

Module 7 - Power, Politics and Ethics



Organization Theory

MGMT 610

What's the benefit of studying this topic?

The power dynamics in an organization can make or break its success. The elements of organizational structure and design choices establish the context for whether politics support or undermine organizational effectiveness. Equally, these choices affect social responsibility and can lead to more or less ethical behavior. In addition, to be effective managers, professionals need to understand and apply their personal influence, but the use of influence (power) is within the setting of the organization. As a result, it is important to understand concepts of conflict and power.

Module 7 **POWER, POLITICS and ETHICS**

Introduction: Management Power within the Organization

Seeking to influence, which is power in action, is an important aspect continuously at play as professionals accomplish their work although its dynamics are little talked about. How the organization is structured – its formal policies and systems, as well as its size and history/culture – set the stage for the power used by managers of the organization and others to provide a setting for seeing the push and pull of influence to achieve desired goals, results or outcomes. In many organizations, there's a trend to decentralize by empowering teams/individuals at multiple levels (developing a more horizontal or flat structure) to share opportunities for decisions as well as responsibilities for these plans. But even within team projects, members need to hold awareness of power and its motivation.

Whether or not an organization generally emphasizes teams and innovation also influences the twists and turns of power. As power interactions take place, people become more aware of the conflict dynamics, which many people

may be unaware of or even try to avoid or hide "under the table." The exertion of influence often labeled "office politics" can be seen as negative and indeed can be harmful when it results in inequities that stifle performance and motivation. However, being more explicit and understanding aspects of organizational power can assist you in designing a structure to avoid its worst effects and for thoughtful advancement of your own leadership-management role.

At-A-Glance Definitions:

- **Power:** The ability of a person or group of people, such as an organization, or a work unit, to influence others to bring about desired results. This is often referred to as *de facto* (in fact) power. Empowerment is awareness or understanding of one's own ability to act. Within an organization, empowerment also means the sharing of power with others.
- **Authority:** The formal designation of having the power to control. This is often referred to as *de jure* (in law) power. Authority can also be devolved to others; however, responsibility always remains with the person or group holding *de jure* power.
- **Politics:** Activities to manage influence for obtaining results and the interplay between work units (and people) to negotiate conflict/compromise among competing interests.
- **Ethics:** A code of moral principles that dictates what is right or wrong behavior. The kinds of activities and communication (written and other) concerned with values and morals individuals and groups consider desirable, appropriate and virtuous.
- **Corporate Social Responsibility (CSR):** General management processes and practices that focus on the organization's ethical obligations to all its internal and external stakeholders, including society at large.

Conflict, Intergroup Relations, and Power

Just as concepts related to organizational culture came from the fields of social psychology and anthropology, viewing an organization as a political system emerged from political science. Observation of politics in large government organizations offered insights about organization that apply to business and nonprofits as well.

From the systems perspective, once we realize that a closed system design cannot survive in the long run, we also understand that viewing an organization as a wholly rational machine is incomplete and inadequate. Viewing it as a culture (Module 6) showed us, for example, that there is an informal structure equal to the formal one. Similarly, viewing an organization as a political system yields another dynamic. Instead of formal rules and procedures (the

traditional so-called “rational” view) and informal values and unwritten norms (culture), we see the organization’s purpose fulfilled in light of conflict and political negotiation.

Within an open system, there are subsystems. These different substructures or groups in an organization have their own purposes. As an example, a financial management subsystem deals with internal financial controls and external reporting required by stakeholders. Subsystems usually have different goals and resources available to them – they differ from one another. For example, while the Engineering division is concerned with the efficiency of product design, the Marketing division focuses on how well the design incorporates other client needs such as attractiveness or price. Despite the differences though, these two subsystems have to work together for the good of the overall organizational goals – they are interdependent.

It’s not often that resources are unlimited in our personal lives or in organizations. Resources are financial and other things as well – skills, information, time, and so on. What this means is that subsystems in an organization may compete for the limited “pie” to get what they need to get their jobs done.

This combination of diversity of goals, interdependence, and scarce resources is the primary source of conflict in organizations. *Intergroup relations are shaped by this.* We must get things done together but our goals are different and we face limited resources!

In sum, there are three inter-related sources of conflict:

1. **Different goals** -- there may be two or more **legitimate** goals and, at times, the success of one may impair the success of one or more of the others.
2. **Interdependence** -- the more that groups or individuals are dependent on each other, whether sequentially or reciprocally, the greater the potential for conflict to arise.
3. **Limited resources** -- the simple fact that organizations rarely have sufficient money, staff, facilities, equipment, etc., to accomplish all of the goals of every group within the organization.

