# Harvard Management UPDATE

A NEWSLETTER FROM HARVARD BUSINESS S…


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PUBLISHING

Dear Reader:

I won't keep you for long, but I just wanted to point out some changes in store for you when you turn the page.

*Harvard Management Update* has a fresh design. The text is easier to read, the layout faster to scan.

And then there are the aesthetics. I hope you find that its bold, new look makes *Harvard Management Update* just that much more enjoyable to read.

I welcome your comments and suggestions.

Sincerely,


Christina Bielaszka-DuVernay
Editor
cduvernay@hbsp.harvard.edu


Making

by Ellen Ernst K

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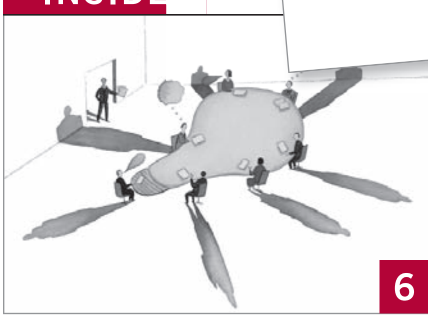

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Harvard Management UPDATE

A NEWSLETTER FROM HARVARD BUSINESS SCHOOL PUBLISHING | **MAY 2007** | VOLUME 12 NUMBER 5

# Making Flexible Schedules Work—for Everyone

by Ellen Ernst Kossek, Mary Dean Lee, and Douglas T. Hall

A promising up-and-comer asks to cut back to three days per week for four months so he can study for his CPA exam. A highly trained, high-performing individual in a key role wants to job share so she can spend more time with her toddlers. A successful sales manager asks for a 60% workload with no traveling so he can help care for his child with special needs.

Say no, and you risk losing key talent. But if you say yes, won't you put productivity and efficiency at risk?

No, not if you're careful, according to our study of 88 managers and executives in 20 companies across six business sectors in the United States and Canada. Our in-depth research at major companies such as Merck, Unilever, Bank of Montreal, Starbucks, and Baxter International revealed that allowing employees to craft nontraditional workloads and schedules yields significant payoffs: Better retention of high performers. Greater productivity and efficiency. Improved team functioning. Deeper cross-training and development within the group.

But not all customized arrangements will deliver value to your organization. To increase the likelihood that a particular reduced-workload arrangement will benefit your unit and your company as a whole, work with the employee making the request to answer the following four questions.

## 1. CAN THE INDIVIDUAL PERFORM THIS JOB WELL ON A FLEXIBLE SCHEDULE?

You know your employee: Has he demonstrated the drive, adaptability, and commitment that suggest he will be able to perform effectively on a reduced-load schedule?

If you believe he can, then look closely with him at the job itself. Some positions do not accommodate flexible schedules well. Tight deadlines, the challenges of managing inexperienced subordinates, and a go-it-alone culture can stymie the best efforts of even your most talented and committed employees.

In our research, we talked with a vice president at a multinational financial institution who had agreed to let one of his direct reports cut back to an 80% workload. In charge of relationships with client banks in four countries in Southeast Asia, she had excellent language capabilities and a strong track record of generating new business. Replacing her would have been difficult, and forging the same strong client ties would have taken any replacement months, if not years. The VP naturally wanted to accommodate her request.

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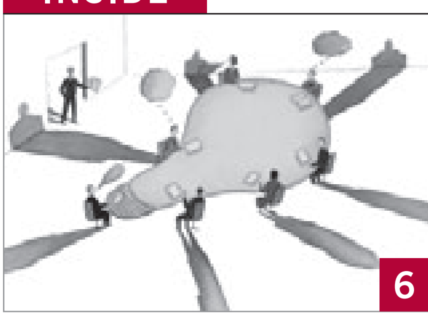

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But her role required that she travel regularly to seek new business. By definition, the reduced-workload position cut back her efforts in this area by 20%, and the new-business revenue she generated showed a corresponding drop. In hindsight, her boss acknowledged that his decision weakened his organization's ability to grow and defend its market. Instead, he said, he should have worked with her to redefine her job responsibilities.

### 2. CAN THE DUTIES OF THIS JOB BE SHARED?

The most typical job share our research uncovered was a 60%-60% arrangement, in which each person is paid 60% of the base salary and works three days per week, with both parties in the office at the same time at least one day per week. This overlap helps ensure that each party can get fully briefed about conversations, projects, and decisions that the other has recently contributed to.

What's the most important factor for a job share to be successful? Excellent communication and collaboration between the two individuals who jointly hold the position. When this happens, job sharing can be enormously beneficial to the organization in that the skills and experiences of two people rather than just one drive performance.

