

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

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advertisers
use skinny
models?**

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Introduction



We are pleased to present this, the second issue of RSM Insight. The positive reactions to the first edition are very encouraging and confirms to us that there is a strong need for clear, informed and insightful management research that is of direct and practical value to busy executives at the cutting edge of business.

In the photograph alongside this text you will see the words I WILL emblazoned in bright lights on the side of one of our faculty buildings. I WILL is a new and important communications initiative started by RSM. It is a rallying cry for all stakeholders – students, staff, faculty, alumni, business leaders and corporate partners - to think critically about their goals and ambitions and how they will contribute to the future, our future, individually and collectively. I WILL is about thinking in the future tense (<http://iwill.rsm.nl>).

Business, too, needs to think in the future tense. For companies to be successful it is essential that they look to and prepare for the times ahead. Understanding this, it is our hope that the content provided here, and contributed by some of RSM's brightest academic minds, can help by providing insights and expert opinion on issues pertinent to that future.

Best wishes,

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New ways of working - Microsoft's 'mobility' office

by Eric van Heck

There is a common expectation among forward-looking companies that through the use of information technology new ways of working can be created that will enhance workplace conditions with such an effect as to improve employee satisfaction levels, increase productivity and ultimately impact positively upon company performance.

Certainly, as far as improving the methods of working for the benefit of employees, and when seeking to recruit the best of today's bright minds, it should be borne in mind that the younger generations expect from companies environments that suit their needs. They have no desire to spend their professional lives in a 'traditional' office environment where they will be expected to work between the hours of 9 to 5 at a desk piled high with stacks of paper. Instead, they expect collaboration tools and methods that are specifically designed to help them get the job done.

But how can organisations find the methods, tools and ways of working that are right for them? Is there a universal panacea that can be applied – a one-size-fits-all approach? Or should companies be looking within themselves for the solutions?

At RSM, we have worked closely with a number of major companies to determine exactly these points. One stand out example is Microsoft Corporation.

In 2005, Bill Gates wrote a white paper "Digital Work Style: The New World Of Work". In part this served as a basis for Microsoft's exploration and subsequent development of new ways of working, about which they identified three key factors:

- That increasingly businesses function in a knowledge based environment and that the traditional office model was not the most efficient way of organising and utilising this knowledge.
- That the Microsoft business model was changing, from traditional software sales to one that is more customer-oriented: it is about ongoing relationships with clients and working with them in teams, sometimes virtually. As such the work environment is necessarily much more collaborative and therefore needs better tools that are specifically designed to facilitate and encourage this collaboration.
- That there is fundamental truth in the philosophy that you can only create a growing company if the people employed by it are able to grow within

the organisation: personal growth and personal freedom to create aspects that they think are worthwhile for themselves and for the company.

In the Netherlands, these three factors convinced Microsoft that it was essential to move to new offices. For them it was the start of what they described as a journey. At the outset it was clear that they would have to look to combine the virtual dimension (the role played by technology) with the physical dimension (the building itself) and the mental dimension (how people interact with new technologies, new ways of working, and a new environment).

Before the journey commenced, Microsoft approached RSM for assistance. After much discussion it was agreed that we could best assist by measuring and assessing the impact of the workplace on performance. This would be done through 'before' and 'after' measurements, ie, prior to the relocation and then again a short while after the move.

We created an online survey that would explore perceptions: individual perceptions about work dimensions and performance. We developed unique analytical instruments that carefully measured working dimensions and individual performance. And we analysed the 'before' and 'after' responses to the survey.



As well as online surveys through which Microsoft employees could contribute, specific research was also conducted utilising Master's students. For example, one explored digital working styles within the organisation. Another looked at team performance, in both physical and virtual teams, and sought to determine if there were variances in performance between the two.

The key findings can be divided into three areas thus:

In the first instance our research highlighted the fact that there are differing digital work styles within the corporation. In assessing these we considered the aspect of mobility. From here we were able to characterise mobility on a scale of one (deskbound) to seven (highly mobile both internally and externally).

It became apparent that mobility was a major factor in any considerations for a new office building. Now, no one has

a fixed office any more and the building has been designed to be what we call activity based. It is no longer an office in the traditional sense. Instead it is a workspace, where employees can locate themselves in different parts of the building depending on the tasks they need to perform. Increasingly, it is a meeting place where employees can interact with colleagues, partners and clients.

This, our findings show, has increased even further the levels of mobility among employees.

Secondly, we looked at performance and in our analysis divided this into four dimensions: flexibility; productivity; satisfaction, and innovativeness.

