CHAPTER 13

Business

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LEARNING OBJECTIVES: GUIDELINES FOR STUDY
You should be able to do each of the following by the conclusion of Chapter 13.

1. Define industrial/organizational psychology. Explain the Hawthorne effect and its role in triggering interest in industrial/organizational psychology. (pp. 473-474)

2. Describe the effectiveness of the traditional employment interview when it comes to personnel selection. Consider the role of expectations in job interviews. Discuss the effectiveness of the various alternatives to the traditional job interview. (pp. 475-479)

3. Discuss social psychological perspectives on the debate concerning affirmative action in hiring and promotion. Discuss the effects of diversity on organizational morale and performance. (pp. 479-483)

4. Differentiate objective from subjective criteria for performance appraisals. Identify the potential problems associated with supervisors’ evaluations of their subordinates as well as self-
evaluations. Identify factors that improve the accuracy of performance appraisals and explain the due process model of performance appraisal. (*pp. 484-486*).

5. Compare and contrast views of leadership that emphasize a trait approach with those that emphasize interactions between the person and situation. Explain the concepts of transactional and transformational leaderships. Discuss some of the problems faced by women and ethnic minorities when it comes to advancement in the workplace, and consider gender differences in leadership styles and preferences. (*pp. 486-494*).

6. Summarize the economic factors that affect employee satisfaction. Discuss expectancy theory, equity theory, and the differences between intrinsic and extrinsic motivation. (*pp. 494-499*).

7. Consider psychological perspectives on economic decision-making. In particular, identify the influence of money on social judgment, social influences on investor behavior, and the significance of concepts such as commitment, entrapment, and escalation. (*pp. 499-503*).

MAJOR CONCEPTS: THE BIG PICTURE

Below are five basic issues or principles that organize Chapter 13. You should know these issues and principles well.

1. In business, behavior is influenced not only by economic factors but by social psychology as well. This is evident in all aspects of business, including one of the first steps in the development of a successful business or organization: personnel selection. Most employers use traditional employment interviews in their hiring decisions. Such interviews have mixed effects on these decisions; they reduce the effects of some biases but increase the effects of others. Standardized tests, structured interviews, and assessment centers have been developed as alternatives to the traditional employment interviews. Affirmative action in hiring and promotion can lead to either positive or negative reactions depending on the way it is structured and implemented. Affirmative action and the globalization of business have combined to increase diversity in the workplace.

2. The processes by which employees’ performances are evaluated and the means by which these evaluations are communicated to the employees can have profound effects on organizations. Performance appraisals are often based on ratings of employees given by their supervisors. Although such ratings have their benefits, they are also vulnerable to several biases. Self-evaluations are sometimes used, but they tend to be self-serving and inflated and may be biased by power and gender differences. New and improved methods of appraisal have been, and continue to be, developed. These new approaches have been designed to improve not only the accuracy of performance appraisals but also their fairness.

3. The work experience in an organization often depends in large part on the quality of leadership in the organization. There are two general approaches to understanding the determinants of good leadership: the trait approach and interactional models. The trait approach to understanding good leadership emphasizes the role of personal traits that characterize people who are good leaders. Interactional models emphasize the interaction of personal and situational factors. Despite recent gains, women and minorities are still underrepresented in positions of leadership and face various obstacles, such as stereotypes and exclusion from social networks.

4. Both economic and social factors influence worker motivation. Various economic incentive programs are used to motivate by reward. The ways in which these rewards are perceived influence whether the rewards enhance or decrease workers’ intrinsic motivation. Concerns about equity have significant effects on motivation and performance.

5. Social psychological factors, such as social comparison, conformity, and attribution, have important effects on economic decision making. For example, investors are influenced by the
kinds of attributions they and others make for rising and falling stock prices, and these attributions
can in turn affect the stock prices. Individuals and organizations often get psychologically
entrapped by initial commitments, leading them to continue with failing courses of action.