A director of customer financing at a large manufacturer managed 18 business managers distributed throughout the country whose role was to provide salespeople with pricing and negotiation support. When a business manager position opened up, two people—one with a sales background, the other with finance expertise—applied for the position as a team. They proposed a 60%-60% arrangement, with each working three days per week.

Despite some skepticism about whether the arrangement would work and some mild grumbling about paying 120% of the salary, the director hired them. Their complementary backgrounds proved a great resource to the salespeople they supported. From the organization's perspective, the impact their performance had on sales revenue more than compensated for the 20% salary premium.

We saw a similar situation involving a regional sales manager job at a major pharmaceutical concern. Although each person brought particular strengths to the table, they backed each other up so thoroughly

### HOW TO DO A QUICK COST/BENEFIT ANALYSIS

When weighing a request from an employee for a reduced-workload arrangement, ask yourself:

- Does this individual have a track record of above-average performance? Can I be confident that a reduced workload would not lessen his drive and commitment?
- What would be the long-term impact on his motivation, productivity, and tenure if I deny the request?
- If he left, what key projects or critical client relationships would be compromised?
- What would it cost to recruit and train a replacement?

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that their colleagues felt equally comfortable taking questions and problems to one as to the other. And the strength of their combined performance was undeniable: in just one year, sales in their region moved from last out of 42 to first.

One bank VP, commenting on a 60%-60% job share between two people he managed, spoke for many managers and executives in listing the benefits the arrangement delivered to him and the company: "With the range of skills these individuals bring to the table, I find that no issue they have to deal with is beyond their capabilities. Between them, they possess a huge knowledge base. And because they bounce ideas off each other and work them through, they generate more thoroughly reasoned decisions."

So what are the downsides? A 60%-60% job share is more expensive than one person working at 100% of the salary. But many managers and executives we talked to commented that the value a team of two highly talented individuals brings to a single job is well worth the salary premium. Another concern is that a crisis in one person's life—an illness, for example—can increase the other's workload and require her to pay additional child care, spend more time away from the family, and so on. A final point to keep in mind is that, over time, the job share may no longer suit one party as well as it does the other. So review the arrangement once a year, and be prepared to alter or even terminate the arrangement.

### 3. CAN SOME OF THE POSITION'S DUTIES BE ELIMINATED?

Many jobs include a handful of "legacy" duties—tasks that at one time were important but are considerably less so now. If the employee asking you for a reduced-load position hasn't already looked to eliminate low-value tasks, suggest she do so.

A VP in the hospitality industry was asked by one of his directors for a reduced workload. At his suggestion, she put together a proposal that outlined the pieces of her current job she judged could be eliminated. Although not every task she recommended for elimination was cut in the end, she and her boss were able to pare her job down to 80% by eliminating some tasks and reassigning others.

Deciding what to cut was difficult, her boss told us. "You need to decide what has to get done, what is nice to get done, and what can just be dropped."

### 4. HOW CAN THE ARRANGEMENT STRENGTHEN THE ENTIRE UNIT?

Many managers and executives told us they realized unexpected benefits from allowing some of their direct reports to work reduced loads, such as greater collaboration in their units, enhanced talent development of team members, and reduced costs.

Increased collaboration and better cross-training were the result of a crisis that hit a small group of economists working for a large multinational bank. In just one year, two of its senior economists—one a man, one a woman—required reduced workloads so that they could care for their infants, both of whom were born with serious health problems.

Under the direction of the chief economist, the team listed all the work done by the group—the global monitoring they performed, every report they generated, each meeting one or more of its members attended—to see what could be eliminated. Then they took a fresh look at allocating the remaining work. They reassigned some work previously done by senior economists to research assistants. This then freed up the senior economists working a full load to take over some of their peers' work. As a result of this exercise, the group became more cohesive and more deliberate in ensuring that adequate backup was in place when someone needed to be away.

The chief economist spoke for many managers and executives we talked with in emphasizing the

### AVOID A COMMON PITFALL

While the lion's share of reduced-workload arrangements delivers real value to the employee, the manager, and the unit as a whole, one common pitfall compromises success: a mismatch between the reduced-load schedule and the actual size of the job. This occurs when, for example, the manager agrees to let an individual work an 80% workload, but the job is reduced just 5%. The inevitable result is resentment and burnout on the employee's part, and disappointment on the manager's. In some cases, the overloaded employee ultimately resigns. It's understandable that you as a manager want to get the most out of your high performers, but in this case moderating your expectations will serve you much better in the long run.

Flexible Schedules **continued**

importance of taking a holistic view of the unit's capabilities. When an employee goes to part-time status, he says, "you have to think about how you can take advantage of all the skills and capabilities within the group to minimize the impact."

