CLC502: Relational Leadership

Module 1: Relationships and Trust

Topic 2: Relationship Psychology
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# Table of Contents

Copyright.................................................................................................................................................. 2  
Table of Contents......................................................................................................................................... 3  
Subject Overview ........................................................................................................................................ 4  
Topic Preparation........................................................................................................................................ 4  
Individual Relationship Psychology ........................................................................................................ 6  
Group Relationship Psychology ............................................................................................................. 24
Subject Overview

Module One: RELATIONSHIPS AND TRUST
- 1.1 Relationships: processes and value
- 1.2 Relationship psychology
- 1.3 Trust: processes and value

Module Two: ESTABLISHING RELATIONSHIPS
- 2.1 Relationship engagement and profit models
- 2.2 Building relationship networks
- 2.3 Building relationship worldview empathy

Module Three: DEVELOPING RELATIONSHIPS
- 3.1 Profit models and relationship development
- 3.2 Developing relationship networks
- 3.3 Rejuvenating and exiting relationships

Module Four: SOCIAL CAPITAL
- 4.1 Social capital
- 4.2 Leveraging the relationship multiplier
- 4.3 Measuring social capital

Topic Preparation

Getting the Most from the topic

Read the pages in this topic.

Reflect on the implications of the content given your leadership experience and current responsibilities.

A substantial set of papers have been reviewed and are cited in this topic. Participants are encouraged to follow up points of interest, or seek greater clarity, by reading parts or all of papers that are referred to. However, no specific papers are prescribed reading, as the relevant points have been clearly summarised in the topic notes.

Complete the topic Review Questions at the end of this topic and compare your answers to the Answer Guidelines provided.
Topic 2

The levels of trust in relationships, and what determines these levels, are central to understanding business relationships. The role and value of trust is explored in detail in topic 1.3. Other aspects of relationship psychology that need to be understood are explored in this topic.

Much of the literature dealing with the psychology of organisational relationships draws upon work relevant to individual relationships. Multiple perspectives regarding individual psychology must be explored to develop a deeper understanding of relationship processes.

We start this exploration with a focus on the individual’s internal processes that influence relationship behaviour.

We then move to explore the exchanges between individuals in dyads, before placing these exchanges in the context of groups and emergent group phenomena that cannot be reduced to individual or dyadic psychology.

Learning Outcomes

On completion of this topic, participants will understand and be able to apply the following key concepts, drawn from the study of trust between individuals and organisations, to understand and guide action in the selection and development of business relationships:

- Core Relationship Choices
- Attitudes and behaviour
- Relationship development models
- Helpful communication skills
- Psychological contracts
- in-group/Out-group
- Deviants
- Polarisation effect
- Group norms
- Group development stages
- Group climate
- Psychological Safety

Other concepts required to understand and apply the general concepts listed above.
Individual Relationship Psychology

Relationships involve choices – some made with conscious reflection and others made with little explicit thought.

The first choice is whether to enter a relationship and commence interaction or not. Once a relationship is initiated, each party has to continually choose whether to maintain, increase or decrease the frequency, duration and intensity of contacts. However, these choices are often made by default. The relationship continues without examination or consideration of alternatives until some crisis arises that prompts review and reconsideration.

We call these choices – whether to start, continue, intensify, withdraw from or leave the relationship, “core relationship choices”.

Attitudes are often called on to explain these core relationship choices. Such explanations are often oversimplified, and ignore what has been learned from decades of research into the complex relationship between attitudes and behaviour. Ajzen (1987) remains one of the best summaries of this area. It is useful to understand how key points that flow from what is now known about attitudes and behaviour apply to the “core relationship choices”.


Attitudes and Core Relationship Choices

Psychologists usually talk about attitudes as having an “object”, e.g.

- A person (e.g., a prominent politician; one’s spouse)
- An organisation (e.g., Telstra)
- A relationship (e.g., your relationship with Telstra)
- An action (e.g., to entering or leaving a relationship with Telstra).

A person’s attitude to an “object” is usually defined as their disposition for or against the object. The disposition has three components:

- Emotional (e.g., like/dislike)
- Cognitive (e.g., useful/useless)
- Behavioural (e.g., approach/avoid).

While usually consistent with each other, the level of consistency varies. Over time, inconsistencies tend to generate discomfort and pressure for realignment.
Attitudes to another person or organisation will thus be expressed through willingness to enter and remain in a relationship with that other. However, it can be useful to distinguish between attitudes to the other party, attitudes to the relationship with the other party, and attitudes to a particular core relationship choice.


Attitudes and Relationship Behaviour

In general, actions are better predicted by the attitude to the action than by attitudes to the target of that action. Our attitude to the action of entering a relationship will depend on a range of consequences that flow from that action, and not only on the level of like or dislike of the other.

- We might be in favour of entering a relationship with someone we dislike, because there are consequences of the action that outweigh how we feel about the other person
- We might reject entering a relationship with someone we like because there are adverse consequences that outweigh the expectation of enjoyable interaction.

Similar points can be made about all the core relationship choices.

