creates a deceptive picture, however. The average person talks at a rate of roughly 150 words per minute, but the

listening receiving a message and interpreting its intended meaning by grasping the facts and feelings it conveys. brain can handle up to 400 words per minute. This discrepancy can lead to boredom, inattention, and misinterpretation. In fact, immediately after listening to a message, the average person can recall only half of it. After several days, the proportion of a message that a listener can recall falls to 25 percent or less.

Certain types of listening behaviors are common in both business and personal interactions:

• *Cynical listening.* This defensive type of listening occurs when the receiver of a message feels that the sender is trying to gain some advantage from the communication.

- *Offensive listening*. In this type of listening, the receiver tries to catch the speaker in a mistake or contradiction.
- *Polite listening*. In this mechanical type of listening, the receiver listens to be polite rather than to communicate. Polite listeners are usually inattentive and spend their time rehearsing what they want to say when the speaker finishes.
- *Active listening.* This form of listening requires involvement with the information and empathy with the speaker's situation. In both business and personal life, active listening is the basis for effective communication.

Learning how to be an active listener is an especially important goal for business leaders, because effective communication is essential to their role.

Written Communication Channels for written communication include reports, letters, memos, online discussion boards, and e-mail messages. Most of these channels permit only delayed feedback and create a record of the message. So it is important for the sender of a written communication to prepare the message carefully and review it to avoid misunderstandings.

Effective written communication reflects its audience, the channel carrying the message, and the appropriate degree of formality. When writing a formal business document, such as a complex report, a manager must plan in advance and carefully construct the document. The process of writing a formal document involves planning, research, organization, composition and design, and revision. Written communication via e-mail may call for a less-formal writing style, including short sentences, phrases, and lists.

E-mail can be a very effective communication channel, especially for delivering straightforward messages and information. But e-mail's effectiveness also leads to its biggest problem: too much e-mail! Scott McNealy, former CEO of Sun Microsystems, averaged 150 emails a day—and that was just from his own employees. Henry McKinnell, Jr., CEO of New York–based Pfizer, the largest pharmaceuticals company in the world, says, "I don't look out the window [when being driven to meetings]. I use my BlackBerry and answer my e-mail."

Finally, James Rogers, CEO of Cinergy, a Cincinnatibased provider of gas and electricity, keeps his Black-Berry next to his bed. Before you go to bed, says Rogers, "you don't say your prayers. You check your e-mail."²¹

Another problem with e-mail is security. Because e-mail messages are often informal, senders occasionally forget that they are creating a written record. Also, even if the recipient deletes an e-mail message, other copies exist on company e-mail servers. And if e-mails are available on company servers, they can be used against you and your firm in a lawsuit. Nancy Flynn, executive director of the ePolicy Institute of Columbus, Ohio, says, "You can take it to the bank that your employee e-mail is going to be subpoenaed. If you can't produce the e-mail that the court wants you to produce, then you're going to face court sanctions. And you may even get into a situation where the court gives instructions to the jury to go ahead and draw negative inferences because your organization wasn't able to produce e-mail."22 So be careful about what you say in your e-mails-someone is probably watching.



To open and improve lines of communication among his staff, Digineer's CEO Michael Lacey held an Iron Chef cook-off. Lacey, who previously had prepared elaborate meals for his staff, had his employees split themselves into teams to create a three-course meal. Lacey judged the results as both fun and delicious.

"They Said It"

"Talk low, talk slow, and don't say too much." —John Wayne (1907–1979) American actor **Formal Communication** A **formal communication channel** carries messages that flow within the chain of command structure defined by an organization. The most familiar channel, downward communication, carries messages from someone who holds a senior position in the organization to subordinates. Managers may communicate downward by sending employees e-mail messages, presiding at department meetings, giving employees policy manuals, posting notices on bulletin boards, and reporting news in company newsletters. The most important factor in formal communication is to be open and honest. "Spinning" bad news to make it look better almost always backfires. Yvonne Hunt, vice president for worldwide internal communications at Hewlett-Packard, said, "When companies spin internally, it is very difficult to build credibility since most news delivered to an internal audience (especially difficult news) is often communicated externally. When there is a disparity between what employees hear from their manager and what they see in the media, it leads to distracted, de-motivated employees who feel a lack of trust caused by a lack of transparency—whether that is real or perceived."²³

Many firms also define formal channels for upward communications. These channels encourage communication from employees to supervisors and upward to top management levels. Some examples of upward communication channels are employee surveys, suggestion boxes, and systems that allow employees to propose new projects or voice complaints.