A substantial increase in flexibility is shown after the move to the new tailor-made building and the adoption of new working methods. People, because they could work from home or office as they felt suited them, and in the hours of

their own choosing, felt much more flexible in terms of how, where and when they could do their job.

An improvement in productivity levels was also noted by those surveyed. Satisfaction levels, which were already very high, remained so, as did the innovation dimension.

The third aspect relates to the issue of trust, and is something that prominently features in studies we have conducted with other organisations. Trust is an important element. Employees need to trust their managers, and managers need to trust their employees in terms of giving them the freedom of how, where and when they would like to work.

Managers at Microsoft had many discussions about this issue. They questioned how levels of trust could be increased. How could they give employees more freedom; the freedom to work when, where and how they choose and yet still manage them effectively? What they came to realise was that their own perceptions had to change in terms of how to manage, and in doing so required the use of output driven methods of measuring overall employee effectiveness.

Also, empowerment is a crucial factor. Microsoft found that they needed to empower their people and give them more freedom. This, they discovered, improves employee flexibility, which in ►

New ways of working - Microsoft's 'mobility' office (continued)

by Eric van Heck

turn leads to higher productivity – but that's only if or when the element of trust is in place.

From our research Microsoft came to understand how crucial not just the design of the work environment is for company performance, but how essential it is to consider employees' perception and attitude towards working in this environment. We spend a great part of our lives working, so it should be obvious that to get the best from us we must be happy.

This is a very important message for all companies. Our research shows us that changing the workplace can lead to increased levels of productivity, flexibility, satisfaction and innovativeness. However, it has to be stressed that there is not a one-size-fits-all solution.

You cannot take Microsoft's journey and use it as a template within your own organisation. The lesson is that you have to start on your own journey, understanding the insights gained from Microsoft, and seek to come up with a way of working that best suits your people; suits the way they would like to deal with their colleagues, their managers, and especially with your clients.

We have conducted similar research with a number of major companies, and, as corporate interest in our findings is growing, will continue to do so.

Two further dimensions have been added to our work. The first relates to sustainability and eco-efficiency. Companies are asking: can we, through new ways of working, reduce our environmental footprint? This is an area that Microsoft Corporation is currently investigating.

The second dimension relates to 'smart working' and the concept that 'smart working is smart travelling'. We

are now looking at how, especially in countries like the Netherlands where traffic jams and transport overcrowding are daily occurrences, work can be redesigned in such a way that it offers more flexibility. Further, how can we utilise the existing infrastructures – the highways and rail networks, for example – in such a way that leads to higher productivity?

A lot of major questions will need to be addressed here. For example, how do we redesign work in such a way that it will improve the ecological footprint, work-life balance, customer interaction and customer service? How can we better utilise the transport infrastructures, even Internet infrastructures?

If more flexibility can be created in these areas then we can finally create a situation where people can decide for themselves where to work, what to work on, which technologies and tools to use and when.

In essence, we need to question and break down many aspects of our existing preconceptions about workplaces, the work itself and how it is done. ■

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This RSM research project is a multi-year, multi-client, multi-department undertaking. Companies sponsoring this research are De Unie, Essent, Microsoft, Rabobank, Sogeti, Transumo, and TopForce.

Participating faculty and master students collected data via interviews, online surveys, and analysed secondary material like white papers, web sites, and internal company documentation. A number of online surveys have been conducted that measured the perceptions of 2,640 knowledge workers had about their work dimensions.

In 2010 new students, faculty and sponsors will join the project. More information can be found at: www.newworldsofwork.nl



Coming home - understanding the corporate re-entry of international employees

by Betina Szkudlarek

The cross-border mobility of staff is an everyday reality readily taken for granted by internationally minded employers and employees. Cross-border resettlement in business, education, leisure and political spheres has increased over the last few decades as the fingers of international commerce have encircled the globe.



Expatriates and repatriates have been thoroughly researched over the years with corporate repatriates being the most heavily studied. In part this is because work-related difficulties are among the most often reported concerns among corporate

employees returning to their home country. Issues related to workplace readjustment, commitment, transfer of knowledge, productivity and post re-entry turnover rates have been widely discussed in the international management literature.

Typically, returning executives complain about a lack of suitable career prospects, insufficient challenges and responsibilities in the workplace, and a lack of understanding and appreciation by home-organisation colleagues of the knowledge and experience gained whilst abroad.

Individual career paths are often neglected within the strategic planning of international assignments, meaning that taking on such an assignment can be a risky move for the long-term career prospects of the repatriate. The importance of long-term planning for sojourning individuals has been well documented in the literature. However, these issues continue to be rarely addressed by home-organisations.