In looking at their units as a whole, some managers we spoke with were able both to accelerate talent development and to cut costs. At one large manufacturing concern, a project manager asked her boss if she could go to an 80% workload after her maternity leave. To take over some of the work she'd be shedding, he created a new lower-level position, that of project administrator.

Not only did the new role allow some work to be done at a lower cost, but it also proved to be a powerful developmental tool. "We have grown a lot of very good project managers from those roles," the senior manager says. "After six months, most of the project administrators could run small projects themselves." ◆

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# Are You Using Recognition Effectively?

by Christina Bielaszka-DuVernay

Recognition gets paid great lip service. Ask three managers if they consider it important to recognize the value their teams deliver, and chances are very good that you'll get three positive responses.

But probe a little bit, and you'll discover that the walk is leagues away from the talk.

Manager 1 makes recognition a priority—when he has time to think about it. For Manager 2, recognizing her team means having sandwiches brought in once or twice a quarter for a conference room lunch. Manager 3 is fairly consistent in doling out praise and rewards—too consistent, in fact. The boilerplate language in his thank-you notes and the inevitable $25 gift certificate to a "family style" chain restaurant have become an in-joke among his team members, generating eye rolls more than anything else.

For recognition to strengthen your team's performance, say Adrian Gostick and Chester Elton authors of *The Carrot Principle: How the Best Managers Use Recognition to Engage Their People, Retain Talent, and Accelerate Performance* (Free Press, 2007), it can't be haphazard, it can't be generalized to the group, and it can't be generic. So what characterizes recognition that actually works?

## 1. EFFECTIVE RECOGNITION IS FREQUENTLY DELIVERED

Once or twice a quarter won't cut it, as Manager 2 has not yet realized. Research conducted in 1999 by The Gallup Organization (Washington, D.C.) found that employees' engagement and motivation are strongly affected by how often they receive recognition for their work.

Three years after the U.S. branch of accounting firm KPMG introduced its recognition program, Encore, the number of employees who agreed with the statement "Taking everything into account, this is a great place to work" rose 20%. In analyzing the program's effectiveness unit by unit, Sylvia Brandes, KPMG's U.S. director of compensation, discovered that units offering their employees less frequent recognition suffered notably higher turnover than units in which recognition was a frequent occurrence.

So how frequently should you let your team members know you recognize and appreciate their efforts? At least once every other week.

We're not talking gold watches here, point out Gostick and Elton. "Managers who earn the most trust and dedication from their people do so with many simple but powerful actions," they write in *The Carrot Principle*. These can include sending them a sincere thank-you note, copying them on a memo praising their performance, or taking a moment in the weekly staff meeting to highlight their actions. To keep yourself on track, Gostick and Elton recommend maintaining a simple recognition scorecard for every employee that notes the date praise was given and for what.

### 2. EFFECTIVE RECOGNITION REFLECTS ORGANIZATIONAL VALUES

If you want recognition to reinforce the sort of thinking and behavior you'd like to see more of, connect your praise explicitly to the values of the organization, whether that's the team, the unit, or the company as a whole. If you're making a connection to company values, keep in mind that they may be less than clear to the employee.

"So many companies' mission or values statements go wrong," says Gostick, head of recognition and training practice at Salt Lake City–based O.C. Tanner Company. "Either it's a laundry list or it lauds such feel-good but generic values as hard work, service, innovation, and so on. The result is that no one really knows what values or behaviors really matter."

And even when the values are clearly defined and kept to a manageable number, employees are notorious for ignoring or tuning out the various means by which a company seeks to communicate them. When's the last time you read the company newsletter cover to cover? Or resisted the urge to fiddle with your BlackBerry during a speech about the company's values?

But the moment of personal recognition is one time that the employee is not tuning out. And if this occasion is before a group of her peers, chances are that many of them—particularly if they like and respect her—are also paying attention. So when you single out an individual for praise, whether it's in a one-on-one meeting or before a group, link that person's behavior with the organization's values. For example:

- *Thank you, Peter, for going the extra mile to keep our client happy. As you know, our team is trying to improve its service-renewal scores and this client is one of our biggest accounts, so your actions really mean a lot.*

- *That was a great idea to invite the special projects team to our staff meeting. We talk a lot around here about the value of cross-unit collaboration, but we don't always do such a good job of actually doing it! I really appreciate your efforts in this area—thanks.*

### LENDING THE GREATEST IMPACT TO PUBLIC PRAISE

Whether presenting an employee with a formal award at a companywide ceremony or singling out a team member for praise at a staff meeting, use the power of storytelling to give the honor maximum impact. Gostick and Elton suggest using the acronym SAIL as a guide in telling an effective story about the employee's contributions:

- **S**ituation: Sketch the problem or opportunity that confronted the employee.
- **A**ction: Describe what actions he took in response.
- **I**mpact: Explain what impact those actions had.
- **L**ink: Link the employee's actions to the organization's values.