Informal Communication Informal communication channels carry messages outside formally authorized channels within an organization's hierarchy. A familiar example of an informal channel is the grapevine, an internal channel that passes information from unofficial sources. Research shows that many employees cite the grapevine as their most frequent source of information. Grapevines rapidly disseminate information. A message sent through formal channels may take days to reach its audience, but messages that travel via grapevines can arrive within hours. Grapevines also are surprisingly reliable links. They pass on accurate information 70 to 90 percent of the time.²⁴ Workplace psychologist Nicholas DiFonzo, who spent months in *Fortune* 500 companies tracking rumors, says, "The main focus of rumor [and the grapevine] is to figure out the truth." When rumors began about downsizing at one of the companies he was studying, "The rumor mill produced a list of people that would be laid off that was 100% accurate."²⁵ For more on a unique case of information communication, holiday office parties, see the "Solving an Ethical Controversy" feature.

The spontaneity of informal communication may diminish when a company's employees are spread among many locations. Employees who telecommute or travel frequently may miss opportunities to build smooth working relationships or exchange ideas. In those situations, communication technology can help firms promote informal communication. Some companies establish online chat areas for employees, so they can visit each other during breaks. Some also encourage their workers to create home pages that describe their interests and hobbies. In fact, surveys reveal that even among people in the same office, workplace instant messaging is used for personal discussions and work-related gossip. A survey of U.S. and British workers found that 80 percent of workplace instant messages were for gossiping and that nearly two-thirds contained complaints to managers about co-workers.²⁶

Verbal and Nonverbal Communication So far, this section has considered different forms of verbal communication, or communication that conveys meaning through words. Equally important is **nonverbal communication**, which transmits messages through actions and behaviors. Gestures, posture, eye contact, tone of voice, and even clothing choices are all nonverbal actions that become communication cues. Nonverbal cues can strongly influence oral communication by altering or distorting intended meanings.

Nonverbal cues can have a far greater impact on communications than many people realize. One study divided face-to-face conversations into three sources of communication cues: verbal cues (the actual words spoken), vocal cues (pitch or tone of a person's voice), and

mation channel that transmits information from unofficial sources.

grapevine internal infor-

"They Said It"

"The difference between the right word and the almost right word is the difference between lightning and lightning bugs." —Mark Twain (1835–1910)

American novelist

SHOULD COMPANIES HOLD HOLIDAY OFFICE PARTIES?

Holidays are times for getting together, renewing relationships, and celebrating with colleagues. Office parties, whether lavish or small, serve all these functions and are a staple of organizational life.

But if inappropriate actions such as excessive drinking or unprofessional behavior occur at office holiday parties, or if nonparticipants feel slighted or left out because they don't observe certain holidays, can such parties really foster better work relationships and improve teamwork? Or will they have the opposite effect?

Should companies hold holiday office parties?

PRO

- Many people view office parties as a reward for their hard work during the year, and they deserve the chance to gather for social reasons, let down some organizational barriers, and have fun with their co-workers. Parties are also great morale builders.
- With well-publicized guidelines and safeguards, inappropriate or unsafe behavior can be reduced to a minimum or even eliminated. Holding luncheons is another option to help ensure a safer envi-

ronment to celebrate. Most people know how to behave and just want to enjoy themselves; most employees are not a problem.

CON

- It's too difficult to agree on what holidays should be acknowledged and celebrated in the office. It's fairer and less divisive to allow everyone to celebrate their own particular holidays at home with their families and not to single any out at work.
- Employers may be held legally liable for the actions of drunk drivers or other alcohol-related accidents following an office party where drinks were served. But employees tend to expect alcohol at parties. So it's better to avoid both accidents and liability by not having office parties.