KEY TERM EXERCISE: THE CONCEPTS YOU SHOULD KNOW

Below are all of the key terms that appear in **boldface** in Chapter 13. To help you better understand
these concepts, rather than just memorize them, write a definition for each term in your own words.
After doing so, look at the next section where you’ll find a list of definitions from the textbook for each
of the key terms presented in random order. For each of your definitions, find the corresponding
textbook definition. Note how your definitions compare with those from the textbook.

**Key Terms**
1. performance appraisal
2. integrity test
3. contingency model of leadership
4. industrial/organizational (I/O) psychology
5. structured interview
6. Hawthorne effect
7. transformational leader
8. assessment center
9. transactional leader
10. escalation effect
11. expectancy theory
12. sunk cost principle
13. normative model of leadership
14. endowment effect

**Textbook Definitions**

a. The study of human behavior in business and other organizational settings.

b. The finding that workers who were observed increased their productivity regardless of what
   actual changes were made in the work setting.

c. Paper-and-pencil questionnaire designed to test a job applicant’s honesty and character.

d. Interview in which each job applicant is asked a standard set of questions and evaluated on
   the same criteria.

e. Structured setting in which job applicants are exhaustively tested and judged by multiple
   evaluators.

f. The process of evaluating an employee’s work within the organization.

g. The theory that leadership effectiveness is determined both by the personal characteristics of
   leaders and by the control afforded by the situation.
h. The theory that leadership effectiveness is determined by the amount of feedback and participation that leaders invite from workers.

i. Leader who gains compliance and support from followers primarily through goal setting and the use of rewards.

j. Leader who inspires followers to transcend their own needs in the interest of a common cause.

k. The theory that workers become motivated when they believe that their efforts will produce valued outcomes.

l. The tendency for investors to remain committed to a losing course of action.

m. The economic rule of thumb that only future costs and benefits, not past commitments, should be considered in making a decision.

n. A tendency to inflate the value of objects they already own.
ANSWERS FOR KEY TERM EXERCISE

Answers for the key terms exercise are listed below.

1. f
2. c
3. g
4. a
5. d
6. b
7. j
8. e
9. i
10. l
11. k
12. m
13. h
14. n
MULTIPLE-CHOICE QUESTIONS

1. The owner of a baseball team has lost more than $15 million of his own money trying to build a team that would win a championship. Not only has the team never won, but the players whose contracts he had purchased are now past their prime. The owner receives an offer from someone who is interested in buying the team at a reduced price. Rather than sell, the owner decides that since he already spent so much on the team, he will continue to put money into it until he can win a championship and justify his expenditures. This reasoning illustrates
   a. expectancy theory.
   b. a failure to apply the contingency model of leadership.
   c. the halo effect.
   d. a violation of the sunk cost principle.

2. Most evaluations of employee performance are made using
   a. subjective measures.
   b. graphology analyses.
   c. peer-rating processes.
   d. objective criteria.

3. Research suggests that when it comes to promoting sound, unbiased hiring, traditional live interviews have
   a. positive effects.
   b. negative effects.
   c. mixed effects.
   d. effects no different from those of other techniques.

4. The idea that a leader is effective if he or she listens to followers and fulfills their needs in exchange for expected levels of job performance is most consistent with the
   a. characterization of a transformational leader.
   b. contingency model.
   c. trait approach.
   d. transactional model.

5. A major problem with using employees’ self-evaluations for performance appraisals is that
   a. employees tend to overestimate their performance and worth in an organization.
   b. self-evaluations are more affected by contrast effects than are supervisors’ evaluations.
   c. men tend to be more negative on self-evaluations compared to women.
   d. people who lack power in the organization tend to be more positive on self-evaluations compared to people with significant power.

6. A team of researchers varied the pay schedules of some of the employees in a company to see which schedule would lead to the greatest amount of productivity. If the results of this research were consistent with the Hawthorne effect, it would mean that the researchers found that the
   a. workers who were paid most frequently had the highest levels of satisfaction but the lowest levels of productivity.
   b. workers who were paid most frequently had the highest levels of productivity.
   c. extra attention paid to these workers led to an increase in their productivity regardless of changes in their pay schedule.
   d. extra attention paid to these workers angered them, leading to a drop in their productivity regardless of changes in their pay schedule.
7. An employer wants to hire salespeople who are extroverted rather than introverted. She has all candidates complete a questionnaire that has been designed by personality psychologists to measure a person’s degree of extroversion, and she hires the candidates who score highest on this scale. This employer’s method of personnel selection illustrates the use of
   a. standardized tests.
   b. integrity tests.
   c. an assessment center.
   d. performance appraisals.