Attitudes to taking a particular action (e.g., making a core relationship choice) are also modified by:

- Social norms (what other significant people expect)
- Perceived capability – whether the actor feels free and able to take the action.

Behaviour can also influence attitudes. As an example, consider the impact of a change in work roles and responsibilities. This change in an individual’s situation will change behaviour, e.g., working collaboratively with others who were previously regarded with suspicion and mistrust that were enshrined in unfavourable attitudes to the people and to working closely with them. Over time, attitudes will tend to realign with the new behaviour, as shown by the positive feedback pathway in the diagram below.

This is often a more effective route to change than by starting with an attempt to change attitudes. Changing behaviour by changing the situation can change the consequences experienced and so change the attitudes. Of course, if consequences confirm the initial attitude so the attitude continues to be misaligned with the new behaviour, this can create tension, resulting in resistance to the new behaviour, and even withdrawal (e.g., by resigning).
Applying Attitude Theory to Relationships

Consider the attitude to the actions – i.e., to the choice options (e.g., entering or not entering the relationship, staying or leaving the relationship), not just the attitude to the other party or the relationship

Identify the consequences of the action that the actor considers important and likely. These will help to explain the attitude.

Take into account what the actor believes significant others expected, consider such norms as “my family – or country, or company – right or wrong”, and how these can affect attitudes to actions.

Take capability into account. Sustaining a relationship might require skills or resources (e.g., time) that are lacking. So can leaving a relationship – saying “no” can be difficult. Many constraints can disrupt the direct effect of attitudes to core relationship choices on the actual choice that is made. Over time, people tend to align their attitude with the behaviour, even if the behaviour is due to a constraint.

Stages in Relationship Development

Some approaches to developing business relationships are based on the notion that relationships have a “natural life cycle”, such as that outlined in topic 1. Other “relationship life cycle” or relationship stage models include:

- The “romantic model”, based on the analogy of courtship, marriage and (possibly) divorce, which bring the role of emotions more clearly into focus
- The notion that relationships develop (progress and retrogress) through stages.

Understanding interpersonal communication, its successes and failures, also provides a useful perspective for understanding the development of business relationships.

Personal Reflection

The extent to which a business relationship is seen by the parties as competitive (win-lose) or cooperative (win-win) has a substantial effect on the possible development of that relationship.

This perception can itself be influenced by the actions of the parties as they engage within the relationship. Compare a business relationship where the other party was seen as helpful with one where the other was seen as unhelpful.

How would a cooperative versus a competitive context change the perceived consequences of “trusting” the other party?
Cooperation in a Relationship

Negotiating a cooperative business relationship will be very different from negotiating a competitive relationship. Uncertainty about the level of cooperation is a major “relational risk” which has to be managed.

Effective cooperation can be contrasted with opportunistic exploitation as shown below. Trust is a major casualty in competitive relationships.

<table>
<thead>
<tr>
<th>Cooperative Behaviour</th>
<th>Competitive Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Honest dealing</td>
<td>• Cheating</td>
</tr>
<tr>
<td>• Commitment</td>
<td>• Shirking</td>
</tr>
<tr>
<td>• Accurate, full communication</td>
<td>• Distorting information</td>
</tr>
<tr>
<td>• Complying with agreements</td>
<td>• Misleading the partner</td>
</tr>
<tr>
<td>• Meeting/exceeding performance expectations</td>
<td>• Substandard performance</td>
</tr>
<tr>
<td>• Using partner’s resources only within the terms of the alliance</td>
<td>• Appropriating partner’s critical resources</td>
</tr>
</tbody>
</table>


A “Romantic” Model of Business Relationships

Zineldin (2002) builds on previous suggestions that the process of developing strategic partnerships can be better understood using the dual metaphors of a romantic relationship and life stages.

The parallels suggested by Zineldin (2002:550) between the phases of courtship and marriage, life stages, and the phases of strategic partnering are summarised below.

<table>
<thead>
<tr>
<th>Romantic Relationship</th>
<th>Life Stage</th>
<th>Strategic Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial romance</td>
<td>Infancy</td>
<td>Exploration</td>
</tr>
<tr>
<td>Engagement</td>
<td>Childhood</td>
<td>Development</td>
</tr>
<tr>
<td>Marriage</td>
<td>Growth</td>
<td>Commitment</td>
</tr>
<tr>
<td>Having Children</td>
<td>Maturity</td>
<td>Loyalty</td>
</tr>
</tbody>
</table>
The Life Stage Model

Zineldin (2002) parallels the familiar Strategic Development model with what he calls the Life Cycle model.

We prefer to call this the Life Stage Model, because a cycle implies some return to origins (for a family life cycle, children start from infancy, and go through the stages traced by their parents, although the path they follow will of course be different).

The value of the life stage model is to highlight the effect of the stage on the quality and nature of the relationship; a particular event (say failure to deliver on time) will have a very different response in the infancy of a relationship to the response in a mature relationship.

Insights from the Romance Model

A relationship can break down and be abandoned at any stage (separation or divorce) if experiences fall sufficiently short of expectations, especially if exit costs are low and other options are open. The more advanced the relationship, the greater the loss and pain involved if the relationship fails.