These conflicts are most likely to arise around strategic change for the organization, contact/competition among units, advancement/promotion through organizational ranks and the allocation of resources.

What are the effects of such conflict? Conflict results in a dynamic, uncertain system that frequently is anything but rational! How does this affect organization design? *Design must address the political process and the*

management of conflict.

Within the political perspective in organizations, how decisions and choices are made are very different than they may appear on the surface. Figure 1 highlights some of these differences.

Dimension	Rational View	Political View
Goals	Consistent within & across social actors	Consistent within social actors; inconsistent pluralistic within the organization
Power & control	Centralized	Shifting coalitions & interest groups
Decision process	Orderly, substantively rational	Disorderly, characterized by push & pull of interests
Rules & norms	Norm of optimization	Free play of internal market forces; conflict is legitimate & expected
Information & computational requirements	Extensive & systematic	Information used & withheld strategically
Beliefs about action-consequence relationships	Known at least to a probability distribution	Disagreements about technology (how things get done)
Decisions	Follow from value-maximizing choice	Result of bargaining & interplay among interests
Ideology	Efficiency & effectiveness	Struggle, conflict, winners & losers

Figure 1. Overview of Rational and Political Organizations

Source: Adapted from Pfeffer, 1981, p. 31.

Politics at Play

As uncertainty increases, as decisions become more rapid due to time and scheduling issues, and the process for making definitive plans becomes more of a group or team process, the potential for organizational politics

increases. "Politics" -- in both its organizational definition as well as its electoral definition -- is not held in high repute! The connotation we attach to the word is one of power aggrandizement, tactics bordering on the unethical, with perceived gaps in candor, perhaps with aspects of blaming or bullying to win at all costs. However, in reality, politics is really just the use of power to get things done, to achieve goals. What we see as simply "a good point" in *discussion* becomes "politics" when the focus is on *action*, and the implied need to do so quickly. The primary reason for this negative connotation is that each of these areas has the potential to further aggrandize individual or group power and is, therefore, suspect. Ironically, as **ideas** become more valuable in the Information Age and as organizations become less vertical and more horizontal, it is the **contributions** made by individuals and groups that are more likely to enhance their power, rather than any ability at persuasion.

As your reading, Chapter 13. Power and Politics, describes, the extent to which an individual or subunit is dependent on another influences the amount of power and potential influence they have. Other factors are how scarce the resource they offer is, its importance to the other party, and how readily it can be substituted with some other option to get the task accomplished. Your reading also outlines the major power bases that can be leveraged to influence others, such as formal authority, expertise, and personal relationship (referent).

Positive Aspects of Individual Influence

More than "tactics," power provides methods of building one's influence to accomplish goals:

1. **Coalition building and expanding networks** -- developing consensus around and support for actions. This requires effective communication and negotiation skills. This goes beyond the simple act of building coalitions to the activity of increasing the potential for coalition partners. It includes extending the sphere of influence to more groups and individuals and neutralizing those who dissent.
2. **Assigning loyal people to key positions** -- commonly known in the current vernacular as "having your own peeps", or options for expanded sharing of important information! You see this often in government when there's a change in president, governor, mayor, etc. The new chief executive -- especially if this is accompanied by a change in political parties -- installs his/her loyalists to key positions within agencies or priority work units. However, this power strategy is also common in the private sector, both for-profit and nonprofit.
3. **Controlling the decision-making premises**-- this refers to controlling the agenda, the various aspects of the decision making process, including the definition of the problem, the "what" and the "how" of information gathering, the choice and phrasing of alternatives, etc. While at first glance, this exertion of power may be

seen as negative, the strategy can focus and limit aspects of decisions and save time. This can be valuable when internal and/or external environments are uncertain or unstable.

4. **Using expertise to enhance legitimacy** to establish *de facto* power. This is especially significant in an environment increasingly influenced by technological changes or in an environment encompassing many unknowns.
5. **Making a direct appeal** by stating goals and preferences to influence the decision-making process. However, in order for this to be successful, power cannot be exercised in an overt fashion as management directives "over" others. To recall and add-to some old wisdom, "If you have to show power by pushing and pulling within communications to prove that you have it, you probably won't have it long." Or, in demonstrating power over others, it is likely to appear/be coercive, with perceptions of blaming and bullying.