8. As factory supervisor, Harry annually scrutinizes each employee’s productivity rate and quality control record. He then gives each employee feedback on his or her job. Harry’s behavior is an example of
   a. contingency leadership.
   b. high situational control.
   c. performance appraisal.
   d. an interactional model of leadership.

9. Which of the following statements is an accurate characterization of assessment centers?
   a. They are relatively ineffective.
   b. They involve groups of activities and evaluators.
   c. They provide employees a chance to give feedback to their supervisors.
   d. They are used primarily by transformational leaders.

10. Research suggests that in situations where new employees are told that they were hired for a job because of their sex,
    a. women, but not men, later devalue their own performance, even if they have received positive feedback about their performance.
    b. women later enhance their perceptions of their performance, trying to justify the fact that they were hired.
    c. employees who later receive negative feedback about their performance attribute that feedback to sexism, but employees who later receive positive feedback about their performance believe the feedback.
    d. the employees themselves are unaffected by the information concerning why they were hired, but other candidates who were not hired show great resentment.

11. Xavier is concerned about hiring workers who might steal from the company. Research suggests that Xavier would have the best chance of hiring only honest people if he makes all the job candidates
    a. submit to graphology techniques.
    b. submit to live, unstructured interviews.
    c. turn in self-evaluations.
    d. take integrity tests.

12. Adequate notice, fair hearing, and a focus on evidence are all components of the
    a. expectancy theory of worker motivation.
    b. sunk cost principle of decision making.
    c. contingency model of leadership.
    d. due process model of performance appraisal.

13. Patrick was elected leader of a group. He seemed identical to the other candidates for the leadership role except that he was the tallest. This outcome is most consistent with
    a. the trait approach to leadership.
    b. interactional models of leadership.
    c. the inherently random processes involved in selections of leaders.
    d. expectancy theory.
14. Jerry and Dean have shared an office for several years. They do the same work, and Jerry feels that they are equally effective in the organization. One day their boss tells them that they will be getting their own offices. Jerry is initially glad but becomes very upset when he sees that Dean has been given an office that is bigger and in a more desirable location than his. Jerry’s performance in his job worsens. This outcome is most consistent with
a. intrinsic motivation.
b. equity theory.
c. the sunk cost principle.
d. the Hawthorne effect.

15. A particular business uses a structured setting for personnel selection in which several job applicants take part in a series of activities – including written tests, activities in which they play the role of workers in various situations, and so on – that are monitored by a group of evaluators. This is an example of
a. equity considerations.
b. an assessment center.
c. an affirmative action policy.
d. a structured interview.

16. While screening candidates for a job, Erica uses a traditional employment interview for Isabella, graphology for Mitchell, a structured interview for Franco, and a polygraph for Ouida. Erica is most likely to be accurate in her assessment of
a. Isabella.
b. Mitchell.
c. Franco.
d. Ouida.

17. Tara is intelligent, self-assured, and task-oriented. Her boss, nevertheless, does not recommend Tara for the company’s management training program because he thinks she’s unsuited to be a manager. This outcome is most consistent with
a. expectancy theory.
b. the notion of the glass ceiling.
c. the restriction of range problem.
d. the problems of having a transactional leader.

18. Brooke is a department store manager. Her employees are part-time students. To increase sales, Brooke starts a program in which the ten workers with the highest summer sales earn a stipend for college tuition. After she starts this program, Brooke observes that sales increase by 25 percent. This outcome is most consistent with
a. the contingency model of leadership.
b. the escalation effect.
c. expectancy theory.
d. the halo effect.

