



ACADEMY OF
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CARE AND COMPASSION IN COMPANIES AND ORGANIZATIONS: NEW TRENDS

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PROF. SARA RYNES (MODERATOR)

The current issue of the Academy of Management Review is devoted to a subject that is of great interest here in the Academy – it was the theme of a recent annual meeting, in fact – but that will probably elicit considerable skepticism in the world at large. The theme, as stated in the introduction to this issue, is “Care and Compassion through an Organizational Lens: Opening up New Possibilities.”

No one would deny, of course, that some of the world’s most important and respected organizations have care and compassion as the very core of their mission. But most of the members of the Academy of Management are faculty at schools of business, and none of us would dispute, I think, that care and compassion are not widely viewed to be core values of business organizations.

Joshua Margolis, you were one of the editors of this special issue, which begins with the claim that, far from being outside the normal work of organizations, care and compassion are central to them. I think you would have to admit that this premise is greatly at odds with the view of business that emerges in public opinion surveys or in such classic works of popular culture as Arthur Miller’s Death of a Salesman, with its powerful vision of the fundamental inhumanity of business, or the movie Wall Street, with its mantra of “greed is good.” What do you make of this disjunction?

PROF. JOSHUA MARGOLIS

It simply reflects the fact that human beings build and run organizations and that we humans have within us the capacity for both great good and great harm. Sometimes organizations can indeed be settings for nasty, heartless, and self-dealing conduct, and this tends to grab headlines. But what we tried to do in this issue of the *Academy of Management Review* is to highlight the other side of the story – the extent to which care and compassion characterize organizational behavior, whether in the way people conduct themselves with fellow employees or with customers or with the broader community.

In introducing this theme, we cite several celebrated examples of care and compassion in places where one would not necessarily expect to find them – such as on Wall Street after 9/11, when companies that typically battle tooth-and-nail for an edge extended themselves to help competitors that had been devastated by the attacks. Another case we cite is the terrorist siege that occurred in 2008 in Mumbai, India, when kitchen workers at the Taj Hotel risked their lives to help customers, even though self-interest might have dictated that these workers run for their lives. Those are both extreme situations, of course, but what I believe emerges throughout this special issue is the degree to which people exercise care and compassion in the everyday life of organizations.

An obvious example, to pick one routine activity of organizational life, is the difficulty managers encounter in conducting performance reviews, how incredibly hard it can be to focus strictly on people’s job performance without being influenced by our human interactions with them day in and day out. Another example is how even cursory contact with people who benefit from employees’ work can enhance employee productivity and motivation. Prof. Adam Grant of Wharton and others have shown this to be true for workers ranging from phone-calling fundraisers to assembly-line workers in factories to software specialists. Just a small amount of human connection can make an immense difference in triggering the potential for caring and compassion that resides in each of us.

PROF. RYNES

As the introduction to the special issue makes clear, the past several decades have witnessed a growing interest among social scientists in altruistic behavior; yet, this interest seems to have developed relatively slowly among business and management scholars. Why do you think this is the case?

PROF. MARGOLIS

Management scholarship resides at the intersection of the social sciences with the business world. Inevitably, much of our time in business schools is devoted to helping our students navigate the complex world where global competition and shareholder primacy put huge pressure on companies. And, to give them their due, economic models of organizations and human behavior have been quite elegant and compelling; it is not surprising that they have taken hold as strongly as they have in business schools. It has taken time to find alternative paradigms within other social scientific disciplines to provide a counter or complementary account of behavior in organizations.

Slowly though this has evolved, it is fascinating to see now how economists themselves are now attempting to incorporate more than self-interested behavior into their theoretical models. Relational contracting, based on a much richer concept of social interaction than pure self-interest, seems to be enjoying a growing influence in economics.

PROF. RYNES

Economists are even studying happiness nowadays – and finding, unsurprisingly, that altruistic behaviors are among the most effective means of increasing one's happiness.

Prof. Gittell, as the co-author of this issue's principal article on relational organization, would you like to add to Prof. Margolis' comments?

PROF. JODY HOFFER GITTELL

What I would add, for starters, is that the capacity for good or harm to which Prof. Margolis alludes, is, to a considerable extent, the result of how we structure our organizations. A good illustration is the finding of a Danish colleague, Prof. Kasper Edwards, who had the opportunity to observe a group of physicians that worked in two different hospitals, one in the morning and the other in the afternoon. In one setting, they were traditional, hierarchical doctors, avoiding collaborative relationships either with their patients or their fellow health-care providers. In the other setting, they were notably more collaborative.

In short, organizational practices and structures can either foster and support positive human relationships or substantially undermine them, even if unintentionally.

I agree with Prof. Margolis that we are witnessing a change in some fundamental conceptions of business, although it is not entirely new. On my desk, I have a quote from Mary Parker Follett from almost a century ago: "The chief function, the real service of business, is to give an opportunity for individual development through the better organization of human relationships."