### 3. EFFECTIVE RECOGNITION IS APPROPRIATE TO THE ACHIEVEMENT

Remember Manager 3 and his $25 restaurant gift certificates? His recognition efforts met with derision because he dispensed them without regard to the extent of the employee's effort or the magnitude of the employee's achievement. Someone who came in over the weekend to integrate the latest data into an important report received the same reward as someone whose three-month-long project unearthed an opportunity to eliminate $50,000 annually in unit expenses.

"It's demotivating to give someone a minor award for a major accomplishment," says Gostick. "It's a slap in the face."

But before you think in purely monetary terms about what would be appropriate for a certain level of achievement, consider the fourth quality of effective recognition: it's customized to the individual.

### 4. EFFECTIVE RECOGNITION IS TAILORED TO THE INDIVIDUAL

What's meaningful to one employee versus another can vary significantly. A particularly ambitious employee might really value face time with the CEO or appointment to a high-level project team as recognition for her efforts. A very conscientious employee who always seems to have trouble leaving the office might get more out of an explicit directive to take a day off and take his family to the zoo, courtesy of the company.

Cash awards, say Gostick and Elton, tend not to be as worthwhile as thank-yous, unless they're quite substantial ($1,000 or more). Instead of using the

Recognition continued

money to buy something special and memorable, most employees just use it to pay bills and quickly forget about its significance.

### WHAT ABOUT TEAM RECOGNITION?

Manager 2's mistake was to try to recognize individuals' efforts by giving blanket recognition to the group. It's a tactic that's next to useless.

But when your team as a whole achieves goals, recognizing its accomplishments is perfectly appropriate. And don't wait until the particular project is near completion.

"In sports, we don't wait for the team to win before we applaud; we celebrate each incremental step toward victory," says Gostick. "Yet in business there's this tendency to wait until the project is clearly working well before we celebrate anything."

At the start of a project, "set short-term goals and articulate the reward the team will receive for reaching them," he advises. Each milestone reached presents an occasion to celebrate everyone's contribution to the group effort, reinforce the project's importance, and reignite the team's commitment to working together creatively and collaboratively in pursuit of the end goal. ◆

***Christina Bielaszka-DuVernay*** *is the editor of* Harvard Management Update*. She can be reached at* *cduvernay@hbsp.harvard.edu.*

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# How to Get the Best Solutions from Your Team

Avoid two common decision-making traps that confront leaders.

by Robert B. Cialdini

Smart organizations place a premium on group consultation. Studies done by psychologist Patrick Laughlin at the University of Illinois and his colleagues show that the approaches and outcomes of a cooperating group are not just better than those of the average group member, but are better than even the group's best problem solver functioning alone.

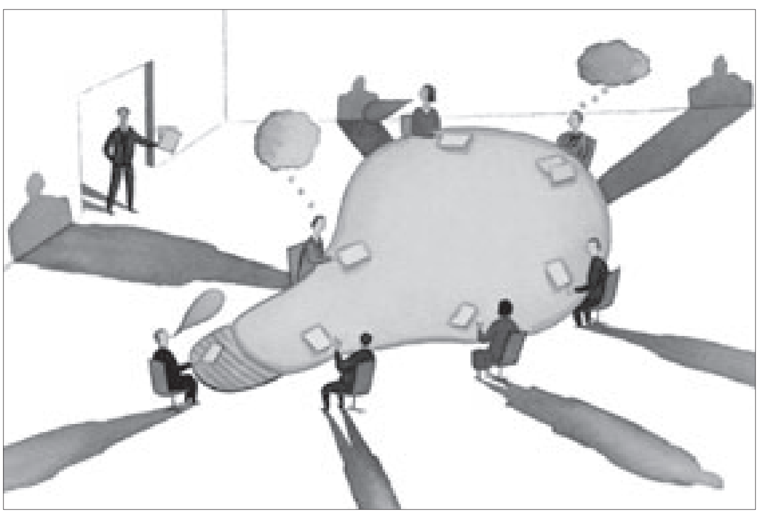
Their findings have important implications for leaders. Far too often, a leader—who, by virtue of greater experience or wisdom or skill, is deemed the ablest problem solver in a group—fails to ask for input from team members. Equally dangerous, team members often relinquish problem-solving responsibilities to the leader and fail to provide her with important information for moving forward on a decision.