19. Research suggests that employees’ intrinsic motivation can be enhanced by
a. the use of high salaries that are clearly better than the salaries of workers in other, related companies.
b. the use of integrity tests.
c. the use of performance bonuses that are perceived by workers as informative about the quality of their work.
d. encouraging employees to focus on the range of economic benefits they are getting in addition to money, such as health insurance.
20. Stephanie instills a sense of purpose in her employees. Lydia is single-mindedly focused on the job. Wanda insists that all of the members of the organization have a say in all decisions. Beverly likes to “rally the troops” and ensure positive relations and energy. In a situation in which leaders have high situational control, the contingency model would predict that the most effective leader would be
a. Stephanie.
b. Lydia.
c. Wanda.
d. Beverly.

21. Research based on a meta-analysis of 126 studies involving 29,000 respondents found that people are __________ toward the softer forms of affirmative action and __________ toward quotas and other hard policies.
a. most favorable; least favorable
b. least favorable; most favorable
c. There were no differences
d. None of the above are correct

22. In a typical __________ assessment, an employee’s performance is rated by superiors, peers, subordinates, the employees themselves, and even outside stakeholders, such as customers, clients, students, and patients.
a. performance appraisal
b. endowment effect
c. 360-degree
d. expectancy theory

23. People are so sensitive to unfairness, underpayment, and maltreatment that these feelings can cause __________ their health.
a. stress and compromise
b. stress and improve
c. them to work harder to improve
d. cognitive dissonance and improve

Essay Questions
24. Describe an alternative to the traditional interview that research suggests may be more effective.
25. Discuss two factors that can boost the accuracy of performance evaluations.
26. Describe what is meant by transformational leaders. Are such leaders more consistent with the trait approach or with interactional models? Why?
27. In terms of cultural influences on organizational diversity, discuss the effects of affirmative action programs and globalization.
ANSWERS TO THE PRACTICE QUIZ

Multiple-Choice Questions: Correct Answers and Explanations

1. d. a violation of the sunk cost principle. The sunk cost principle is a principle of economics stating that only future benefits and costs, not past commitments, should be considered in making a decision. In this example, the owner of the baseball team is considering his past commitments as he makes his decision, and he decides not to sell the team even though the future costs of owning the team look like they will be higher than the benefits. He is thus in violation of the principle. Expectancy theory proposes that people analyze the benefits and costs of possible courses of action and exert effort when they believe it will produce a desired outcome (monetary or symbolic), but this example is not concerned with the amount of effort that the owner exerts or that he expects his employees to exert. The contingency model of leadership proposes that leadership effectiveness is determined both by the personal characteristics of leaders and by the control afforded by the situation; but this example is not about leadership, and it does not indicate the personal characteristics of the owner or the control afforded by the situation. Finally, the halo effect is a failure to discriminate among distinct aspects of a worker’s performance; but it is not relevant in this example.

2. a. subjective measures. Objective, quantifiable criteria of workers’ performances are often unavailable and frequently do not take into account the quality, as opposed to the quantity, of work. Therefore, performance appraisals are usually based on subjective measures – perceptions of employees by their supervisors, coworkers, customers, and so on. Graphology analyses, which are handwriting analyses used to predict job-relevant traits such as honesty, sales ability, and leadership potential, are rarely used to evaluate worker performance. And peer-evaluations, which are indeed subjective, are not nearly as commonly used as supervisor ratings of subordinates, which are the most common form of subjective evaluations.

3. c. mixed effects. Research suggests that, on the positive side, live interviews may actually diminish the tendency to make stereotyped judgments. On the negative side, they often lack predictive validity and can be distorted by employers’ preconceptions. Such distortions may be less likely to emerge when interviewers use structured questions or when assessment centers rather than traditional interviews are used.