Summary

Some possible solutions for avoiding the drawbacks of holiday parties are to restrict or even ban the flow of liquor. Stopping alcohol service an hour or so before the end of a party and offering coffee, tea, and other nonalcoholic beverages is another option. Companies can also provide transportation home for employees who attend. As for cultural differences, with a little creative effort, businesses can make their parties unique by looking for new themes and traditions that give everyone a reason to celebrate.

Sources: Jessica M. Walker, "Should Auld Acquaintance Forget Themselves at the Office Holiday Party," *New Jersey Law Journal*, accessed July 3, 2006, http://www.law.com/nj; Diane E. Lewis, "Party Like It's Not Quite 9 to 5," *Boston Globe*, accessed July 3, 2006, http://www.boston.com; Mitch Moxley, "Parties No Excuse for Bad Behaviour," *Financial Post*, accessed January 3, 2005, http://www.canada .com/national/nationalpost.



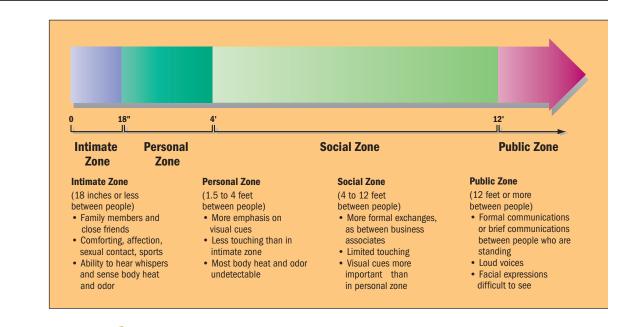
facial expressions. The researchers found some surprising relative weights of these factors in message interpretation: verbal cues (7 percent), vocal cues (38 percent), and facial expressions (55 percent).²⁷

Even personal space—the physical distance between people who are engaging in communication—can convey powerful messages. Figure 10.4 shows a continuum of personal space and social interaction with four zones: intimate, personal, social, and public. In the United States, most business conversations occur within the social zone, roughly between four and twelve feet apart. If one person tries to approach closer than that, the other will likely feel uncomfortable or even threatened.

Interpreting nonverbal cues can be especially challenging for people with different cultural backgrounds. Concepts of appropriate personal space differ dramatically throughout most of the world. Latin Americans conduct business discussions in positions that most Americans and Northern Europeans would find uncomfortably close. Americans often back away to preserve their personal space, a gesture that Latin Americans perceive as a sign of cold and unfriendly relations. To protect their personal space, some Americans separate themselves across desks or tables from their Latin American counterparts—at the risk of challenging their colleagues to maneuver around those obstacles to reduce the uncomfortable distance.

Figure

10.4 Influence of Personal Space in Nonverbal Communication



check assessment

1. What are four common listening behaviors?

- Characterize each. 2. What are some advantages of e-mail as a communication medium?
- What are some disadvantages? 3. What are the differences between formal and informal communication?
- 4. Why do we pay more attention to nonverbal communication cues than to verbal communication cues?

People send nonverbal messages even when they consciously try to avoid doing so. Sometimes nonverbal cues convey a person's true attitudes and thoughts, which may differ from spoken meanings. Generally, when verbal and nonverbal cues conflict, receivers of the communication tend to believe the nonverbal content. This is why Southwest Airlines, which seeks to hire people with good attitudes and a team orientation, closely watches nonverbal behavior during job interviews in which job applicants participate in group sessions with other job candidates applying for the same job. If in those group interviews an applicant frowns or looks discouraged when a competing candidate gives a good answer, Southwest concludes from that nonverbal behavior that this person may not be strongly team oriented.²⁸

EXTERNAL COMMUNICATION: CRISIS MANAGEMENT

external communication

meaningful exchange of information through messages transmitted between an organization and its major audiences.