The parties are not likely to be equally committed and involved, especially at the early stages; one is likely to be courting or wooing the other who is less enthusiastic, although which one is taking the initiative might shift over time.

Development of the relationship is unlikely to be a continuous process of ever-increasing involvement; there will be periods when relations cool off or even slip backward.

Relationships are “glued together” by the expected or experienced benefits of the relationship to each party, supported by:

- Mutual trust
- Mutual liking
- Cooperation (expected/experienced)
- Fairness (expected/experienced)
- Commitment.

The Courtship: Pursuit, Seduction or Dance

The initial courtship might be seen as a pursuit, a seduction, or a more cooperative dance, with each party making complementary moves in a cooperative, coordinated way. The “tactics” of each party will depend on that party’s “image” of the relationship, and of their role (e.g., pursuer or pursued; seducer or seduced; leader or follower).

Central at this stage will be hopes and dreams, which will often have unrealistic elements that will almost inevitably result in some level of disappointment. This might explain the findings already described that relationships in the development stage are “stronger” than mature relationships.

Like a romantic relationship, most business partnerships will develop through a number of crises – turning points for better or worse where dissatisfaction on one or both sides challenges the continued development and perhaps the survival of the relationship.

Relationship Crises

The Chinese character for crisis combines the characters for threat and opportunity; a crisis is both.

The response of one or both parties to a crisis can forge stronger bonds or undermine the relationship’s development and future.

Relationship crises, such as a sudden drop in relationship performance by one party, the development of another, conflicting relationship, or an apparent violation of trust or other relationship norms, become turning points for better (if handled well) or for worse (if handled badly).

In some circumstances, one or both parties might decide that the only way to move a relationship forward is to precipitate a crisis and to risk the termination of the relationship, in the hope of provoking reconsideration and action to revitalise or improve it.

The Function of Emotions

Courtships are rarely cool and rational, particularly if they are successful; over time, a marriage might become less of an emotional roller coaster, but if it cools too much, its very survival is threatened.

The romantic model corrects the tendency to view development of business relationships, and especially of the more complex strategic partnerships, as based on purely “rational” decisions and finely calculated assessments of costs and benefits.

Furthermore the model makes it easier to recognise the key functions served by emotions in business relationships. As in any relationship, emotions (e.g., disappointment, anxiety, and anger) can be:

- Signals of a need for action
- Motivators that energise action
- Part of the “capital investment” that holds a relationship together
- Sources of meaning and life beyond the purely financial rewards of a successful partnership.

Examples of Emotional intelligence (EQ) At Work

Emotionally intelligent leaders will “monitor” and use their emotional responses, neither ignoring nor being ruled by them, e.g.,

- Anxiety or anger might be signals of a need for action to test whether trust is being violated, and (more importantly) to explore what is causing the events that have triggered the emotions
- Anger is often suppressed as it only too easily translates into aggressive attacks on the other which can destroy the value in a business relationship; however, anger can energise action and be communicated as evidence of engagement and genuine concern for the health of the relationship; much depends on how it is expressed
- Liking, mutual enjoyment and even affection can cement a business relationship, motivating perseverance in a crisis – or acting as barriers to confronting critical relationship issues.

Attention to and appropriate use of emotional responses can and will further relationships. Ignoring or being ruled by emotions can and will destroy relationship that could otherwise be successful.

Acquaintanceship and Business Relationships

Zineldin (2002) concentrates on strategic partnerships, especially between buyers and sellers.
Such partnerships can of course involve other types of exchange, such as joint product development.

However, business relationships in extended networks do not all involve the intensity of a romantic relationship; some are better understood and quite successful as acquaintanceships between partners who might become friends, but will never “marry” and will never “have children”.

However, even for acquaintances, the development of liking and trust remains central to a continued and productive relationship.

What can we learn about managing commercial relationships from what is known about the psychology of more casual relationships?


Facilitators of Friendship

Friends (and also partners in a marriage) tend to share commonalities of background and outlook. Indeed, “similarity” is one of the great predictors of the formation of enduring friendships, and of the level of mutual liking between people who are acquainted.

While the claim that “opposites attract” is often quoted as a truism, research on friendship, as well as on romantic relationships, repeatedly confirms that those who like each other and have long lasting relationships tend to be more similar in many ways than those who do not.

Similarity facilitates friendship in many ways. Communication flows more easily. There is less chance of misunderstanding. The parties enjoy similar activities. There is less to prompt conflict.

This also applies to individuals developing a relationship within a business or between two organisations.

“Balance Theories” and Relationships

“Balance theories” have been central to social psychology, and have strong empirical support.

Propositions derived from these theories assist in understanding how relationships form and endure:
• individuals who share similar attitudes on issues that are important to each of them will tend to like each other – the relationship is “balanced” (so salespeople seek points of agreement to build liking and trust)
• individuals who like each other expect the other person to hold attitudes and beliefs similar to their own – participants expect relationship will be balanced (so it is easy in a negotiation to assume agreement when it is not present)
• Discovering that a liked other rejects what one likes creates pressure to either re-evaluate the attitude to the other, or to re-assess one’s attitude to the object; such relationships are “unbalanced”, creating unpleasant “cognitive dissonance” (so minor disagreements about priorities or tactics in a business alliance can call the relationship into question).