That sounds to me a lot more current than Milton Friedman's view from the 1950s that the only legitimate role, in fact the only legal role, for business is to maximize the returns of shareholders, while presumably maintaining a benign indifference (except insofar as they affect shareholder returns) to the welfare of employees, the community, customers or any other stakeholders. Increasingly, business and business scholars are moving away from that view toward a concern with a broader constituency. I think the trends are very positive overall in terms of what organizations can legitimately do to meet the needs of multiple parties.

PROF. RYNES

Any idea why this shift is occurring?

PROF. GITTELL

It could be just a matter of survival. I mean not just individual business survival but emotional survival. There are so many things that we need to do as a population on earth that literally can't be done without a different way of working together. So, it could just be a kind of collective survival.

In fact, some of the really interesting work in biology and related fields, suggests that evolution has occurred not in the purely individualistic way that it has traditionally been conceived to proceed – survival of the fittest, etc. – but as more of a collective phenomenon. Many of the survival mechanisms that are influential in determining survival are, in fact, collective mechanisms.

PROF. RYNES

Business people commonly view "survival of the fittest" in an Us-Versus-Them way. Is there evidence to suggest they've got it wrong – that the fittest are, in fact, the most caring and compassionate?

PROF. SALLY MAITLIS

I don't know of studies that somehow measured companies' compassion and care and then monitored them over time to see which companies thrived. Growing evidence, though, does suggest a bottom-line payoff from strong human-resource practices, and there is not a great distance between enlightened HR and care and compassion for people in one's organization.

Other research suggests that compassion strengthens not just the people who receive it but those who witness it. I'm not referring here to the extreme suffering experienced on 9/11 or in the siege of the Taj Hotel but to the daily struggles that make suffering more or less a constant in life. Compassion represents a response to this condition, and when people experience it in an organizational context, it not only helps employees get back on their feet, thereby spurring productivity, but shapes people's attitudes toward their co-workers and to the organization, increasing their commitment and loyalty. And there is considerable research showing the relationship between a loyal and committed workforce and good economic performance.

PROF. RYNES

You remind me of a paper that I talk a lot about in my classes, a study by Theresa Welbourne and Alice Andrews in Academy of Management Journal, which monitored companies for five years after their initial public offerings. Welbourne and Andrews compared the firms with respect to two factors – the importance that their prospectuses assigned to employees as a source of competitive advantage and the breadth of coverage in company profit-sharing or stock-option plans. Interestingly, Wall Street evaluated both factors negatively, with employee-friendly companies sustaining depressed offering prices. Yet, five years later, the survival rate was astonishingly better for companies that prized employees and had broadly based reward plans than it was for other firms.

I'm also reminded of Adam Grant's finding that, when organizations encourage employees to do volunteer work outside the workplace, it builds organizational commitment.

PROF. MAITLIS

His work connects to some intriguing new research by Jamil Zaki on brain imaging showing that people feel great when they do good things for other people. The images are more like the patterns one sees when someone is eating chocolate than the patterns of somebody fulfilling an obligation.

PROF. TOYAH MILLER

To return for a moment to the subject of companies' responsibilities to their investors, it's worth noting that shareholders are increasingly inclined to demand policies that reflect caring and compassion. During the 2011 proxy season, about 40 percent of all shareholder proposals were on behalf of corporate social responsibility.

PROF. GITTELL

And even when it comes to financial returns, one of the most reliable ways for companies to sustain high shareholder value is to attend to the needs of a broad set of stakeholders, particularly their employees and customers. This goes back to Prof. Maitlis' point about the economic benefits of building human capacity in organizations.

PROF. MARGOLIS

At the same time, we need to be cautious about claiming too much for caring and compassion, as if they will magically strengthen the bottom line or automatically enhance the quality of organizational management. We don't want to make the same error that people make about unbridled self-interest when they champion it as essential to economic success – call it the “greed is good” school of management. A lot of research suggests that other-regarding behavior is not antithetical to strong organizations, and, as Profs. Maitlis and Gittell have noted, humane values are consistent with strong financial returns when the right sets of organizational structures and practices are in place. Yet, to focus too much on one or the other – compassion or self-interest – is to court trouble. What many of the papers in this issue of the journal are about is how to rethink

organizations so that they can unleash care and compassion in a way that is conducive to both economic success and human thriving.

PROF. RYNES

Could I just play devil's advocate here for a minute? Hasn't there been some pretty strong evidence lately that the tide is running against caring and higher ethics when we see cases like Goldman Sachs or Lehman Brothers, firms that were long renowned for statesmanship and caring for their customers but then seem to have cast those values aside?

PROF. GITTELL

None of us will deny that we have seen some very high-profile unethical behavior lately, though, in the case of Lehman Brothers at least, it has certainly not been associated with high performance and successful outcomes. At the same time, I agree entirely with Prof. Margolis that we need to steer clear of claims that caring and compassion by themselves engender high performance.