External communication is a meaningful exchange of information through messages transmitted between an organization and its major audiences, such as customers, suppliers, other firms, the general public, and government officials. Businesses use external communication to keep their operations functioning, to maintain their positions in the marketplace, and to build customer relationships by supplying information about topics such as product modifications and price changes. Every communication with customers-including sales presentations, customer orders, and advertisements-should create goodwill and contribute to customer satisfaction. However, all of this is threatened when companies experience a public crisis that threatens their reputation or goodwill. For example, Wendy's restaurants saw an immediate decline in sales after reports that a severed finger was found served in a bowl of chili at a Wendy's in San Jose, California. In northern California alone, sales declined by \$2.5 million, which resulted in layoffs and reduced working hours. However, one month later, police arrested the woman who "found" the finger, charging her with perpetrating a hoax to win a lawsuit or financial settlement from the company. Joseph Desmond, owner of the Wendy's restaurant in which this all took place, said, "It's been 31 days, and believe me it's been really tough. My thanks also go out to all the little people who were hurt in our stores. They lost a lot of wages because we had to cut back because our business has been down so badly."29

So what steps can companies and their managers or spokespersons take when dealing with a public crisis? First, companies must respond quickly when a crisis occurs and with a prepared statement. During the initial news contact, which might be a press conference or simply an interview with a print or TV reporter, prepare by writing a statement-no matter how short—and stick to it. The statement should mention the time, place, initial description of what occurred (not the cause), and the number and status of the people involved.

Second, as soon as possible, put top company management in front of the press. Because the public will hold top management accountable, it's best to have top managers responding to reporters' questions. For instance, after a Southwest Airlines flight ran off the runway in a snowstorm at Chicago's Midway airport, hitting a car and killing a 6-year-old boy, Southwest had CEO Gary Kelly in Chicago the next morning to represent and speak for the company.³⁰

Third, when answering reporters' questions, stick to the facts. Don't wing it. If you don't know the details about what happened, then don't speculate. If you speculate and are proven wrong, it will look like you were lying. So tell people only what you know.

Fourth, if you don't know, offer to find out. You don't have to know the answer to each question off the top of your head. When you don't know, say so: "I don't know the answer to that question." When you can find out an answer, say that, too. But then be sure to deliver the answer in a timely manner.

Fifth, never say "no comment." "No comment" is perceived as a statement of guilt. It's better to say, "I don't know."

Sixth, identify and speak to your audience. In the Wendy's case, there were several audiences, among them people who watch TV news and people who like to eat at fast-food restaurants. When speaking to an audience, it's important to recognize that what you say is likely to be only a small part of a TV, print, or radio story. Accordingly, you can speak more effectively to your audience by using visual or word images instead of facts. Most people don't have the

time or are reluctant to immerse themselves in the details of a story. Facts are easily forgotten. Images are easily remembered. For instance, when a hypodermic needle was "found" in a can of Pepsi, the company quickly took reporters to their bottling plants where they showed (1) that Pepsi bottles and cans were washed and then dried *upside down* on a high-speed assembly line a split second before being turned right side up and filled with Pepsi, and (2) that the cans were then weighed and any can that didn't correspond to the standard weight was automatically kicked out of the production process.³¹

Finally, acknowledge problems and explain solutions. If a question or factual statement puts your organization in a negative light, acknowledge the problem, and then explain how you're correcting it.

WHAT'S AHEAD

Today's consumers expect the products they buy to be of the highest value for the price. Firms ensure this value by developing efficient systems for producing goods and services, as well as maintaining high quality. The next chapter examines the ways in which businesses produce world-class goods and services, efficiently organize their production facilities, purchase what they need to produce their goods and services, and manage large inventories to maximize efficiency and reduce costs.

assessment check

1. What is external

2. During a company crisis, why is it dangerous for a spokesperson to say "no comment" when answering reporters' questions?



Summary of Learning Goals

Describe why and how organizations empower employees.

By empowering employees, a firm finds better ways to perform jobs, motivates people by enhancing the challenges and satisfaction in their work, and frees managers from hands-on control so that they can focus on other tasks. Employers empower workers by sharing information, distributing decision-making authority and responsibility, and linking rewards to company performance through employee stock ownership plans and stock options.