Trust and Similarity between Organisations

Svensson (2001) quotes evidence that companies with similar or congruent values, cultures, operational procedures and views of the world, find it easier to develop trust in each other; this is an instance where relationships between social collectives parallel relationships between individuals.

At one level, the greater ease between congruent companies probably grows out of greater comfort among the individual personnel in each company when dealing with those who have similar outlooks and procedures in the other company.

At another level, it is usually easier to coordinate and cooperate when operational routines are similar.

However, there must be differences, or there is usually little value in a business relationship; for example one makes, the other consumes, or each produces complementary parts of a final product or service, or has complementary expertise.


Personal Reflection

Given that differences of background, outlook, and culture tend to engender mistrust, what can businesses (and individual personnel) do to build trust in the face of such differences?
Building Business Trust despite Differences

While friendship involves much more than being helpful, it usually does not survive being unhelpful.

Providing even basic practical help requires at least a basic level of understanding of the other party’s needs. There is no point solving the wrong problem; doing so often leaves the other person feeling misunderstood and devalued. (How did you feel the last time someone barely listened, said “What you should do is….”, and showed they had completely missed the point?)

In any business relationship there are likely to be challenges when one side has difficulty meeting the expectations of the other.

Communication skills – particularly those involved in “active listening” – can be critical at the points of potential crisis in the relationship.

Even before this, it is difficult to meet expectations if these are not understood in context (not just the other’s expectations, but why these particular expectations, what makes the desired outcomes desirable).

Mutual Understanding through Good Communication

How can very different organisations develop mutual trust? A simple but profound answer is by achieving a high level of mutual understanding, so that differences are recognised, understood, allowed for and even valued.

For this to occur, good communication is essential.

This is also true of individuals forming relationships across gaps of social class, background, or culture.

Some of the best evidence for what is needed comes from the extensive literature on the communication skills needed for one person to be helpful to another (Egan, 2002). There is further evidence that the same skills can facilitate more satisfying and enduring friendships and more durable and satisfactory marriages.

We next explore some of the psychological underpinnings of successful communication.

The Skills of “Helpful Communication”

**Attentive listening** to the other party (the first step in conveying respect and concern, and a prerequisite to building understanding and empathy).

**Empathy** - communicating an accurate understanding of how the other feels, of how the other sees the world and current situations, and of what this means to the other.

**Respect** - communicating, by words and actions, concern and caring for the other, including (if required) challenging the other to “stretch” to realise untapped potentials. While respect includes being non-judgemental – in particular not expressing disapproval of the other as a person – it might be necessary to criticise or challenge particular behaviour.

Genuineness – being “real”, and (where relevant) self-disclosing, including “owning” reactions to the other’s behaviour, including any discomfort or disapproval.

Appropriate adaptation to the other party in a business relationship conveys understanding of the other party, and demonstrates that the other is respected and the relationship valued; this, we suggest, is one reason that willingness to adapt to the other party is a major predictor of trust and commitment.

Actions can speak louder than words.

Some Relevant Principles of Communication

You cannot NOT communicate - non-communication is itself taken as a message (although often a highly ambiguous one).

Message sent is not necessarily message received - there is always room for misinterpretation and misunderstanding; giving explicit feedback (re-stating the message received) can help to close possible gaps, but is not infallible.

Actions are messages - everything that is done (or not done) in a relationship will tend to be interpreted as having a meaning for the relationship; the action does not have to be a deliberate and explicit “communication”; it is always worth considering what message will be conveyed by particular actions.

in conversation, less than half the meaning is conveyed by the literal meaning of the words - non-verbal behaviour (e.g., eye movements, body language) and para-verbal behaviour (e.g., choice of words, tone of voice) both say as much or more as the words.

This is a substantial topic. The above principles are mentioned simply to highlight the need to look beyond the literal and obvious.


Defensive Behaviour Can Communicate Mistrust

Defensive actions, which are designed to protect the actor from possible loss or damage if the partner proves untrustworthy, can also convey a message – “I do not trust you.”

Such defensive actions (often strongly advocated by corporate lawyers, divorce lawyers and other legal specialists) can thus create the very outcome they are seeking to avoid – that action based on trust in the goodwill and competence of the other party will be unjustified.

This might explain why, in many strategic partnerships, the initial agreements or contracts are not highly detailed (although as contingencies arise and are resolved, these are often written into the formal agreements); the parties know that to over-specify from the start might not only create a “straight jacket” that can inhibit development of the relationship, it also implies a lack of trust (Mayer, 2002).

Personal Reflection

Recall a business relationship where you felt the other party was really helpful.

To what extent did the other party demonstrate attentive listening, understanding, and genuine respect?

Compare this to a business relationship where the other party was unhelpful.

Relationship Development: “Macro” and “Micro” Processes

Within any of the stages in a business relationship, there will be more detailed processes from which steps to strengthen, maintain or weaken the relationship emerge.

One useful model of the “micro-processes” (Ring et al, 1994) identifies three overlapping but distinguishable steps: Negotiations, Making Commitments and Executing Commitments.