PROF. MARGOLIS

Nor should we argue that it's impossible for companies to experience financial success by being brutally self-interested and sometimes taking advantage of customers and other stakeholders. We would have to be naïve to say that it always pays to be caring and compassionate and that those who try to cut corners or take advantage of others are never going to succeed. The animating spirit of this issue, however, is to seek an alternative to cutthroat management – or rather alternatives, since there are multiple approaches.

PROF. RYNES

Perhaps we could shift the discussion to a subject that has garnered a lot of attention in recent years and has an obvious relevance to the theme of this special issue – namely, social entrepreneurship. Prof. Miller, in a paper entitled "Venturing for Others with Heart and Head," you and your co-authors point out that, even though social entrepreneurship has captured the media's attention and the public's imagination, it nevertheless remains a fairly rare phenomenon. Given the fact that, as you put it, social enterprises "fuse together...different logics that may have little in common and may even be in conflict," will they ever be more than rare?

PROF. MILLER

I see some very promising developments. As a recent article in *Forbes* pointed out, social entrepreneurship is transforming millennial talent acquisition. It noted that many business-school students are seeking careers that have strong social components and that 88 percent of millennials choose employers based on whether they offer some type of social responsibility or social values connected to a higher social good. This is in accordance with what I experience in my classes; increasing numbers of students evince curiosity about social entrepreneurship and social issues and poverty and how to bring the conflicting logics of social enterprise together in creative ways.

We're also seeing the flip side: people with business degrees will work as investment bankers for a while then decide that they want to use their skills for some social good. They become boundary-spanners, applying the skills of the business world on behalf of social goals.

PROF. RYNES

What are your favorite examples of social enterprise, the ones that you talk about in the class and that your students get really excited about?

PROF. MILLER

One of my favorites is Build Change, a Denver-based organization whose mission is to greatly reduce deaths, injuries and economic losses from earthquake-caused housing collapses in developing countries. They design low-cost, earthquake-resistant houses and train builders, engineers, and home owners. Then there's mothers2mothers, based in Capetown, South Africa, which works in sub-Saharan Africa to prevent the transmission of HIV from mothers to children. It not only teaches HIV-positive mothers how to nurture their children but employs them as mentors for other HIV-infected mothers. A third enterprise is Vittanna, a Seattle-based group that, in a novel use of microfinance, makes it possible for people to lend money via the Internet to students in the developing world. For as little as \$25, people can help youngsters who could not otherwise afford it, get a secondary education. Still another outstanding venture is Rubicon, a for-profit bakery in San Francisco that helps rebuild lives by employing, training, and supporting people who need a second chance, people who are often from the streets or from prisons or who have substance-abuse problems.

PROF. RYNES

As you say, there's a tremendous interest in social enterprise. How far has it come to date, and what is its potential down the road? Where are the greatest opportunities? Are they in the developed world or the developing world or in both?

PROF. MILLER

Several papers have suggested that emerging markets have outpaced the U.S. in social entrepreneurship, and perhaps this isn't surprising given the greater infrastructure gaps that exist on those parts of the world, such as lack of housing or lack of access to health care. With government often unable to address these problems, the opportunities are obviously great for creative social enterprise. It's not as if we don't have some outstanding examples in the U.S., such as Rubicon, but it is in places like India where it may attract the most attention and have the most potential to make a difference.

PROF. RYNES

Do you see the greatest development coming in not-for-profit social enterprise or for-profit social enterprise?

PROF. MILLER

The lines are so blurry between them that it would be hard to say.

PROF. GITTELL

I teach many students both in the health-care arena and in the nonprofit world, and increasingly, find them very excited about the social-enterprise model in terms of unleashing creativity to solve social needs. One caveat, though: I hope social enterprises can avoid a problem I often hear about from people in the nonprofit sector, where organizations may be devoted to caring and compassion in their mission but fail to practice it in their internal dealings. The result is burnout and the dysfunctions that can arise from it, including turning what should be a giving and caring organization into a traditional bureaucracy. Nonprofits in general need to think more about how to take some of the caring and compassion that is inherent in their mission and incorporate it into the internal workings of the organization. Otherwise everyone ultimately loses, those within the organization and those they're trying to help.

PROF. MILLER

I have encountered a similar phenomenon in social enterprises. It may very well be easier to feel compassion with someone who is deemed a suffering beneficiary, like a homeless person, than it is to feel it for a colleague or employee who is continually late or struggling on the job.

PROF. RYNES

Ryan Fehr, you and Michele Gelfand contributed a paper to this special issue that may throw some light on the problem that Profs. Gittell and Miller have just raised. In your paper "The Forgiving Organization," you observe that executives commonly worry that creating a forgiving organization will create a permissive environment that could lead to chaos or anarchy. Given the prevalence of this concern, what do you think are the prospects for forgiveness in the workplace?