Designing an Organization for Political Benefit

The reading, Organizational Politics by Harris & Kacmar, summarizes some of the key research on politics and how it affects people at work. While there always are individual differences in perceptions of and engagement in politics, there are a number of major organizational and job/work environment influences on perceptions of political behavior in organizations. (In this context, "politics" was viewed as a negative.) Evidence suggests that the influences on negative politics include:

The formal organization:

- Centralization – Centralized decision-making leads to more politicking.
- Accountability – More accountability leads to higher levels of politics.
- Hierarchical level – Lower level workers seem to perceive more politics than do managers, who have greater ability to participate.
- Formalization – More written expectations (e.g., rules, policies, procedures, performance standards, reporting relationships, roles, etc.) reduces political behavior.

Career opportunities provided by the organization:

- Advancement opportunities – Fewer advancement opportunities lead to more politics.

- Career development – Less career development leads to more politics.

Job design:

- Autonomy – Less autonomy in one's job leads to more politics.
- Skill variety – Lower levels of skill variety required by one's job leads to more politics.
- Feedback – Higher levels of feedback are associated with fewer politics.

Interactions with others at work:

- Cooperation – Lower levels of cooperative interactions with others lead to more politics.
- Interactions – More interactions with coworkers and supervisor and a better relationship with one's supervisor are all predictors of fewer politics.

As you think about the structure of your organization and its impact on politics, as a professional manager, you will be able to see some opportunities to create structural mechanisms that might avoid the worst political behavior. Consider the subsystems such as: budgeting; planning; performance evaluation; selection, promotion, and hiring; training and development of staff; and information. Also consider how jobs are designed (e.g., with more or less autonomy) and how teams are supported and built to develop strong performance and cohesive relations. How can all of these factors be designed for clarity of expectations and equitable, fair outcomes? How can people be empowered formally so they need not seek out devious means to accomplish their goals?

The formal design is the first step, followed closely by the informal design inherent in the culture established in the work unit and organization. Who gets ahead and why? Who gets resources and how? If standards are not clear and followed religiously and it's not based on hard work and effort, then negative politics are sure to ensue.

Social Responsibility, Sustainability, and Ethical Decision-making in Organizations

Corporate social responsibility is a concept that emerged to encompass all of the impacts of an organization, like our models of organizational effectiveness covered in Module 2. It refers to practices that contribute to the overall social welfare, recognizing that organizations exist to serve people. In other words, it is how organizations manage their business processes to produce an overall positive impact on society. It has five main aspects (Bucholtz,

1991):

- Corporate responsibilities go beyond merely producing goods and services for profit.
- Responsibilities include working to help solve social problems, particularly those which the corporation has helped to create.
- For-profit organizations have an obligation that goes beyond their shareholders.
- Corporate impacts are not merely in the marketplace.
- A sole focus on economic ends does not capture the full spectrum of human values that are served by corporations.

Today this concept has been taken one step further into the concept of sustainability. Sustainability is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Another way of expressing this is an organization that “meets the needs of its stakeholders without compromising its ability to meet their needs in the future” (Hubbard, 2009). This future emphasis has been ignored by many of the traditional notions about organizations. Like traditional social responsibility business policy, it incorporates social and environmental factors and performance alongside economic factors in notions of organizational effectiveness. The Triple Bottom Line is the term used to describe measures of sustainable performance: People, Planet, and Profits. For nonprofits and government, what measure might substitute for Profits?

“Ethics is as much an organizational issue as it is a personal issue” (Ethical Challenges in Turbulent Times, p. 8).

In organizations, both the manager and the organization play key roles in how ethically members of the organization will behave. There is research evidence that people will tend to model their ethics on the job after their superior. If the superior engages in unethical conduct, it is more likely that his or her subordinate will follow suit.

The organizational culture (Module 6) also plays a key role in ethical behavior. To the extent that its values encourage or ignore unethical actions, they will occur more frequently. As your reading, Power and Politics, shows, the power of group conformity is tremendous. Solomon Asch’s studies in social conformity established just how powerful this can be. People ignored what was before their eyes in order to agree with others. Work group cultures, developed over time, can be strong influences on how an individual behaves. They are learned quickly but can take a long time to turnaround.

The systems in the organization's design and structure also play a key role in ethical behavior just as they do with respect to dysfunctional politics. Formalized rules and policies in the form of a code of ethics provide guidance. Other policies and rules can shape behavior too; if they encourage unethical practices, then that is what will result. The performance management and reward systems are also important structure elements that establish ethical standards. The selection and training systems used can serve an important role in ensuring that new hires have a sound background and that all employees are trained in the ethical standards that the organization upholds. Guidance is also needed for procedures to be used to report unethical behavior and how it may or may not impact employees' own job security; safeguards should be in place.