Assessment Check Answers

1.1 What is empowerment?

Empowerment is giving employees authority and responsibility to make decisions about their work without traditional managerial approval and control.

1.2 What kinds of information can companies provide employees to help them share decision-making responsibility?

Sharing information about company performance, particularly financial performance, is one of the best ways to share decision-making responsibility.

1.3 What are some of the risks of sharing this information?

One risk is that proprietary competitive or financial information may reach competitors.

1.4 How do employee stock ownership plans and stock options reward employees and encourage empowerment?

Employee stock ownership plans (ESOPs) benefit employees by giving them ownership stakes in their companies. Employees are motivated to work harder and smarter than they would without ESOPs because they share in their firm's financial success. In contrast to an ESOP, in which the company holds stock for the benefit of employees (when employees leave the company, they cash in their stock), stock options give employees a chance to own the stock themselves if they exercise their options by completing the stock purchase.

2 Distinguish among the five types of teams in the workplace.

The five basic types of teams are work teams, problemsolving teams, self-managed teams, cross-functional teams, and virtual teams. Work teams are permanent groups of co-workers who perform the day-to-day tasks necessary to operate the organization. Problemsolving teams are temporary groups of employees who gather to solve specific problems and then disband. Self-managed teams have the authority to make decisions about how their members complete their daily tasks. Cross-functional teams are made up of members from different functions, such as production, marketing, and finance. Virtual teams are groups of geographically or organizationally dispersed co-workers who use a combination of telecommunications and information technologies to accomplish an organizational task.

Assessment Check Answers

2.1 What is a team?

A team is a group of employees who are committed to a common purpose, approach, and set of performance goals.

2.2 What are the five types of teams and how are they different?

Work teams are permanent, while problem-solving teams are temporary. Unlike work teams, self-managed teams have the authority to change how they get their work done. Cross-functional teams are composed of people from different backgrounds, while virtual teams are composed of people from different locations.

3 Identify the characteristics of an effective team.

Three important characteristics of a team are its size, team level, and team diversity. Effective teams typically contain between five and twelve members, with about six or seven members being the ideal size. Team level is the average level of ability, experience, personality, or any other factor on a team. For example, a high level of team experience means that members have, on average, particular expertise in some area. Instead of considering similarities, team diversity represents the variances or differences in ability, experience, personality, or any other factor on a team. In other words, strong teams not only have talented members (i.e., team level) but also benefit from the differences in terms of ability, experience, or personality of individual members. Diverse teams tend to display broader ranges of viewpoints and produce more innovative solutions to problems than do homogeneous teams.

Assessment Check Answers

3.1 Teams reach maximum effectiveness, diversity, and communication flow with how many members? Six or seven members is typically the best size for a team.

3.2 Explain team level and team diversity.

While team level represents the average level or capability on a team, team diversity represents the variances or differences in ability, experience, personality, or any other factor on a team.

4 Summarize the stages of team development. Teams pass through five stages of development: (1) Forming is an orientation period during which members get to know each other and find out what behaviors are acceptable to the group. (2) Storming is the stage during which individual personalities emerge as members clarify their roles and expectations. (3) Norming is the stage at which differences are resolved, members accept each other, and consensus emerges about the roles of the team leader and other participants. (4) Performing is characterized by problem solving and a focus on task accomplishment. (5) Adjourning is the final stage, with a focus on wrapping up and summarizing the team's experiences and accomplishments.

Assessment Check Answers

4.1 Explain how teams progress through the stages of team development.

Teams pass through five stages of development: forming, storming, norming, performing, and adjourning.

4.2 Explain the difference between the storming and performing stages.

The primary difference is how teams handle conflict in these stages. In the storming stage, people disagree over the team's mission and jockey for position and control of the group. But in the performing stage, those issues have been settled, so team members handle conflicts in constructive ways; in other words, they encourage cognitive conflict to solve problems.