4. d. transactional model. According to the transactional model of leadership, leadership is a two-way street in which there is a mutual influence between a leader and follower. An effective leader sets clear goals for the followers, provides tangible rewards, listens to followers, and fulfills their needs in exchange for an expected level of job performance. The other potential answers to this question all may be considered “top-down” approaches in which the followers are portrayed as passive creatures to be soothed or aroused at management’s discretion. Transformational leaders inspire followers to transcend their own needs in the interest of a common cause. The contingency model is the theory that leadership effectiveness is determined both by the personal characteristics of leaders and by the control afforded by the situation; this model would predict that the kind of leader described in this example would be effective only in certain situations (probably those that afford the leader a moderate degree of situational control). The trait approach to understanding leadership is to identify traits that characterize leaders. The idea described in this question emphasizes that effective leadership is determined not only by the personal characteristics of the leader but by the interaction of the leader and the followers; thus, as would not be considered by the trait approach, the kinds of traits that might be found in a good leader in one situation might make for a poor leader in another situation.
5. a. employees tend to overestimate their performance and worth in an organization.
People’s tendency to overestimate their performance and worth is a principal reason why self-
evaluations often are flawed. The three other potential answers to this question are all opposite to
the truth. Contrast effects are more likely to affect supervisors’ ratings than self-evaluations; for
example, supervisors who first observe a very positive performance by one worker are more likely
to judge an average subsequent performance by another worker as less positive, and supervisors
who first observe a very negative performance by one worker are more likely to judge an average
subsequent performance by another worker as more positive. Men tend to be more boastful on
their self-evaluations than women, and people with relatively low power tend to make more
modest self-evaluations than people high in power.

6. c. extra attention paid to these workers led to an increase in their productivity,
regardless of changes in their pay schedule. The Hawthorne effect refers to the finding that
workers who were observed increased their productivity regardless of what actual changes were
made in the work setting. This effect is consistent with the outcome illustrated in this selection but
inconsistent with the three alternative answers provided.

7. a. standardized tests. Many companies today use standardized written tests in their personnel
selection process. These tests may be designed to measure (1) various cognitive abilities such as
intelligence, (2) personality traits such as extroversion, which was the focus in this question, or (3)
a candidate’s honesty and character. An integrity test is an example of the third kind of
standardized test, but it is not what the employer in this question was trying to measure. An
assessment center is a structured setting in which job applicants are exhaustively tested and
judged by multiple evaluators, but this employer simply gave the candidates one test. Performance
appraisals concern the evaluation of an employee’s work within the organization, but this is not
relevant here.

8. c. performance appraisal. Performance appraisal is the process of evaluating an employee’s
work within the organization and communicating the results to that person; this is what Harry is
described as doing in this example. The contingency model of leadership emphasizes that
leadership effectiveness is determined both by the personal characteristics of leaders and by the
control afforded by the situation. There is no evidence of such leadership in this example.
According to the contingency model of leadership, leaders enjoy high situational control when
they have good relations with their staff, a position of power, and a clearly structured task.
Although Harry may be in such a situation, it is impossible to determine from this question.
Interactional models of leadership emphasize the interaction between personal and situational
factors. There is no mention of Harry’s personal characteristics or of the situational factors in the
factory.

9. b. They involve groups of activities and evaluators. In an assessment center, a group of
applicants takes part in a set of activities (such as written tests and role-playing exercises) that are
monitored by a group of evaluators. Assessment centers are said to be more effective than
traditional interviews at finding applicants who will succeed in a particular position. They are not
designed to provide employees a chance to give feedback to their supervisors. Transformational
leaders are leaders who inspire followers to transcend their own needs in the interest of a common
cause; there is no evidence that assessment centers are primarily used by these leaders.

10. a. women, but not men, later devalue their own performance, even if they have received
positive feedback about their performance. Madeline Heilman and her colleagues came to this
conclusion based on a series of studies in which male and female college students were selected as
leaders of two-person tasks. This research is consistent with the finding that female business
managers who think they were hired through affirmative action are often unhappy with their work.
11. d. **take integrity tests.** Integrity tests are paper-and-pencil questionnaires designed to test a job applicant’s honesty and character. Research has found that these tests are predictive of job performance and counterproductive behaviors such as theft. Using integrity tests would be an improvement over live, unstructured interviews which fail to identify people prone to dishonesty. Research also suggests that graphology, which is handwriting analysis used to predict job-relevant traits such as honesty, sales ability, and leadership potential, is not accurate. Self-evaluations are sometimes used in performance appraisals, but because people often present themselves quite favorably in these self-evaluations, it is unlikely that they could be used to exclude dishonest people.