The consequences? Bad choices, flawed solutions, and avoidable errors.

### DON'T GO IT ALONE

Laughlin's data tells us why even the strongest problem solver operating individually will be bested by a cooperating unit.

First, the lone problem solver can't match the diversity of knowledge and perspectives of a multiperson unit that includes him. Other members will have had experiences with similar or related problems that will allow the team to recognize fruitful versus fruitless choices more clearly and quickly. Furthermore, this diverse input can do more than



merely add to the storehouse of information that the best problem solver can employ; it also can stimulate thinking processes that would not have developed in wholly internal monologues. We all can recall being led to a productive insight by the comment of a colleague who didn't deliver the insight itself but who sparked an association that did the trick.

Second, the solution seeker who goes it alone loses a significant advantage—the power of parallel processing. Whereas a cooperating unit can distribute the many subtasks of a problem-solving campaign among its members, the lone operator must perform each subtask sequentially. This requirement considerably extends the time spent on the effort. In addition, it strains the capacities and energies of the problem solver because the subtasks often include activities that are daunting in their difficulty (e.g., integrating complex information that may appear contradictory), time-consuming in their execution (e.g., library/Internet research), or demotivating in their tediousness (e.g., fact checking).

> "If you're the brightest person in the room, you're in trouble."

## THE NOBEL PRIZE–LOSING ERROR

These findings echo a remarkable interview published in 2003 on the 50th anniversary of perhaps the most important scientific discovery of our time—that of the double-helix structure of DNA, as revealed in the Nobel Prize–winning work of James Watson and Francis Crick. The interview, with Watson, was designed to inquire into those aspects of the duo's efforts that had led them to untangle DNA's complex structure ahead of an array of highly accomplished rival investigators.

At first, Watson ticked off a set of contributory factors that were unsurprising: he and Crick were passionate about their quest, devoting themselves single-mindedly to the task, and they were willing to try approaches that came from outside their areas of familiarity.

Then he added a stunning reason for their success: he and Crick had cracked the elusive code of DNA because they weren't the most intelligent of the scientists pursuing the answer. According to Watson, the smartest of the lot was Rosalind Franklin, a brilliant British scientist who was working in Paris at the time.

"Rosalind was so intelligent," observed Watson, "that she rarely sought advice. If you're the brightest person in the room, you're in trouble." That comment illuminates a familiar error seen in the actions of many well-intentioned leaders.

## CAPTAINITIS

Another type of error stems from a failure to collaborate. It's called *captainitis*, and it refers not to the tendency of a leader to assume all problem-solving responsibilities but rather to the tendency of team members to opt out of responsibilities that are properly theirs.

The error gets its name from the sometimes-deadly type of passivity exhibited by crew members of multipiloted aircraft when the flight captain makes a decision that's clearly wrong. Accident investigators have repeatedly registered disastrous instances when even an obvious error made by a captain was not corrected by other crew members.

Consider the following exchange, recorded on an airliner's flight recorder minutes before it crashed into the Potomac River near Washington National Airport in 1982, killing 78 people:

> Copilot: Let's check the ice on those tops [wings] again, since we've been sitting here awhile.
>
> Captain: No. I think we get to go in a minute.
>
> Copilot: *[Referring to an instrument reading]* That doesn't seem right, does it? Uh, that's not right.
>
> Captain: Yes, it is…
>
> Copilot: Ah, maybe it is. *[Sound of plane straining unsuccessfully to gain altitude.]*
>
> Copilot: Larry, we're going down!
>
> Captain: I know it. *[Sound of the impact that killed the captain, copilot, and 76 others.]*

Captainitis is not limited to air travel. In one study, researchers tested the willingness of well-trained nurses to give up their decision-making responsibilities regarding a patient once the "boss" of the case—the attending physician—had spoken. To perform the experiment, one of the researchers made a call to 22 separate nurses' stations on various surgical, medical, pediatric, and psychiatric wards. He identified himself as a hospital physician and directed the answering nurse to give 20 milligrams of the drug Astrogen to a specific ward patient. In 95% of the instances, the nurse went straight to the ward medicine cabinet, secured the ordered dosage of the drug, and started for the patient's room to administer it—even though the drug had not been cleared for hospital use, the prescribed dosage was twice the maximum daily dose set by the manufacturer, and the directive was given by a man the nurse had never met or even talked with before on the phone.

The authors of the study concluded that in fully staffed medical units like the ones they examined, it is natural to assume that multiple "professional intelligences"—i.e., the doctors', nurses', and assistants'—are working to ensure that the best decisions are made. But in fact, under the conditions of the study, only one of those intelligences—the physicians'—may be functioning. It appears that the nurses unhooked their considerable professional intelligences in deferring to the doctor.