5 Relate team cohesiveness and norms to effective team performance.

Team cohesiveness is the extent to which team members feel attracted to the team and motivated to remain on it. Team norms are standards of conduct shared by team members that guide their behavior. Highly cohesive teams whose members share certain standards of conduct tend to be more productive and effective.

Assessment Check Answers

5.1 How does cohesiveness affect teams?

Members of cohesive teams interact more often, share common attitudes and goals, have higher morale, and are more likely to help each other. Cohesive teams also perform better.

5.2 Explain how team norms positively and negatively affect teams.

Norms are informal standards that identify key values and clarify team members' expectations. But those norms can be positive or negative. Positive norms contribute to constructive work and the accomplishment of team goals. Negative norms can, for example, contribute to reduced work effort, reduced quality, and poor job attendance.

6 Describe the factors that can cause conflict in teams and how to manage conflict.

Conflict and disagreement are inevitable in most teams. Conflict can stem from many sources: disagreements about goals and priorities, task-related issues, interpersonal incompatibilities, scarce resources, and simple fatigue. Though most people view conflict negatively, the key to dealing with team conflict is not avoiding it, but making sure that the team experiences the right kind of conflict. Cognitive conflict focuses on problem-related differences of opinion and, when reconciled, strongly improves team performance. By contrast, affective conflict refers to the emotional reactions that can occur when disagreements become personal rather than professional, and these differences strongly decrease team performance. A team leader can limit conflict by focusing team members on broad goals, clarifying participants' respective tasks and areas of authority, acting as mediator, and facilitating effective communication.

Assessment Check Answers

6.1 What is cognitive conflict and how does it affect teams?

With cognitive conflict, team members disagree because their different experiences and expertise lead them to different views of the problem and its solutions. Cognitive conflict is characterized by a willingness to examine, compare, and reconcile differences to produce the best possible solution.

6.2 Explain affective conflict and its impact on teams.

Because affective conflict often results in hostility, anger, resentment, distrust, cynicism, and apathy, it can make people uncomfortable, cause them to withdraw, decrease their commitment to a team, lower the satisfaction of team members, and decrease team cohesiveness.

7 Explain the importance and process of effective communication.

Managers and employees spend much of their time exchanging information through messages. Communication helps all employees understand the company's goals and values and the parts they play in achieving those goals. Every communication follows a step-bystep process that involves interactions among six elements: sender, message, channel, audience, feedback, and context.

Assessment Check Answers

7.1 What is the difference between communication in low-context and high-context cultures?

Communication in low-context cultures tends to rely on explicit written and verbal messages. By contrast, communication in high-context cultures depends not only on the message itself but also on the conditions that surround it, including nonverbal cues, past and present experiences, and personal relationships between the parties.

7.2 In the context of the communication process, what is noise?

Noise interferes with the transmission of messages and feedback. Noise can result from physical factors such as poor reception of a cell phone message or differences in people's attitudes and perceptions.

R Compare the different types of communication.

People exchange messages in many ways: oral and written, formal and informal, verbal and nonverbal communication. Effective written communication reflects its audience, its channel, and the appropriate degree of formality. Formal communication channels carry messages within the chain of command. Informal communication channels, such as the grapevine, carry messages outside the formal chain of command. Nonverbal communication plays a larger role than most people realize. Generally, when verbal and nonverbal cues conflict, the receiver of a message tends to believe the meaning conveyed by nonverbal elements.

Assessment Check Answers

8.1 What are four common listening behaviors? Characterize each.

Cynical listening occurs when the receiver of a message feels that the sender is trying to gain some advantage from the communication. Offensive listening occurs when the receiver tries to catch the speaker in a mistake or contradiction. Polite listening occurs when the receiver acts politely but, rather than listening, is rehearsing what he or she wants to say when the speaker finishes. Active listening requires involvement with the information and empathy with the speaker's situation.

8.2 What are some advantages of e-mail as a communication medium? What are some disadvantages?

E-mail can be a very effective communication channel, especially for delivering straightforward messages and information. But too much e-mail and poor security, meaning that it's easy for people who weren't intended to read a particular e-mail to do so, are some of its disadvantages.