PROF. FEHR

The prospects are good if organizations reach beyond common misconceptions of what forgiveness is and what it is not. Forgiveness in the workplace is not a matter of forgetting or condoning errors or offenses; rather it involves working to restore relationships even while recognizing that wrongs occurred. If one considers the positive thoughts and behaviors that emerge from forgiving, it becomes clear that forgiveness is far more constructive and active than passive or permissive.

Forgiveness has many positive effects. It restores and strengthens relationships between individuals. Victims benefit from diminished stress, less trouble sleeping, and better health overall.

Victims who forgive tend to adopt a more pro-social orientation than they previously had. For example, they become more likely than non-forgivers to volunteer and donate to charity, according to research by Johan Karremans and his colleagues in the Netherlands.

Overall, then, in terms of the health and happiness it produces, not to mention the improved citizenship it fosters, forgiveness in the workplace is a no-brainer.

PROF. RYNES

Prof. Gittell alluded a little while ago to the health-care industry, which she has studied extensively. It occurs to me that CEOs of health-care organizations might worry about the lawsuits that might occur in an environment that encouraged doctors, nurses, and caregivers to seek forgiveness for their errors.

PROF. FEHR

In fact, one of my favorite examples of forgiveness as a strategy is the claims model adopted by the University of Michigan Health Care System. In contrast to the traditional approach, which is to suppress any mention of error or mistreatment out of fear of litigation, Michigan Health Care System decided to encourage the opposite – apologizing to the patient, acknowledging what went wrong, and offering compensation right away. The outcome was a reduction in litigation costs by about \$2 million a year and a 40-percent drop in liability claims. As a result, other hospitals have instituted similar programs. Stanford University, for instance, found that it saved \$3.2 million in annual premiums with its apology program.

In short, with respect to the notion that forgiveness is a sign of weakness and engenders conflict, the preponderance of evidence, whether interpersonal or organizational, suggests exactly the opposite.

PROF. RYNES

How do lawyers of health-care organizations you've studied feel about this apology strategy?

PROF. FEHR

I must admit I haven't spoken to any of the lawyers, but, given the fact that these programs reduce liability claims, I would hope they would be receptive to them. Creating a safe opportunity for constructive conversation before anybody takes legal action proves to be constructive in the long run.

PROF. RYNES

Many of the papers submitted for this special issue had to do with organizations that were involved with health care or some other type of social service. Are caring and compassion fated to be primarily concentrated in those places?

PROF. GITTELL

Intuitively one would expect healthcare organizations to excel at caring and compassion, since that goes to the heart of their mission. I would have to say, though, after studying health care for the past dozen years, that there are many highly dysfunctional relationships among health-care professionals and among different organizations across the continuum. As health care has become an increasingly large-scale endeavor, it has grown more and more bureaucratic, to the detriment of compassion and caring, with a lot of silos where information is lost. In short, there's a real lack of relational coordination, by which I simply mean the ability to coordinate work through relationships of shared goals, shared knowledge, and mutual respect.

PROF. RYNES

Doesn't a lot of this have to do with the unequal power and status of doctors compared to nurses or other people on their teams? Anybody who has taught health-care professionals knows the fear many people have about speaking up to the powerful doctors.

PROF. GITTELL

Physicians have increasingly assumed the role of technicians more than caring and compassionate professionals. Such is their exalted status that nurses, in emulation of them, have sometimes gone in that same direction, with dubious consequences for patients. When you have organizations and an industry and a set of professions that have associated care and compassion with lower status, it becomes a bit risky for women to take on those roles.

PROF. RYNES

Have nurses, then, become reluctant to be the caring professionals they have traditionally been seen to be?

PROF. GITTELL

I see a split in both professions and also splits between generations, with the young more receptive than their elders to relational coordination as distinct from hierarchy and bureaucracy. Still, physicians are wary that taking a more relational approach will entail giving up power. As some have argued to me, surgeons in particular, "I'm accountable ultimately for what happens to the patient. I can't afford to share this. I can't afford to bring others into that process because ultimately I am accountable, legally accountable, for what happens to the patient." Then fellow surgeons will jump in and say, "Well, that's all well and good, but you're not going to achieve the desired outcome if you don't have an open relationship with your colleagues and the other care providers. There's so much that you can't see, and, if they're not telling you what's happening, you're not going to get the outcomes you want."

With nurses, there has been a history of under-recognition and subordinate status associated with being seen as more relational than technical. That's a real obstacle to overcome, so it doesn't surprise me when physicians at times are more comfortable to take the lead in this change process.

PROF. RYNES

Isn't there research to the effect that the quality of teamwork in the operating room improves when there are checklists and everybody is expected to speak up? It's not just the surgeon running things but a process that insures everybody gets heard and is following his or her protocol.