12. d. **due process model of performance appraisal.** The due process model is designed to enhance fairness in performance appraisals. According to this model, fairness can be enhanced by such factors as adequate notice, fair hearing, and a focus on evidence of job performance. However, these factors are not components of expectancy theory of worker motivation, the sunk cost principle of decision making, or the contingency model of leadership. Expectancy theory proposes that people analyze the benefits and costs of possible courses of action and exert effort when they believe it will produce a desired outcome (monetary or symbolic). The sunk cost principle is a principle of economics stating that only future benefits and costs, not past commitments, should be considered in making a decision. The contingency model of leadership emphasizes that leadership effectiveness is determined both by the personal characteristics of leaders and by the control afforded by the situation.

13. a. **the trait approach to leadership.** The trait approach to understanding leadership emphasizes identification of traits that characterize leaders. One characteristic associated with leadership is height. For example, between the years 1900 and 1992, the tallest candidate for U.S. president won an astonishing twenty-one out of twenty-three elections. Research suggests that this finding is not a random coincidence. Interactional models of leadership, in contrast, emphasize the interaction between personal and situational factors. But this example makes no mention of situational factors. Expectancy theory maintains that people analyze the benefits and costs of possible courses of action and exert effort when they believe it will produce a desired outcome (monetary or symbolic). But the example does not concern worker motivation or performance.

14. b. **equity theory.** According to equity theory, people want rewards to be equitable, such that the ratio between inputs and outcomes is the same for the self as for others. In this example, which resembles the situation faced by some of the subjects in Greenberg’s study of employees in a large insurance firm, Jerry perceives the distribution of offices to be inequitable. Because Jerry believes that he works as hard and is as valuable as Dean, Jerry is not happy when Dean is rewarded more than he is. When people feel undercompensated for their work, as Jerry does, they become more likely to lower their job performance. People are intrinsically motivated when they engage in an activity for the sake of interest, challenge, or sheer enjoyment. If Jerry were very intrinsically motivated, he would not care about his compensation relative to Dean’s, and he would continue to work hard and perform well. The sunk cost principle is a principle of economics stating that only future benefits and costs, not past commitments, should be considered in making a decision, but this principle is not relevant in this example. The Hawthorne effect refers to the finding that workers who were observed increased their productivity, regardless of what actual changes were made in the work setting. In contrast to the Hawthorne effect, but consistent with equity theory, Jerry’s productivity decreased after the change.

15. b. **an assessment center.** Assessment centers are used to evaluate candidates for hiring and promotion. In an assessment center, a group of applicants takes part in a series of activities that are monitored by a group of evaluators. Equity considerations concern the perception that the benefits one receives for working are fair. Although considerations of fairness are important for personnel selection as well, there is no direct evidence that such considerations were relevant in
the business or setting described in this question. Affirmative action policies give preference in hiring, admissions, and promotion to women and underrepresented minority groups; there is no evidence that such policies are used in the setting described here. Finally, a structured interview is one in which each job applicant is asked a standard set of questions and evaluated on the same criteria. Although structured interviews may be included among the activities evaluated at an assessment center, they are not the only activity.

16. **c.** **Franco.** Structured interviews are interviews in which each job applicant is asked a standard set of questions and evaluated on the same criteria. This standardization prevents interviewers from unwittingly conducting biased interviews that merely confirm their preconceptions. Some research suggests that structured interviews are better than traditional interviews in the selection of qualified workers. Research also suggests that graphology, which is handwriting analysis used to predict job-relevant traits such as honesty, sales ability, and leadership potential, is inaccurate. The polygraph is a mechanical instrument that records physiological arousal from multiple channels; it is often used as a lie-detector test. However, there are ethical and legal problems associated with the use of the polygraph in personnel selection, such as suggesting that people are lying when they are not.