8.3 What are the differences between formal and informal communication?

Formal communication occurs within the formal chain of command defined by an organization, whereas informal communication occurs outside the organization's hierarchy.

8.4 Why do we pay more attention to nonverbal communication cues than to verbal communication cues?

Nonverbal cues can reveal what senders are really thinking or feeling, particularly when nonverbal cues don't match verbal communication.

9 Explain external communication and how to manage a public crisis.

External communication is a meaningful exchange of information through messages transmitted between an organization and its major audiences, such as customers, suppliers, other firms, the general public, and government officials. Every communication with customers should create goodwill and contribute to customer satisfaction. However, all of this is threatened when companies experience a public crisis that threatens their reputations or goodwill. To manage a public crisis, businesses should respond quickly when a crisis occurs with a prepared statement; quickly put top company management in front of the press; answer reporters' questions with facts; offer to find out answers; never say, "No comment"; identify and speak to their audience by using visual or word images instead of facts; and acknowledge problems and explain solutions.

Assessment Check Answers

9.1 What is external communication?

External communication occurs when organizations communicate with and receive messages from key external groups, such as customers, suppliers, other firms, the general public, and government officials.

9.2 During a company crisis, why is it dangerous for a spokesperson to say "no comment" when answering reporters' questions?

"No comment" is perceived as a statement of guilt. It's better to say, "I don't know."

Business Terms You Need to Know

empowerment 320 team 323 work team 323 problem-solving team 324 self-managed team 324 cross-functional team 324 virtual team 324 team level 326 team diversity 326 team cohesiveness 327 team norm 328 conflict 328 communication 329 listening 332 grapevine 334 external communication 336

Other Important Business Terms

employee stock ownership plan (ESOP) 322 stock options 322 cognitive conflict 328 affective conflict 328 low-context culture 330 high-context culture 330 formal communication channel 334 informal communication channel 334 nonverbal communication 334

Review Questions

- 1. Describe the ways employers can empower their employees. Give a specific example of each.
- 2. Identify and briefly explain the approaches companies use to provide for worker ownership. What are the main differences between them?
- 3. How does each of the five team types function? In what instances might a company use each type?
- 4. How do team level and team diversity affect team performance?
- 5. What are the characteristics of an effective team? Why are these features so significant?
- 6. Identify and briefly describe the five stages of team development. At what stages might a team get "stuck" and not be able to move forward?
- 7. How does affective conflict hinder group effectiveness?
- 8. What are the major elements in the communication process? Briefly define each element.
- 9. Outline the two channels for formal communication. Give an example of each.
- 10. What is the central focus of a company's external communication?

Projects and Teamwork Applications

- 1. Consider your current job or one you have held in the past. Did your employer practice any kind of employee empowerment? If so, what? If not, why not? Or think of your family as a company. Did your parents empower their children? If so, in what ways? In either scenario, what do you think were the consequences of empowerment or nonempowerment?
- 2. Identify a firm that makes extensive use of teams. Then interview someone from the firm to assess how their teams operate.
- 3. Do you consider yourself a good listener? First, identify which listening style you think you practice. Then describe the listening styles outlined in this chapter to a friend, family member, or classmate and ask that person what type of listening style he or she thinks you practice. Finally, compare the two responses. Do they agree or dis-

agree? *Note:* You can take this exercise a step further by asking more than one person what type of listening style you practice and then comparing all of the responses.

- 4. The grapevine is one of the strongest communication links in any organization, from large corporation to college classroom to family. Do you rely on information that travels along the grapevine? Why or why not?
- 5. Take a seat in the library or dorm lounge, in a mall, in a restaurant, or wherever there is a flow of people whom you can watch unobtrusively. For at least fifteen minutes, observe and jot down the nonverbal cues that you see pass between people. Then try to interpret these cues. How would your interpretation affect any actual communication you might have with one of these people?