The “commitments” referred to here are to carry out certain actions that will further the relationship.

These commitments are, from a process perspective, similar to the higher-level decision to commit to a long term relationship that initiates the stage Zineldin (2002) described as “marriage/growth/commitment”.

The micro-process analysis into negotiations, commitments and executions can be applied within any of the macro-stages previously discussed (e.g., exploration, development, maturity or decline).


Relationship Development: Micro-Process Framework

The development of inter-organisational relationships can be understood as a set of overlapping cycles (from formal to informal and back) within cycles, (negotiations/commitments/execution), as outlined below.

Steps in Establishing a Relationship

The processes outlined involve overlapping steps of negotiation, commitment and execution, repeated in a series of cycles.

Depending on the complexity of the relationship, further negotiations might well be underway while previous negotiated commitments are being executed.

Throughout all rounds of the cycle in the relationship establishment stage, each side is making assessments of the potential of the relationship, based on its contribution to objectives, and the extent to which it is regarded as being fair and equitable. Here, the basic principle is whether the expected benefits are proportional to the investments being made in the relationship.

Within each step (negotiation, commitment, and execution) there are parallel and complementary formal and informal developments. The stronger and more satisfactory the informal strand, the less need there will be for explicit, detailed, formality. No formal agreement can cover all contingencies. All successful relationships ultimately depend on the informal strand and on some level of trust.

Negotiations

The parties develop joint (not individual) beliefs about their respective motivations, possible investments and perceived uncertainties in the relationship that is being explored.

Initial negotiations tend to focus on formal bargaining, and the choices each party has, as they persuade, argue, and haggle over possible terms and procedures that will govern the potential relationship. The negotiations are often set in the context of approaching, avoiding and selecting from among possible alternative partners, who might or might not be aware of each other.

Underlying these formal bargaining proceedings are sense making processes; the parties interpret information about each other and then act to test and/or reinforce these interpretations. Systemic leadership of the process will seek evidence to test emerging interpretations.

Repeated episodes of formal bargaining and informal sense making are often necessary to provide opportunities to assess and resolve uncertainties, each party’s role and the other party’s trustworthiness, and how well the relationship appears to “work” i.e., its efficiency and equity for each party.


Making Commitments

This involves agreement on the obligations and rules for future action in the relationship. The terms (who contributes what and when) and governance structure (purpose, roles, operational and stress management procedures) of the relationship are established, and the degree of formality (ranging from a handshake on a verbal agreement to a long and detailed written contract) are agreed.

A series of interactions is often required to enable the parties to reach a jointly “owned” consensus.

The greater the degree of mutual trust, and the lower the level and importance of the uncertainties involved, the more will the commitments be informal, and perhaps even implicit in a “psychological contract” rather than a written legally enforceable document.

Dependent on the cultural context and the legal jurisdiction, a substantial relationship is likely to involve a formal contract, although this might simply seek to make formally explicit only what is considered essential given the broader informal agreement that has emerged.
Implicit “Psychological Contracts”

The initial trust between new relationship partners is based on a strong expectation of “fairness”, and on expectations of integrity and honesty which are central to business ethics – defining what “should” happen, both in terms of what is morally or ethically “right” and what most of us, most of the time, believe will happen.

These expectations can be described as forming an implicit “psychological contract”.

In a legal contract, there is a defined “exchange of value”, with expectations about what is to be done, (the promise); terms of delivery and responses to non-delivery are usually made explicit.

Relationships can often be described “as if” there was a contract that was not formally stated and not legally enforceable, but is taken as psychologically or ethically binding. If a psychological contract is left too vague or its terms taken for granted, there is much room for misunderstanding.

Some Issues for “Psychological Contracts”

Some of the issues that can be central to an effective psychological contract include:

- The aims or purposes of the relationship
- The operational procedures or routines that will be followed in carrying through the relationship, and particularly the ground rules for communication – who communicates about what to whom, in what style
- The roles – who will do what, who has the authority to decide what, who has the right to be consulted or to overrule decisions, etc.
- Stress management procedures, i.e., how to deal with tensions, especially clashes between individuals who do not “get on” for whatever reasons.

These issues arise in many relationships within and between organisations. Arriving at mutually acceptable positions is especially important where the environment is turbulent. Effective leadership will seek a workable balance between legal and psychological contracts.

Executing Commitments

At this point, the commitments and rules of action are put into effect. Instructions are issued within each partner, materials bought, agreed amounts paid, and whatever actions are required to administer the agreement are carried out.
Initially, formally designated role behaviour reduces uncertainty during execution and makes interactions more predictable.

Through a series of role-based interactions, parties are likely to become more familiar with one another as persons, and may increasingly rely on interpersonal as opposed to inter-role relationships.

Over time, misunderstandings, conflicts and changing needs and expectations will inevitably emerge, which will prompt rethinking of the terms of the relationship.

In these renegotiations, new supplemental agreements typically resolve the issues, while the basic relationship continues, strengthens, or weakens.

Group Relationship Psychology

Carr (1999) suggested that, “…group psychology [is] really an extension of individual psychology.”