PROF. GITTELL

That's a perfect example. And when we allude to relational coordination, we don't mean personal relations as much as role relations. We mean more than "I don't generally work well with nurses, but when so and so is on she's really great." That kind of reliance on particular individuals who happen to work well together is not the way to deliver highly reliable, safe health care. What we're talking about is role-based, and you're absolutely right – the checklists, the protocols, the clinical pathways are essential elements of delivering reliable care, regardless of who the particular nurse or social worker or physician in the room is going to be.

A relational bureaucracy is an organizational structure in which shared goals, shared knowledge, and mutual respect are embedded in roles, so that these relationships can be scaled up, replicated, and sustained. Let me cite an example from a very different field – namely, air transportation. Years ago, a pilot at Southwest Airlines said to me, "You know, this is what I mean by mutual respect. You see the guy coming up here from the ramp to give me this information about the load on this plane. I don't even know him, but I respect him. And I know he respects me."

In the paper that Anne Douglass and I contributed to this special issue, we go beyond relational coordination to coproduction – that is, engaging the customer, the passenger, or the patient to be a key member of the team – and, again, structuring these relationships as organizational roles. One of the methods I have heard about lately in health care is family-centered rounding. It is a structured process for getting the different providers – including the physician, nurse, therapist, social worker, pharmacist, and anyone who's working with that patient – around the bed to discuss with the family and patient who's doing what and what needs to be done next. The idea is to build a shared understanding of what's going on that involves the patient and family as well as staff – and to do it in a way that is scalable, replicable, and sustainable.

PROF. RYNES

Do you think the fact that there has been an upsurge in the percentage of women physicians contributes to doctors' growing acceptance of this approach?

PROF. GITTELL

I do, I do. Women's assumption of very strong leadership roles in medicine accounts for a lot of the progress, as does a transformation in this generation of male physicians. Sometimes it is the women

taking the lead, sometimes it's the young physicians. And I've even seen older ones who have felt constrained by the system saying, "Okay, now this has given me a whole new energy for my work." They really want to come on board and make this a reality for the next generation.

In short, this movement is quite heterogeneous. Maybe we could be a little more systematic in seeing where that energy comes in terms of the early adopters – what are the personal characteristics and demographics and attributes of those who are willing to be the early adopters in order to move their organizations forward.

PROF. RYNES

Where do you think the energy is most likely to come from?

PROF. GITTELL

I can give you an example, which, I'm sorry to say, is a rather negative one but which may be instructive. This past summer I participated in a very exciting session in Tokyo related to health care. We had senior physicians, people from the regulatory structures and the ministry of health, as well as a big cohort of younger physicians and nurses in this two-day session. We talked a lot about relational coordination, and at lunch during the second day, right before we were to finish up, I was informed that the senior physicians had spoken and they had said, "We don't need relational coordination. The doctors here communicate very well with each other."

Of course, they were missing the whole point. It's not just about physicians' communicating with each other. Subsequently – just a few days ago, in fact – a colleague who was involved in this project visited me at Brandeis. He said there were younger physicians who had been very excited about that day and had expressed on their evaluation forms their hope to move forward, only to be sanctioned when they went back to their organizations.

In the meantime, the following day, I did a similar session with the other industries – banking, hotels, service sector more broadly – and they are ready to move forward. Health care – and this may be true in the U.S. as well – may be slow to move because there are so many traditional professional prerogatives. It's like academia – not an easy place to do innovation when it challenges existing role relationships.

PROF. RYNES

Since women seem to be a force for innovation in health care, this seems a good moment to turn to Prof. Maitlis, whose paper with Thomas Lawrence in this special issue gets pretty specific about the link between the ethic of care and feminist writing. To what extent is the fate of care and compassion in organizations dependent on increasing feminine leadership?

PROF. MAITLIS

Although Prof. Lawrence and I find the roots of the ethic of care in feminist writings, we don't intend to suggest that its spread depends on having women in high places. The ethic of care is rooted in an understanding of people as relational, and certainly it's not just women who are relational or women who are interdependent. We're all embedded in relationships where we need people and they need us to help them. The feminist writing goes back to early maternal relations, not simply being mothers but being cared for. We've all been children, and hopefully we were cared for by our parents. It's that early recognition of the importance of care to keep our society going that is really the basis of an ethic of care.

In short, we don't see the growth of care and compassion in organizations as dependent on female executives' success. On the contrary, women often feel they have to behave in a very masculine way, a very traditionally male way, to get on in corporations. In some ways it is easier for men to bring an ethic of care to their leadership, because they can engage in caring practices with less chance of being stereotyped or challenged.

PROF. RYNES

In other words, what we're talking about here is a fuller range of behaviors in both genders.

PROF. MAITLIS

We see this in our society more generally. We see more men having active roles as parents and more men expecting to have to invest in relationships in a more equal way. Drawing on those experiences can make this ethic very accessible to everybody.