Case 10.1

Communicating and Listening at Cabela's

Cabela's, a premier outdoors and sporting-goods supplier founded in 1961, has transformed itself over the last few years from a catalog retailer to a string of a dozen gigantic "destination" stores. And more are on the way. It's not unusual for shoppers to spend two to three hours browsing, testing products, asking questions, and shopping. The stores each hold tens of thousands of products for enthusiasts of fishing, hunting, hiking, and camping. And they feature attractions like gun libraries, shooting galleries, indoor archery ranges, three-dimensional scenes of the African plains, ice-fishing seminars, and exotic sandwiches filled with wild boar, ostrich, bison, and elk meat. Cabela's newest outlet, in Austin, Texas, spans 185,000 square feet on 126 acres and has more stuffed and mounted animals on display than it has employees—571 versus 517.

"People will drive 200 to 300 miles to visit a Cabela's store," says a commercial real estate broker. "It's crazy. But they will." Unique product offerings, unbeatable entertainment value, and competitive prices have helped the chain grow rapidly in the tough brick-and-mortar world of retail. In a recent year, Cabela's shipped more than 8 million orders through its catalog operation, for sales of more than \$970 million, and logged nearly \$500 million in revenues from its stores. But with that growth have come new needs: an urgent need for temporary workers to handle the phones at Cabela's five call centers and for salespeople to work in the stores. In one recent busy period, from the fall hunting season through the winter holidays, the number of phone agents doubled to 4,000, and the opening of each new store—six more are in the works—requires the addition of about 500 employees.

"Taking all those people onto staff has become more of a challenge as we've continued to grow," says the company's CFO. "It is hard to manage the people, and it is expensive to continue to retrain them." How does Cabela's solve the problem of communicating information about its thousands of products to its new recruits? How does it do that successfully enough not only to satisfy its demanding customers but also to avoid costly rehiring and retraining efforts?

One major strategy is Cabela's reliance on a huge and innovative knowledge-sharing system it calls "Item Notes," which puts at their fingertips the product information in-store and call-center employees need to quickly and efficiently answer customers' questions. Do you need to know what to bring on your first hunting trip? Are you worried about whether a camouflage seat cover will fit on your golf cart? Any employee at Cabela's can tell you.

The database of Item Notes has been built up from the experiences of the store's dedicated employees, most of whom are outdoor enthusiasts themselves and who borrow, take home and test, and then report on many of its products. The loans are free, of course, but there is a catch—after returning the item, employees are required to report on its features and benefits, both pros and cons, and explain what they've learned about it to other employees or to customers. The information base grows as other employees learn about the products, even including notes about possible typos in the product's instructions, tips on its use, or unexpected quirks or bugs in its operation. Because there is no rigid format for the information, anything and everything of importance can be included in the database, such as customer feedback.

Select, trusted customers who are outdoor guides or fish and wildlife biologists are also tapped for their contributions to the Item Notes database. They borrow products just as the salespeople do and return them with similar feedback and reports. Customer comments are fed in, whether they come by phone or e-mail, and these reports are also sent to the responsible departments for resolution, if any is needed. Jim Cabela, founder and vice chairman of the firm, reads every e-mail message.

Questions for Critical Thinking

- Why is it important for Cabela's to collect the kind of information stored in its Item Notes? If the store didn't have this database, what other sources of product information could it tap? Would they be inferior to Item Notes, and if so, why?
- 2. What are some possible sources of "noise" in a communication system like the Item Notes database? How can they be overcome?

Sources: Michael A. Prospero, "Leading Listener: Cabela's," Fast Company, Anthony Lonetree, "Cabela's Makes Rogers a Destination," Minneapolis–St. Paul Star-Tribune, accessed July 3, 2006, http://www.startribune .com; Chris Serres, "Big Store for the Big Outdoors," Minneapolis–St. Paul Star-Tribune, accessed July 3, 2006, http://www.startribune.com; J. Bonasia, "Managing for Success," Investor's Business Daily, accessed July 3, 2006, http://www.investors.com; Patrick Beach, "Cabela's Fans Finally Get to See the Great Indoors," Austin American-Statesman, accessed July 3, 2006, http://www.statesman.com.

Case 10.2 Meet the People of BP

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This video case appears on page 618. A recently filmed video, designed to expand and highlight the written case, is available for class use by instructors.