The material covered so far is largely based on the understanding of the behaviour of individuals responding to another individual, as it is from such behaviour that the “threads” of relationship between businesses are spun.

However, the behaviour of groups is not a simple sum of the behaviour of the group’s members; group processes are at work that must be understood in their own right. Groups are “complex adaptive systems” and cannot be reduced to the behaviour of their individual members.


Group Processes

Some relevant group processes we discuss here are:

- Identification with the in-group, stereotyping of out-groups, and mistrust of the “stranger”
- The “polarisation effect” and “group think”
- The development of group norms and organisational cultures (established valued traditions and ways of coping)
- Rejection, ostracism and ejection of “deviants” as ways of defining the limits of group norms, bolstering solidarity, and socialising individual group members
- The processes of group development, such as resolving the issues of inclusion, control and intimacy, and steps needed for a group to form, resolve conflicts, develop norms and perform
- Group climates, and especially the development and consequences of differences in “psychological safety”.
Defining the in-Group

With any ‘new’ group it is important to define who the members of the group are, and who are not.

This matters, because members behave and feel quite differently about other in-group members from the way they behave toward and feel about non-members (especially members of other groups).

A large part of any individual’s identity and self-concept derives from the groups that individual is a member of and identifies with.

in a formal organisation (like a business or company), individuals are members of primary groups (their immediate work unit), and of larger social units (branches, divisions, the total company).

These organisational boundaries often (but not always) define degrees of “social distance”; the immediate work unit, those the individual interacts with most day to day, tends to be the “closest” (and most trusted).

Sometimes individuals in “boundary roles” at the margin of a group are bound to more than one primary group, and can be closer to some individuals in the other group than to some members of their own formal group.

The in-Group and Out-Groups

Other primary groups within a business can be (and often are) considered out-groups (“them” rather than “us”), potentially leading to dysfunctional consequences.

Those from other businesses are almost automatically out-group members. Why does this matter?

Cooperation and trust is usually easier to achieve inside an in-group, especially a primary group that all interact face-to-face; this flows from the frequency of interaction, and perception of shared consequences – that the group does well or badly as a group, rather than one by one, so that joint activities almost automatically form a cooperative “win-win” rather than competitive “win-lose” situation.

Of course, this is not always true; businesses do pit group members against each other deliberately, hoping to stimulate productivity through competition, and some competitive individuals enjoy “winning” a contest with in-group members even more than “beating” someone from an out-group (“sibling rivalry” transferred to work).
Personal Reflection

Identify one past “us vs them” situation that undermined performance in your business unit. How would you deal today with such a situation if it arose?

Stereotyping of Out-Groups

Stereotyping is an essential “labour saving” device of social interaction; when the other is unknown or unfamiliar, we look for cues that can be used to trigger expectations about what the other person or group can and will do (stereotypes).

Negative, unfavourable stereotypes also serve functions for an in-group – for example, they can help to increase solidarity and trust within the in-group (“we are not like them”).

Negative stereotypes also become major barriers to good communication and the development of trust (e.g., not listening, dismissing the other’s views “out of hand”)

Where another person is part of an out-group, and especially where this is symbolised by obvious differences of appearance and style, it is easy to build up negative stereotypes which foster in-group solidarity but are serious barriers to good relationships with the stereotyped out-group members.

Some groups develop traditions of insularity and hostility to out groups; some individuals are highly prejudiced, clinging to negative stereotypes despite contrary evidence.

Hostility to and mistrust of out-group members resists change especially where interaction is infrequent, brief, and highly formalised, and where conflicts of interest exist.

Personal Reflection

Think of a business example where a stereotype proved to be wrong. What lead you to recognise it was misleading?
The Benefits of Being Favourably Stereotyped

Some out-groups attract favourable stereotypes.

Individuals from certain professions tend to be automatically considered to be competent and/or benevolent; e.g., doctors have tended to be seen in this way (although this might be fading as generalised trust in professions is eroded).

Professions seek, through setting standards of education and conduct, and by ejecting those who violate the standards, to develop reputations that will engender favourable stereotypes.

Many occupational groups seek to define themselves as professions by developing standards for membership, codes of ethics, and other trappings of established professions.

Individuals or groups from businesses with strong reputations for competence, integrity and reliability benefit from favourable stereotypes when starting relationships.

Group Polarisation

When groups face a risky decision, a shared group decision usually displays “polarisation”: the group decision is more extreme than the average preference of its members.

When members initially lean slightly towards the risky preference, the group decision shows a substantial “risky shift”.

When the members initially tend to be cautious, the group will tend to be even more cautious – the “cautious shift”.

The effect is based on a combination of group processes. This emergent group phenomenon cannot be understood solely by understanding the behaviour of the individual group members.

“Group Think”

One process that leads to the risky shift is “group think”, where many group members might have doubts about the emerging consensus, but no-one is willing to challenge the group by sharing their doubts.

Irving Janis coined the term “group think” to sum up the processes that led the Kennedy cabinet to approve the disastrous ‘Bay of Pigs’ invasion, (cf Janis, 1988). Every member of the group had serious reservations, but group solidarity blocked anyone from expressing their doubts.