PROF. RYNES

And when it comes organizational functioning, the ethic of care emerges a lot more strongly, I gather, in relational situations as opposed to bureaucratic situations. We tend to think of these two structures as opposites, even as incompatible, with relational being personal (as in the example Prof. Gittell gave before of the surgeon who doesn't have much use for nurses but has a great working relationship with one particular nurse), while bureaucracy is formalistic, hierarchical. That is why it's a bit startling, Prof. Gittell, to read your paper with Anne Douglass and find you advocating a hybrid form of the two.

PROF. GITTELL

The management literature is full of examples of highly relational startups that become dysfunctional bureaucracies as they get larger. It's very hard to sustain those positive relational dynamics as we get beyond a small organization or unit to a very large organization, like McDonald's or Southwest Airlines. What we've tried to capture in our paper is this hybrid, relational bureaucracy, that I think many organizations are striving for in which the reciprocity that characterizes relational organizations is not personal but role-based.

Southwest, of course, is celebrated for doing this extremely well, growing from a little startup operating exclusively in Texas to the national corporation of 45,000 people it is today. It requires being able to get people who may not know each other at all to connect across different status

boundaries and different knowledge sectors on the basis of shared goals, shared knowledge, and mutual respect.

PROF. RYNES

Are there other companies that have done this particularly well?

PROF. GITTELL

It's certainly not unique with Southwest. I've seen health-care organizations that do it well. I would guess that Google does it quite well. It's really not rocket science. The basic idea is to move from traditional bureaucracy, with its silo-like structures, to a cross-cutting system. What makes it challenging is that we're so used to traditional bureaucracy that it takes some real thinking to move beyond it. The object is to combine the strengths of the two types of organizations so that one achieves both the caring and compassion of the relational organizational form and the replicability and sustainability of the bureaucratic organizational form.

PROF. MAITLIS

Just to build on Prof. Gittell's comments, I've lately become aware of a group called Conscious Capitalism Institute, which consists of firms that advocate for free markets and competition and are highly entrepreneurial but that also believe in capitalism with a purpose beyond profits and share knowledge on pursuing that goal. To cite one example, Trader Joe's has been sharing its experiences in changing its hiring practices to take into account not just speed and efficiency but emotional intelligence as well, in the belief that it's important for workers to treat customers and other people in a caring and empathetic way. It is not all that unusual to find organizations that are moving in the direction that Prof. Gittell has described, embedding reciprocal interrelating between workers and customers, between workers and managers, and also among workers themselves.

PROF. MARGOLIS

As I listen to the other panelists, it occurs to me that caring and compassion may be the contemporary resuscitation of ideas that have been present in various forms for decades. In some ways, it's picking up on a long tradition of the human-relations school as well as more applied concepts out of total quality management or high-commitment human-resource management. There have always been these threads of thinking beyond self-interest as a means to enhance not only individuals' well-being but also organizational performance. The recent growth of interest, research, and theorizing about caring and compassion brings this tradition into the contemporary era. How can people bring their full selves to work and draw on their full selves there? How can organizations be designed to tap into our full humanity so that we and they can be more effective?

At the outset of this panel discussion, the question was raised by our moderator as to the credibility of the notion that caring and compassion have a significant role in business. A major reason for

embarking upon this special issue is that we are on the cusp of concrete empirical data that can truly convince people that these things are not only consistent with high performance and profitability but, under the right conditions, conducive to them.

PROF. RYNES

But let me pose another question. As you say, caring and compassion are a resuscitation of ideas and directions that have been around for some time and that seem to be enjoying renewed vigor. To what extent has the evidence to date made an impression on the business world? Let me take a cue here from another panel moderator, John McLaughlin of the long-running television program The McLaughlin Group: on a scale of zero to ten – zero meaning complete dismissal of caring and compassion as important elements in business success, ten meaning total acceptance – where does the business community stand today? What is the panel’s impression of how far acceptance of this has progressed?

PROF. MAITLIS

That is tough to measure. As a proxy, maybe we can judge by the attitude of our MBA students, who, after all, are going to be the business world’s future executives. I talk about this subject a lot in class and find the response from a fair number of students to be largely one of confusion and caution. They seem to find it hard to grasp how I could be talking about care in an MBA program.

PROF. RYNES

They don’t see this as relevant to management or leadership?

PROF. MAITLIS

The idea that caring and compassion are an inherent part of business success is quite acceptable to many faculty, but the students are really quite confused by it, at least at first. Students will come to me and want me to tell them how to do leadership. They will say, “I thought it was this way. This is what I’ve seen modeled where I worked, but now you’re telling us this is the other way to lead. Is it really true? Could it be possible to lead this way and still do well in my career and still run a company successfully?”

I don’t know where this would fall on a scale of zero to ten. There’s a certain interest among students in these ideas and even an openness to considering them, but there is also this suspicion that they can’t really be true, because how could life be that straightforward?