17. **b.** **the notion of the glass ceiling.** The glass ceiling refers to a barrier that women and minorities come up against—a barrier so subtle that it’s transparent, yet so strong that it keeps them from reaching the top of the hierarchy. Despite the progress that women and minorities have made in entry-level and middle-level positions, they still seem to be blocked by this glass ceiling when seeking positions of leadership. This example is not relevant to expectancy theory, which is the theory that people analyze the benefits and costs of possible courses of action and exert effort when they believe it will produce a desired outcome (monetary or symbolic). The restriction of range problem refers to the failure of people to make adequate distinctions in evaluating workers (e.g., some people may give everyone positive evaluations). But there is no evidence that Tara’s boss thinks everyone is unsuited for the job, so this example is not consistent with this problem. Tara’s situation is also not the kind of problem that would more likely result from having a transactional leader. The transactional model of leadership emphasizes that an effective leader provides tangible rewards, listens to followers, and fulfills their needs in exchange for an expected level of job performance, but Tara’s boss is not providing Tara with tangible rewards and is not fulfilling her needs, despite Tara’s effective job performance.

18. **c.** **expectancy theory.** Expectancy theory maintains that people analyze the benefits and costs of possible courses of action and exert effort when they believe it will produce a desired outcome (monetary or symbolic). In this example, the part-time students believe that exerting effort might produce a desired outcome, so they have exerted the effort. The contingency model of leadership is the theory that leadership effectiveness is determined both by the personal characteristics of leaders and by the control afforded by the situation, but there is no mention of Brooke’s personal characteristics or of situational control. The escalation effect is the tendency for investors to remain committed to a losing course of action, but this is not relevant here. A halo effect is a failure to discriminate among distinct aspects of a worker’s performance, but there is no evidence of such an effect here.

19. **c.** **the use of performance bonuses that are perceived by workers as informative about the quality of their work.** People are intrinsically motivated when they engage in an activity for the sake of interest, challenge, or sheer enjoyment. Rewards that have informational value by offering positive feedback about the quality of one’s performance can enhance intrinsic motivation. Performance bonuses are an example of such rewards. In contrast to rewards perceived as serving an informational function, those perceived as serving a controlling function (e.g., salary or commission) usually are administered in order to get people to work at all. Such rewards are likely to undermine intrinsic motivation. High salaries and a focus on the range of
economic benefits that the employees are getting are likely to be perceived as serving controlling functions; thus they should decrease intrinsic motivation and instead remind employees of their *extrinsic* motivation for doing their job. Integrity tests are paper-and-pencil questionnaires designed to test a job applicant’s honesty and character; these do not enhance intrinsic motivation.

20. b. **Lydia.** According to Fiedler’s contingency model of leadership, task-oriented leaders (who are single-mindedly focused on the job, as Lydia is) are more effective than relations-oriented leaders (who are more concerned about the feelings of the employees, as Stephanie, Wanda, and Beverly seem to be) in situations in which leaders have high situational control (that is, when leaders have good relations with staff, a position of power, and a clearly structured task). This model also states that task-oriented leaders such as Lydia are more effective than relations-oriented leaders when the leader has low situational control. Relations-oriented leaders are said to perform better in situations that afford a moderate degree of control.

21. a. **most favorable, least favorable.** After years of research on attitudes toward affirmative action, it is now clear that although there are sharp differences of opinion, people’s reactions depend upon how the policy is implemented. Faye Crosby (2006) notes that policies range from “soft” forms of affirmative action, such as outreach programs designed to identify, recruit, or specially train applicants from under-represented groups, to “hard” forms of affirmative action that give preference in hiring to applicants from targeted groups who are equally or less qualified than others. Based on a meta-analysis of 126 studies involving 29,000 respondents, David Harrison and others (2006) found that people are most favorable toward the softer forms of affirmative action and least favorable toward quotas and other hard policies that favor some applicants over others independent of their qualifications.