Ethical Dilemmas

There are three commonly used frameworks that can be applied and that are recommended for managers when you are trying to determine what is right or wrong in a given situation.

- Utilitarian reasoning
- Rights reasoning
- Social justice reasoning

Utilitarian reasoning is based on the greatest good for the greatest number of people. Essentially, it is a cost - benefit analysis that says how many people will be helped by this action? All other things being roughly equal, the choice that helps more people is deemed to be the most ethical. For example, if \$10,000 will purchase vaccines for 5,000 children or one month in a nursing home for one handicapped individual, then the decision would be to help the 5,000 children rather than the single individual.

Rights reasoning is different in that it says that some things are always fundamental human rights, no matter if the choice only affects one person. Fundamental rights are those things that we value such as life, freedom from oppression and violence, personal liberty, and so forth. For example, if someone's life is threatened by a faulty product, rights reasoning would say that is always wrong, no matter who that person is or how many people – even just one.

Social justice reasoning is based on the premise that the amount of potential harm or benefit is less important than who may be harmed by an action. While there are different types of justice reasoning, philosopher John Rawls

explained that our obligation is to help those who are least well off in society. The rules that we use for decisions should take this into account. Thus if a decision (such as a policy decision by the Senate or a corporate decision) has the potential to harm, we would examine who is most harmed by that. For example, this reasoning implies that corporations (who are more powerful than individuals) should not apply unreasonably high prices on their products/services required for everyday life because these prices would disproportionately harm those who are least well off – the poor and working class. Another example would be a corporate decision to close grocery stores in poor neighborhoods which would cause undue hardship on those without personal transportation.

It is recommended that all three types of reasoning be applied to a situation in order to gain insight to its ethical ramifications. Will the answers to the dilemma be the same? Perhaps sometimes but often they will not. But the process has alerted you to the situation and then you will have to make hard choices based on the situation and your and your organization's values. This is where clarity in the organization's values expressed in a code of ethics can be helpful.

The World Today: What Globalization Offers Power, Politics and Business Ethics

Institutions and companies can no longer view their organizations as independent of other groups. Their work is a part of a highly interconnected, linked, tied and otherwise connected web of business, government, schools/universities and not for profit organizations (religious, political, and health care). Due to extended supply chains and locations of operations in many sites, not to mention partnership and alliance commitments, business units are often tenuously tied to their headquarters management. While environmentalists have been advocating systems thinking for decades, the business management community must understand the interconnectivity of business groups as sets of systems. With the understanding of system impact, taking the right action for the longer term gains leverage or influence. This awareness brings additional need, interest and motivation for business ethics and corporate social responsibility.

Since 1989, researchers have recognized the growing value of being flexible or nimble on the part of organizations and their managers as they take advantage of rapid change (Vaill, 1989). And more recently, with a new awareness of risk and financial management, consideration will be at play for exactly what is the appropriate size and flexibility within business units. Adaptation must be appropriate, and ethical frameworks offer additional resources in the context of financial strategy.

Technology and information sharing, particularly through portable computer devices (cell phones and smart phones) is creating a wider, more immediate and much more participatory context for equity, fairness, and justice. People

from developing countries now can readily see what they are missing. In this context, the need for trust and trustworthy relationships is essential for survival because there is a much wider range of citizens, customers, and workers as stakeholders.

Another way to "see" the emerging, wider role for business ethics is to take a look at the work of a global network-the work of Corporation 2020 serves as an example. (If you are interested in more details, see the website link at the end of this module/web page). This group seeks to focus on redesign, in which there are various integrations of disparate corporation streams for coherent, sustainable, global visions of both economic and social-benefit interests.

Corporation 2020's Principles for More Ethical Business in a Global Economic Setting:

The purpose of a corporation is to harness private interests to serve the public interests.

- Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders (people-who are customers, consumers, and clients).
- Corporations shall operate sustainably without compromising the ability of future generations (your children, your grandchildren).
- Corporations shall distribute their wealth equitably among those who contribute to its creation (this principle aids in constraining the desire of upper-level management to award salaries and bonuses unfairly).
- Corporations shall govern themselves in a manner that is transparent, ethical and accountable.
- Corporations shall not infringe on people's right to govern themselves, nor infringe on universal human rights.