PROF. FEHR

I am mostly struck by the variance among businesses on these matters. Prof. Maitlis mentioned Whole Foods, whose CEO, John Mackey, talks a lot about conscious capitalism and seems to view his entire company in a caring and compassionate framework. Some organizations emphasize this, and others simply don’t. It’s the variance I’m struck by.

PROF. MILLER

A salient concern in social enterprise is about striking the right balance between social and economic goals and the possibility that compassion may cloud one's ability to make the best decisions. For what it's worth, Adam Smith wrote that people who rely on pity as a social motive will produce unbalanced and inconsistent results. Social entrepreneurs frequently have to make decisions that involve both business judgment and emotional judgment, and the result can be considerable goal conflict.

PROF. GITTELL

In a whole section of *The Wealth of Nations*, as well as in *The Theory of Moral Sentiments*, Adam Smith posits the need of a broad social context in a market-based economy and argues for recognition of the whole person and the expression of moral sentiments as essential elements of it. Right there in Adam Smith, at the fountainhead of the market economy, social factors are perceived as complements to rational maximizing behavior.

To go back to the original question, I would say we're probably at about the 25-percent mark – 2.5 on a scale of zero to ten – in terms of the business community's embrace of the relational approach. As Prof. Margolis suggests, we have a ways to go as scholars to make the case. Continued progress will require not just theorizing but empirical work that seeks to measure and demonstrate outcomes of positive relational dynamics and that leads to better understanding of successful, sustainable implementation. At this stage there is more to the skeptics' doubts than gut-level feeling; they have yet to see the evidence. The evidence, I think, is building, but we need to continue to develop it.

PROF. RYNES

I am reminded of a study published by the American Psychological Association about 10 years ago that quite persuasively shows the benefit of positive relational dynamics. The paper, by James Harter, Frank Schmidt, and Corey Keyes, draws on the voluminous data obtained over decades by the Gallup organization from surveys that assess employees' workplace environment. It found that satisfying basic human needs in the workplace – such as clarity as to what is expected of employees or opportunities for individual fulfillment – was significantly associated with organizational bottom-line success. Interestingly, it concluded that “when employees are in a position in which their only satisfaction comes from gathering their survival resources alone, it does not feel as good and is not sustainable to the benefit of the larger organization.”

PROF. GITTELL

That research strikes me as an excellent example of marshaling evidence in support of theory.

PROF. RYNES

Another line of research worth doing would be to investigate the effect of quarterly financial reporting on relational thinking. My hunch is that many managers would be more caring than they are but for the relentlessness of quarterly financial reporting, with everyone watching to see if the company misses its earnings target by a penny per share. Those pressures hardly seem conducive to relational longer-term thinking, and it would be instructive to investigate what their effects are over the long haul.

Since our discussion has assigned a high priority to real-world evidence, we ought to conclude with some real-world examples – companies that you would nominate as exemplars of caring and compassion. Prof. Maitlis, in your paper with Tom Lawrence, you cite one company that is not often associated with those things – namely, McDonald’s, which you praised for its program of “constructing sparkling moments” for its employees.

PROF. MAITLIS

Cheryl Richardson and Jim Ludema did research on McDonald’s, which engaged in an organizational development process called appreciative inquiry, a strengths-based approach that focuses on increasing what an organization does well rather than on eliminating what it does badly. McDonald’s brought all the HR managers together and helped them identify the key things that they did incredibly well – the sparkling moments – as a way of helping them identify the positive core of McDonald’s, the piece that would be essential to retain even in the midst of a major transformation.

Programs like this are related to caring in the sense of helping organizational members see themselves and their organization at their best. The idea is to shift from trying to fix what’s wrong so we can get up to a mediocre or tolerable standard and instead amplify what we’re already good at with the object of being world class. The focus can be on something quite mundane that is taken for granted, perhaps because the company has always done it quite well. Constructing sparkling moments is a two-stage process, the first being to identify things the organization does really well and the second being to understand with that means for the organization and its members – what does it say about the kind of organization or team we are?

In sum, programs such as appreciative inquiry – which are increasingly popular in organizations today – encourage people to shift their lens a few degrees in order to see something differently from the way they’ve been used to seeing it.

PROF. RYNES

Do you have any other surprising cases?

PROF. MAITLIS

With the Compassion Lab, a wonderful group of collaborators from a number of North American universities, I learned about the billing department of a health-care organization, which,

unfortunately, I'm not free to name because we pledged confidentiality when we sought their cooperation for our research. It was not a place where you'd necessarily expect to find everybody full of love and care, because they weren't working with patients, just dealing with physician reimbursement. But, when we studied them quite intensively over some time, we found a whole variety of positive relational practices conducive to effective work performance. An important point about an ethic of care is that it doesn't come at the expense of productivity, as if one has to put everything aside in order to do some caring. It can be quite subtle – perhaps no more than a slight shift in the way that you notice what's going on for people, and showing that you recognize what's happening with them. It may not take more than a few seconds to transform how people feel at work.