He defined “group think” as: A mode of thinking that people engage in when they are deeply involved in a cohesive group, when the members’ strivings for unanimity override their motivation to realistically appraise alternative courses of action.

These phenomena provide further examples of the ways in which group behaviour differs from the behaviour of individuals.


Personal Reflection

Identify an example of “group think” or a “risky shift” in your own business unit. What could have prevented this?
Group Norms and Group Culture

Most broadly understood, “culture” is the shared stock of practices and tools for dealing with the common internal and external environment of a society.

The value of culture is that it is transmitted over time as new members join the group and older members leave, and saves members from “re-inventing the wheel.”

The disadvantage of culture is that it is based on what has worked in the past, and this might not work now or in the future.

Group norms are standards or rules about what is the “proper” or “correct” behaviour for group members.

Norms might be universal (apply to all group members) or specific (apply to particular members or those in particular roles, e.g., some norms differ for the head of the group and others, or for senior members and less senior members, for male members and female members).

Shared norms enshrine key aspects of the culture of a group, organisation or society.

Individuals will vary in the strength of their motivation to follow group norms, but most members observe group norms most of the time, or they are ostracised or ejected.

Bringing Cultural Norms into Business Organisations

As large businesses become increasingly multi-national, interest in the social norms brought by personnel into the business from their own culture has increased.

Differences in the larger cultural context can create great difficulties for managers who are posted to another country (or even to another region of the same country).

Tan and Snell (2002) found that “Western” cultural norms appear to have gained dominance in a sample of businesses in Singapore, largely over-riding the traditional Confucian norms of “guangxi” (“connectedness”) even for the Chinese managers – but the older Chinese cultural traditions still coloured the views and judgements of the Chinese managers.

For example, one ethnic Chinese executive was instructed to dismiss an incompetent manager; instead, to meet “guangxi” obligations, he coached the manager for six months to bring him “up to standard”. While this was a creative solution, it involved considerable cost and risk.

Punishment and Exclusion of Deviants

Sociologists have long argued that any society, and perhaps any long lasting primary group, “needs” deviants.

Those who deviate from group norms are sanctioned – subjected to disapproval, perhaps ostracised, and even expelled.

This process not only can bring the deviant back “within the fold”; it helps to define for others the limits of what is acceptable, and remind them of the consequences of deviance.

Stereotyping and associated disapproval of out-groups can serve a similar function to sanctioning internal deviation, with reduced “social cost” – no group member has to be sanctioned or expelled, but the limits of acceptable behaviour can be drawn.

However, this also has costs if there is a need to interact cooperatively with the out-group.

The tendency to move responsibility for negative outcomes from the in-group, and blame either deviant members or the out-group, is a major barrier to development of lasting and productive relationships between organisations.

Group Development and “Psychological Safety”

When a new organisation or unit is established, or an organisation enters a new relationship, the individuals must build their relationships with each other. Often new groups will form, each with its distinctive membership, symbols, culture and norms.

Groups tend to go through stages – and sometimes to regress and repeat the work of earlier stages, particularly when membership of the group changes. As groups develop, they establish a typical “group mood”, which has been called group climate – not today’s weather (hot or cold, wet or dry, still or windy) but the pattern of the emotional and relational “climate” over time. The concept has often been extended to total organisations, and instruments have been developed to measure “organisational climate.”

One critical aspect of this group climate is the level of “psychological safety” – the extent to which members feel safe to reveal problems, failures and difficulties, and to express negative as well as positive feelings. High performance groups, especially those faced with high levels of external demand for change, tend to be those with higher levels of psychological safety (Day, 2001:603-604).

Inclusion, Control and Openness

One model for understanding the process of group development is Schutz’ (1992) revised FIRO theory that a new group must deal with three key issues, and that these will tend to be dealt with in a sequence.

The issues, at the level of actual behaviour (in order) are:

- **Inclusion** – defining who is a member and who is not (which might involve defining who is fully accepted as a “good member”, which can go beyond who is formally part of the group), and also how much the members involve themselves in the group
- **Control** – the extent of control over its members to be exercised by the group, and the level of control that members want from the group
- **Openness** – the level of openness between group members that is expected by the “group”, and is wanted by the members (called “Affection” in the earlier, FIRO-B version of the theory).

When new members join a group, Schutz contends that they have to deal with these issues in the above order.

There can be conflict about each issue, particularly in the level of inclusion, control or affection desired by the individual and the level expected by others (the emerging group norms).


Forming, Storming, Norming, and Performing

Another widely used model of group development proposed by Tuckman (1965) specifies four phases, that are usually dealt with in the order listed:

- **Forming** – this is similar to dealing with the issue of inclusion, and involves initial “getting to know each other”
- **Storming** – the group will often go through a stormy period of conflict, overtly about “the task”, and (often covertly) centred on issues of dominance and control, but potentially about almost any issue about which norms can develop.
- **Norming** – some basic rules develop about how the members of the group will relate to each other, around issues such as formality, divisions of labour, distribution of authority and power, the agenda of the group and the nature of its “task”, and so on. Even if norms are prescribed by the larger organisation, these still have to be worked through and “owned” by the group members; much comedy - and tragedy - centres on the gap between formal roles and authority and informal practices including influence and power.
Performing – successful groups emerge from developmental storms into a more harmonious, mature “performance” stage.