By assuring team members that their contribution will inform the final decision, leaders communicate the value they place on each member's effort.

Yet the nurses' actions are understandable. Regarding such matters, the attending physician is both *in* authority and *an* authority. That is, the doctor is, first of all, in charge and therefore able to sanction noncompliant staffers. Second, the doctor possesses the superior medical training that can lead others to defer automatically to his expert status.

Accordingly, we shouldn't be surprised when medical staffers are reluctant to challenge a physician's treatment pronouncements. Nonetheless, we should be more than a little disquieted by this behavior, not just because of the way it could play out during our next hospital visit, but because of the way it could affect any work setting, including our own.

## IMPLICATIONS FOR LEADERS

What common lesson emerges from the two kinds of errors we have considered? Leaders attacking a knotty problem must collaborate unfailingly with team members toward its resolution—even when they are the best informed or most experienced or ablest of the group.

But isn't there a different type of gamble that a fully collaborative leader takes? Doesn't this approach risk the notoriously poor outcomes of decision by committee? No. The recommendation here isn't to employ vote taking or nose counting when making hard business determinations. In fact, the recommendation here isn't for joint decisions at all in such instances. The final decision is properly the leader's alone to make. That's one thing leaders are paid for, typically because they've given evidence of being able to make such choices better than the people who haven't achieved leader status.

However, the key to decision-making success is for the leader to avoid engaging alone in the processes that lead up to the final verdict. It is these predecisional processes that, when jointly undertaken, will benefit the sole decision maker so richly.

If leaders who arrange for regular team input can expect to achieve problem-solving gains, might they also expect to lose something else in the bargain—for instance, subsequent rapport with and input from those whose ideas are rejected? Sometimes members' egos can be bruised, and they can feel discouraged if the leader doesn't adopt their proposal or favored course of action.

Fortunately, when inviting cooperative efforts, leaders can take an approach that generates high levels of collaboration while avoiding this problem. By assuring everyone with a stake in the decision process that her contribution—while perhaps not the deciding factor—will inform the final decision, leaders communicate the value they place on each team member's effort. In so doing, they can ensure that all the benefits of group problem solving—access to multiple sources of knowledge and experience, parallel processing, the building of one idea upon another—will continue to flow their way. ◆

***Robert B. Cialdini*** *is Regents' Professor of Psychology at Arizona State University, author of the classic book* Influence: Science and Practice *(4th ed., Allyn & Bacon, 2001), and president of Influence at Work. He can be reached at MUOpinion@hbsp.harvard.edu.*

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# Why PR Matters—and What It Can Do for You

by Kevin L. Sullivan, Chief Marketing Officer of Fisher & Phillips LLP

Does PR matter? If you'd asked me this question at the beginning of my career, when I was a freshly minted journalist in charge of developing newscasts for local TV stations, I'd have answered, "Not a lot."

But then I started noticing that some of these so-called flacks took steps to understand my needs. Recognizing that I had several minutes of airtime to fill each day, they worked *with* me to help me develop interesting stories for my newscasts.

And that's the key to understanding what makes PR work—done right, it's an exchange in which both parties benefit.

**HBR IdeaCast**

**Want to hear more? Kevin L. Sullivan will be featured in the May 3 episode of HBR IdeaCast: www.hbrideacast.com**

I left journalism for marketing 14 years ago. In my role as a marketer in both large and small organizations, in diverse industries and fields, I have learned firsthand how public relations—when applied creatively and strategically—can be a low-cost but highly effective aspect of a successful marketing program. I've seen smart PR drive:

- Three straight years of more than 60% revenue growth despite a minimal advertising budget.
- Recruitment of more talented and experienced employees who otherwise would have gravitated toward larger, better-known firms.
- Improved workforce morale and engagement.
- An audience reach that would have cost nearly $3 million to achieve via advertising.

Here are three ways that public relations can be used to create value for your organization:

## 1. POSITION A COMPANY OFFICER AS A THOUGHT LEADER

Positioning a company leader in trade publications as an industry expert can generate considerable payoffs. At a software company where I served as marketing director, taking this approach helped us realize three straight years of more than 60% revenue growth, with no advertising budget to speak of.

The company made software that helped trucking companies manage their operations. When I joined the firm, the company's growth rate was solid but nothing to write home about. My mandate was to change that.

With the idea of boosting the company's growth by raising its profile, I contacted the editors of several trucking trade publications. I let them know that the company president—who had developed the first generation of the software we sold—was available to them as a source if they were ever writing stories on technology or computers.