22. c. **360-degree.** Now common in most organizations, is to collect and combine a full circle of ratings from multiple evaluators in what is referred to as a 360-degree performance appraisal. As in assessment centers, a multiple-rater system in which a final evaluation represents the average of ratings made by independent sources with different perspectives is more complete than the conventional single-rater approach (Conway & Huffcut, 1997; Sackett & Wilson, 1982). In a typical 360-degree assessment, an employee’s performance is rated by superiors, peers, subordinates, the employees themselves, and even outside stakeholders such as customers, clients, students, and patients. In this way, whatever idiosyncratic bias a single individual brings to his or her ratings can be offset by others. Although there is debate over how to combine, compare, and contrast different sources, research shows that this approach in general is an improvement over single-rater methods (Craig & Hannum, 2006; Morgeson et al., 2005).

23. a. **stress and compromise.** People are so sensitive to unfairness, underpayment, and maltreatment that these feelings can cause stress and compromise their health. In a survey of more than 3,500 workers, Bennett Tepper (2001) discovered that those who felt victimized by injustice in the workplace also reported the most exhaustion, anxiety, and depression. Particularly stressful is the combination of feeling underpaid and unfairly treated. Theorizing that people will lose sleep over these concerns, Greenberg (2006) studied 467 nurses at four private hospitals, two of which cut nurses’ salaries by 10 percent. In one hospital from each group, he trained nursing supervisors in how to promote feelings of organizational justice. Across a six month period, participants periodically reported on their nighttime sleep patterns. The results showed two interesting patterns: (1) Underpaid nurses reported more symptoms of insomnia than those whose salaries were unchanged, and (2) this problem was reduced among underpaid nurses whose supervisors had been trained to treat them fairly.
Answers to Essay Questions: Sample Essays

24. One approach to improving personnel selection involves the use of structured interviews. In such interviews, each job applicant is asked a standard set of questions and evaluated on the same criteria as those applied to every other job applicant. This standardization prevents interviewers from unwittingly conducting biased interviews that merely confirm their preconceptions. Some research suggests that structured interviews are more effective than traditional interviews in the selection of qualified workers.

25. One factor concerns the timing of evaluations in relation to the observation of performance. Evaluations are less prone to error when they are made immediately after performance than after a delay. Once memory for the details of the performance begins to fade over time, evaluators are more likely to be affected by stereotypes, halo effects, and other biases. A second factor that can boost the accuracy of performance evaluations is the number of evaluators used. A system that utilizes multiple raters is better than a system that utilizes just one. Because the individual biases or tendencies of multiple raters largely cancel each other out, the average across raters tends to be more accurate than the ratings of any single evaluator. Assessment centers use multiple raters when evaluating candidates for hiring or promotion.

26. Transformational leaders inspire followers to transcend their own needs in the interest of a common cause, articulate a vision for the future, and are able to mobilize others to share that vision. They are likely to be charismatic, inspirational, intellectually stimulating, and considerate of others. This characterization of good leaders is more consistent with the trait approach than with interactional models. The trait approach to the understanding of effective leadership identifies traits that characterize great leaders — and, indeed, transformational leaders are identified by the traits and characteristics they possess, such as charisma. Interactional models, in contrast, view leadership as an interaction between personal and situational factors. The idea of the transformational leader is not consistent with the interactional approach because this approach would expect similar leaders to rise to the top and lead and inspire others in any situation.

27. For many years, the study of organizational behavior was “culture blind and culture bound” (Triandis, 1994; Gelfand et al., 2007). In light of two dramatic historical changes, researchers now look at the workplace through a broader lens. The first change has resulted from affirmative action programs, which forced an increase in the number of women and minorities who populate most organizations. The second is the worldwide trend toward globalization, which has brought more and more people from disparate cultures into daily contact with each other, often as coworkers. Georgia Chao and Henry Moon (2005) note that every individual worker has a multidimensional identity that can be characterized within a cultural mosaic consisting of the various “tiles” of his or her demographic characteristics (such as age, gender, race, and ethnic heritage), geographical background (such as country of origin, region, climate, and population density), and personal associations (such as with religion, profession, and political affiliation). In some ways, everyone is similar; in other ways, no two people are alike. For researchers who study organizational behavior, the challenge is to represent the full complexity that comes with a diverse workplace.