Real work groups can slide back into an earlier stage as members come and go, and as the normative issues change.

Tuckman BW (1965) Developmental sequence in small groups. Psychological Bulletin 64:384-399

Persuasion and Leadership

Increasingly, leaders need the “power to persuade” – whether leading a team, a business or a nation, whether dealing with others inside the organisation or with outsiders.

Persuasion has often been considered as either a one-to-one or one-to-many process (mass communication). Especially in the context of an organisation or of relationships between organisations, it is more complex.

Individuals tend to be more persuasive on an issue if they are:

- Liked and trusted
- Seen as having relevant expertise.

There are skills in presenting a case that build on such personal social capital to enhance persuasion. However, persuasion skills go beyond those that assist being seen as likable, trustworthy and expert, and skills in dyadic persuasive communication. Persuasion skills also involve understanding and actively using the social networks within and between organisations.


Systemic Persuasion

Persuasion in and between organisation requires a systemic network perspective. Relevant skills and tactics can be grouped as:

- **Mapping the influence network landscape**: Identifying who needs to be persuaded and how they can be influenced, including through whom they can be influenced.
- **Shaping perceptions of interests**: It not only helps to understand what other “players” want, but to actively influence their beliefs about what they want.
- **Shaping perceptions of alternatives**: Understanding and influencing other “player’s” perceived alternatives can transform persuasive power.
- **Gaining acceptance for tough decisions**: This can be increased by designing appropriate consultation and decision-making processes.
• **Persuading at a distance**  A leader in a large organisation has to be able to persuade and influence a “mass audience” without being able to interact directly with each audience member.


**Ethical Considerations**

In the day to day turmoil of leading an organisational unit, managers are frequently faced with continual challenges to “ethical” behaviour – often, business ethics appear to conflict with the bottom-line imperative, at least in the short run.

Many aspects of relationship psychology are relevant to understanding the choices that are made when faced with an ethical issue, e.g.,

- The apparent short-term bottom line penalty of behaving ethically can influence attitudes to behaving ethically
- The conflicting “norms” in different organisational units confronting those who work across the organisation’s internal boundaries create tension, uncertainty about which “norms” to follow, and can leave an individual in a state of confusion and ambivalence that raise ethical issues.
- Empathy with the norms, values or beliefs of external stakeholders (e.g., customers, suppliers, and alliance partners) that are in conflict with organisational norms, values or beliefs can also produce confusion and ambivalence that raise ethical issues.

**Ethical Norms and Implicit Psychological Contracts**

Niehoff and Paul (2001) propose that a “just workplace” is one that observes the terms of an implicit (or even explicit) “psychological contract” between the employer and employees; this places the ethics of the employment relationship at the centre of “industrial relations”.

The same concept of an implicit “psychological contract” can be extended to understanding the response to unethical conduct between organisations.

An important aspect of ethical behaviour is the predictability of behaviour given an understanding of the ethical considerations that drive the behaviour. Predictability reduces the cost of doing business. It is therefore commercially advantageous to build a shared understanding and commitment to agreed ethical standards. This involves more than just subscribing to the same general principles. There needs to be a real shared understanding of and agreement about what these will mean in practice in specific situations that are likely to arise.

Ethical Norms and Cultural interpretation

It must, however, be remembered that different cultures can define what is of value, and hence what will be seen as “fair”, in quite different ways.

It follows that what is “ethical” will often be contested. “Unethical” conduct will often be rationalised in various ways as not “really” unethical at all. Beliefs about consequences will be shifted, or evaluations of the consequences altered, to “rationalise” and justify what has been done.

For example, “whistle blowers” who bring unfair organisational conduct into the open often find that their ethical behaviour is rejected as not only against group norms, but as an unethical rejection of personal obligations.

Personal Reflection

A large bank is often in a very powerful position in relation to its smaller suppliers and customers. When disputes arise, the bank can afford to exhaust the funds and energy of the other party, even where the other party might have an excellent case.

From a “bottom line” viewpoint, if the amount at stake is sufficient, some would argue that the bank is obligated to “spin out” proceedings to exhaust the other party’s resources and so protect “shareholder value”.

What is fair and ethical in such a situation? What norms are relevant?
Topic Review Questions

1. Briefly describe the development of a business relationship you have been involved with in terms of the “courtship” model of initial relationship development.

2. Identify an aspect of the way this relationship developed that illustrates the role of emotions as signals of progress or crisis, and as motivators.

3. A group will often make different choices to an individual who is not exposed to group influences (e.g., a poorer decision due to “groupthink” or the “risky shift”, or a better decision due to access to a more diverse range of perspectives). Briefly describe one example that you have observed in your organisation where the group decision appeared to be better or worse than an individual would have made, and suggest how this difference came about.

Make notes (around 300 words) on your answers, and compare these with the Answer Guidelines provided. Be prepared to discuss your answers with your lecturer at the next Teleconference.