> Public relations—when applied creatively and strategically—can be a low-cost but highly effective aspect of a successful marketing program.

The key was that I offered the president as a resource; I did not ask the publications to write about the company. I offered to help them; I did not ask them to help us.

In no time at all, editors and reporters were calling to interview the president about developments in the industry. He was frequently quoted about technology developments and industry trends. In turn, this led to trade publications accepting columns written under his byline. As he and the company became widely known among our target audience, sales took off.

Attaining that reach and driving that growth would have cost us up to a million dollars in advertising (had we had it to spend). Instead, by strategically deploying PR, we delivered a huge boost to revenues without cutting into the bottom line.

## 2. BUILD YOUR COMPANY'S BRAND AS AN EMPLOYER

Public relations can enhance your company's brand as an employer, helping you recruit better-qualified employees and improving the morale and engagement of your current staff. One tactic that can further those goals is making use of an outside awards program.

When I was still at the specialty software company described above, I nominated the president for the Business Owner of the Year award given by the regional business newspaper. Starting from its founding in a garage apartment, I listed the milestones the company had reached. Prominent among them were the explosive revenue growth the company had recently achieved and the president's extensive appearances in trade media.

**ABOUT FISHER & PHILLIPS LLP**

- An Atlanta-based law firm representing employers in labor and employment issues.
- Employs 190 lawyers in 18 offices across the country.

He was given the award at a dinner attended by hundreds of local business luminaries. The publication, which was widely read in business and professional circles in the region, provided very positive coverage about the company and the reasons he won the award.

The exposure generated by the award resulted in a marked increase in the quality of the company's job candidates. People who used to apply for positions only at bigger, better-known organizations now wanted to work for this cutting-edge company led by an industry pioneer.

What's more, the company's new prominence had a positive effect on our existing workforce. Employees felt validated by the award—it confirmed for them that they'd picked the right company to work for. The spike in morale was almost palpable; it seemed as if everyone had received an unexpected bonus with their last paycheck.

### 3. HAVE COMPANY EXPERTS COMMENT ON TRENDS WITH WIDESPREAD BUSINESS OR SOCIAL IMPACT

I am now the chief marketing officer for one of the largest labor and employment law firms in the United States. Our public relations program is a central part of our marketing efforts because we know it helps generate business. In 2006, the hot topic was immigration reform, and we jumped out in front of that issue.

Consulting with attorneys, the marketing group developed story ideas about immigration issues before the widely publicized marches began in April of that year. In many cities across the United States, immigrant workers and their supporters marched in an effort to publicize their contention that both legal and illegal immigrants contribute significantly to the U.S. economy.

In collaboration with our public relations firms, we pitched ideas to national, trade, and local media. We pointed out problems with existing immigration laws, we advised employers on how to comply with the laws, and we made predictions about what would happen with future immigration laws.

In line with my conviction that PR's role is to serve as a resource to journalists, we did not pitch story ideas about the firm. We concentrated on workplace immigration issues and offered our attorneys as sources for interviews or as authors for articles.

With immigration such a complex and controversial issue, media outlets were hungry for experts on immigration laws. The head of our immigration business practice alone was quoted in the *Wall Street Journal*, the *Boston Globe*, and the *Miami Herald*, and interviewed on NPR, Voice of America, and CNBC. He wrote articles on immigration issues for such trade publications as *Georgia Construction Today*, *Resort Management & Operations*, and the *Corporate Counselor*.

> The companies that make the most of public relations are those that understand its value and allow the PR pros a place at the table when marketing plans are being drawn up.

In all, more than 100 immigration-related stories quoted our attorneys or were written by them. These stories reached 37 million people, with an advertising value equivalent to $500,000.

What was the ROI of our efforts? We acquired a number of new clients and had several existing clients request considerable immigration-related work.

And immigration wasn't the only hot-button topic

Why PR Matters **continued**

on which we offered our attorneys as expert commentators last year. In 2006, we saw more than 700 articles or broadcasts featuring our attorneys, with an audience reach estimated at 172 million.

The equivalent cost in advertising dollars? Close to $3 million. Our actual costs were a fraction of this figure. And we can track a sizable amount of new business back to the media coverage we received.

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In my experience, the companies that make the most of public relations are those that understand its value as a highly cost-effective marketing tool and allow the PR pros a place at the table when marketing plans are being drawn up.

Trying to build a company's brand through advertising is extremely expensive. I'm not saying don't advertise, but don't make that the first thing you do. Instead, use PR to raise your company's profile—as an industry pioneer, as an employer of choice, and as a source of sound business intelligence and expert advice. Once you have built a reputation, then you can enhance it with advertising. And as an added bonus, you'll find that your advertising dollar goes much further. ◆

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# "In high-stakes decisions, sometimes you've just got to go with your gut."