Another example of a caring organization – one that I haven't studied but that I'm quite familiar with – is VanCity, which is a Canadian credit union. Last year it became the largest organization in Canada to guarantee its employees a living wage, which is the hourly rate of pay required meet the basic needs of a family of four in which both parents are working full time. In British Columbia today, the minimum wage is \$8.75 an hour, but in metro Vancouver the living wage is \$18.81 an hour, which is what VanCity decided on as a base pay for its employees. Its rationale was that paying a living wage would make families stronger and communities healthier and thereby would make economic sense for the company. It's a very successful financial institution that operates on the basis of the caring principle.

PROF. FEHR

I am impressed by companies that directly incorporate a compassionate orientation in their relationships with specific stakeholder groups. There are two that I have talked about in my ethics MBA class.

One is Tom's Shoes, which for every pair of shoes it sells donates a pair to a person in need, thereby directly involving their customers in the company's compassionate orientation.

Another company is Timberland, the clothing company. The CEO, Jeff Swartz, pioneered the Path of Service Program, in which employees are given time off to serve in local communities. It's an outstanding example of energizing employees through volunteerism.

PROF. GITTELL

I must admit that, while I've seen parts of organizations, in my studies of health and human services, that are very good on these dimensions, it's rare to see an entire organization that consistently has positive relationships with all of its stakeholders over a long period of time. That is a truly formidable challenge.

Even Timberland, as much as I love it, doesn't pass the test: at the same time that it was launching its community-service initiative, it was also carrying out significant layoffs of long-time employees in order to outsource work. The CEO, Jeff Swartz, attributed layoffs to pressure from Wall Street. Here was a family-run company with a long history of caring for its employees, but it just wasn't what Wall Street was looking for or what it was going to put up with.

This is why Southwest remains such a remarkable counter-example, a public company that has operated for 45 years without layoffs and only one strike, a highly unionized company that has been profitable in every year except its first. They have managed to pull it off, in part, by being proactive with Wall Street, keeping the folks there apprised on why they're doing what they're doing and how it will ultimately create shareholder value. The basic philosophy is that in creating value for customers and employees, the company is creating value for its shareholders, and they push that message hard. The current CEO was previously the company's CFO, willing and able to seriously engage Wall Street and to sell caring and compassion as a business strategy.

PROF. RYNES

And Wall Street listens, I gather.

PROF. GITTELL

It does, especially since 9/11. What analysts were saying prior to 9/11 was that Southwest had a great balance sheet but that it was too good – the company should be more leveraged, because there were a lot more things Southwest could be doing if it had more debt. Then 9/11 happened, and the same analysts were saying, “Well, maybe their balance sheet is too good, but it does give them a lot of flexibility to maintain their commitments when things get tough.” In other words, the very things that Wall Street was looking for – and that many firms strive for – would have made the company a lot more vulnerable instead of the sustained success it has been.

PROF. RYNES

Another example of CFO power on Wall Street is Interface, the carpet company that has produced at least one line of carbon-neutral carpet in an incredibly oil-intensive industry. It, too, has made extensive use of CFOs to communicate how their model works to produce higher profits while doing a lot to reduce their natural-resource consumption.

Prof. Margolis, do you have any thoughts on this?

PROF. MARGOLIS

As Prof. Gittell said, it is very difficult to identify companies that elicit high commitment and care in a consistent and unalloyed way across all their business practices. After all, that would include care and compassion in many contexts – care about the quality of the products and the services that are being delivered; care for the people who make the products and deliver the services; care for the people who are the consumers of those goods and services; care for the people who have put their capital at risk and want to earn a return on their investment; care for the larger impact on the public and the community; and, finally, compassion when it's both most called for and in day-to-day routines, the sort of things that Prof. Maitlis referred to earlier.

Probably it's no accident that of the three companies I most admire two are privately held, and the one public company has a very strong founding imprint. The public company is Sun Hydraulics, an industrial small-cap that has produced great returns for investors while eschewing layoffs in the

traditional sense: it reduces hours across the board when necessary instead of handing out pink slips.

A second favorite is SAS Institute, the business analytics company that is often highlighted for creating a very special community for its employees, which then enables them to deliver topnotch software products. A third is Agro Farma, the makers of Chobani yogurt, who care deeply about the full gamut of their activities and relationships. They care about what goes inside the cup of yogurt, and they care deeply about each one of their partners, from employees to retailers. They have also established quite an innovative foundation called the Shepherd's Gift Foundation, even though Agro Farma doesn't try to make a big deal about its charitable initiatives. And through their success and commitment to good products and good jobs, they've helped resuscitate communities that revolve around the dairy industry in upstate New York.

All three companies have a values-based ethos that extends well beyond care and compassion but in which care and compassion are essential features.