Managers and entrepreneurs face high-stakes decisions throughout their careers. Should they pursue a new market? Start a business? Enter into a joint venture? Make a high-profile hire? When so much is unknown and unknowable, conventional wisdom says to go with your gut. Harvard Business School professor Max H. Bazerman strongly disagrees. Here, the author of *Judgment in Managerial Decision Making* (6th ed., Wiley & Sons, 2005) explains why the worst time to rely on your intuition is when you're making high-stakes decisions.

*—Christina Bielaszka-DuVernay, Editor*

**CBD: Many managers and executives, especially entrepreneurial types, put a lot of credence on their gut. Stories abound about the entrepreneur who decided to start a business that everyone around him said would never fly, and fly it did.**

MB: Yes, people do hear those stories, because they make the news. But the vast majority of new businesses fail, and most of them shouldn't have been started in the first place. Our gut makes us more vulnerable to cognitive biases such as overconfidence.

You see this all the time in the realm of investments. An individual investor is convinced that he has the instincts to sniff out the right stock or fund and buy it at the right time. But very few people can do this with any consistency. He should get his asset allocation right and buy index funds, and spend his time more productively—he'd be better off.

Every scientific test of intuition shows that it's profoundly affected by cognitive biases.

**CBD: Can you ever entirely free yourself from cognitive biases?**

MB: No, not entirely, but you can do a lot to mitigate their effects. Every scientific test of intuition shows that it's profoundly affected by cognitive biases. When you decide to rely on your gut, you're deciding to let those biases run amok. And that's the last thing you want to do when the decision really matters.

**CBD: Say an executive is contemplating having his company enter into a joint venture. There's lots of data on the table, but of course the outcome of the deal simply can't be known. Wouldn't this be a time that the business instincts the executive has developed over the years could be helpful in**

**deciding whether to go forward and under what conditions?**

MB: No, absolutely not. His so-called business instincts are likely to be swayed by another cognitive bias, the anchoring bias. Anchoring describes the mind's tendency to "anchor" judgments irrationally against a piece of data or information that may or may not be relevant. Say the last JV the company entered turned out well. That fact will anchor the executive's decision, even if that JV was entirely different than the one currently on the table.

A lot of research demonstrates how anchoring affects judgment without the decision maker's conscious knowledge. For instance, researchers Margaret Neale and Gregory B. Northcraft gave a group of realtors nine pages of information about a house. Half the realtors were given information packets containing a lower price, half were given packets containing a higher price. After all the realtors toured the house, Neale and Northcraft asked them what they'd list it at. The average price suggested by realtors whose information packet contained the higher price was 10% higher than the average price suggested by realtors who'd received information containing a lower list price.

In decisions of all kinds, we don't proceed from a blank slate. We unconsciously anchor from prior experience and attribute more meaning and relevance to a previous data point than it actually has.

Neale and Northcraft also asked the realtors if the price listed in the documentation affected their decision. Nearly every one of them said it hadn't.

In decisions of all kinds, we don't proceed from a blank slate. We unconsciously anchor from prior experience and attribute more meaning and relevance to a previous data point than it actually has.

**CBD: What other cognitive biases lead to flawed decisions?**

MB: Another common one is the vivid data bias, which describes our tendency to overweight information that we recently received or that stands out for some reason. Managers fall prey to the vivid data bias when assessing potential hires. Say a manager wants to hire a real superstar for a new high-profile position in her department. One of the candidates she's assessing has one amazing success to his credit, but except for that his résumé is pretty ho-hum. The manager deciding whether to hire him is likely to be overinfluenced by the success and to underweight the rest of the evidence on the résumé.

**CBD: So when the stakes are high and so much is unknown, what should managers do to make the best possible decision?**

MB: The work that researchers Keith Stanovich and Richard F. West have done is very helpful here. They make a distinction between what they call System 1 and System 2 thinking. System 1 thinking is quick, automatic, and intuitive; System 2 thinking is more deliberate and logical, and offers a structured approach to problem solving.

In high-stakes situations, managers should consciously engage in System 2 thinking. This means stepping back from the situation and assessing it as if you were an outsider. You might want to ask someone whose wisdom and judgment you respect to look at it and share their observations and recommendations with you. Another helpful tactic is to map out pros and cons, assign them weights, and use a decision matrix to guide your thinking.

If you're considering whether you should spend $40 on a flea-market purchase, let your intuition run wild. But when you're making important decisions, you need to check your intuition with very careful analysis. ◆

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