Another concern of returning employees is the discrepancy between repatriates and HR managers in defining a successful repatriation. While returning individuals focus on country culture readjustment, HR managers are primarily interested in work-related outcomes and expect the returning individuals 'to hit the ground running'.

In fact, research demonstrates that multinational corporations seem to largely neglect the issue of re-entry. Among researched organisations, as few as 4.3% of U.S. corporations gave employees notice of half a year or more of a return date. The majority of returning individuals received arbitrary ▶

Coming home - understanding the corporate re-entry of international employees (continued)

by Betina Szkudlarek

notice, indicating little preparation on the company's part for the repatriation of their employees.

Additionally, the home-organisations' work places are often considered a poor match for the newly acquired experiences, knowledge and skills of repatriates. Among the other issues reported as problematic by repatriates are the loss of autonomy, technical and managerial obsolescence, a reduced range of responsibilities and the loss of in-house networks.

Consequently, a number of considerations need be taken into account by managers seeking to develop successful strategic repatriation policies. The coherence between selection procedures, expatriate performance management and the repatriation system is crucial. A certain level of turnover upon repatriation is considered functional and should be included in the strategic planning of international assignments.

Knowledge management

The transfer of knowledge upon return is one of the most important strategic objectives related to successful repatriation management. Employees on international assignment gain not only substantial knowledge related to particular local management practices and local market conditions, but also develop a number of general

management skills and interpersonal relations competences.

Unfortunately, returning individuals frequently face resistance when attempting to transfer their valuable foreign knowledge to the home-organisation. A closed and reserved

the willingness of the employee to share information.

Proactive organisations could also undertake a number of actions supporting knowledge transfer. Research shows that both appropriate HR practices and self-adjustment

“More than 50% of international assignees left their companies within two years of returning.”

attitude among home-country employees is found to hinder the transfer of knowledge from the host- to home-country organisation and negatively influence the re-adaptation of the returning individuals. In the literature this phenomenon has been labelled a xenophobic response.

Two strategies could be applied here. First, repatriates could mask the source of their knowledge and, in this way, prevent a prejudiced response. Second, the home-country managers should be offered assistance in recognising the benefits of the international experiences gained by their repatriated colleagues.

Moreover, for an effective transfer of knowledge to take place upon repatriation there must be a fit between the interests of the organisation and

efforts of returning individuals contribute to the in-company learning processes.

Repatriate dissatisfaction

The challenges of repatriation, along with dissatisfaction at the company's management of the re-entry process, often coincide with a lack of commitment to the home-organisation and can consequently lead to a higher presentation of turnover intentions among repatriates.

Despite a relatively small number of empirical studies on turnover rates, the few that have been published report unusually high levels of turnover among repatriated employees. The 2008 GMAC Global Relocation Trends Report states that, among 154 surveyed organisations, more than 50% of international assignees left

their companies within two years of returning. The most important factor predicting the commitment of individuals to their home-organisation is the demonstrable value placed on the international experiences of returning assignees. Moreover, scholars identify several other factors influencing commitment to a home-unit: tenure within the home-organisation, pre-departure training, role flexibility, clarity of job responsibilities, and adequate career development planning.

The majority of available research related to repatriate turnover inadequately focuses on individuals' inability to manage the re-entry process, and their more-or-less complete dependence on organisational arrangements and support practices.

Such a view is one-sided and does not account for the proactivity of returning individuals. Repatriates might voluntarily choose to change employers in the hope of a better match between their newly acquired skills, job ambitions and work responsibilities. Such protean careers lead repatriates to opt for boundary-less occupations, running independently of a particular organisational setting, rather than having a life-long commitment to one employer.

Spouse/partner re-entry

While many repatriation factors are

identical for both partners, research indicates several unique areas of spousal readjustment. Returning to the job-market seems to be one of the biggest challenges, yet very few employers offer job-finding support to returning spouses.

It is surprising that the number of companies offering such services are so low when taking into consideration that successful spousal repatriation is largely acknowledged as one of the key factors in the re-adaptation of returning expatriates, especially within the corporate context.

Research shows that the general readjustment patterns of partners tend to positively reinforce each other. This, in turn, has a direct influence on the readjustment of the returning employee and their performance in the workplace.

Post scriptum

Despite much research on expatriation, the theme of cross-cultural re-entry - its course, impact and features - still remains largely neglected and underestimated in the sojourner's transition trajectory. At the same time, available empirical investigations point to a number of substantial concerns, which affect the psychological well-being, social readjustment and cultural identity of returning individuals.

The significance of these concerns

strongly suggests that re-entry should become an issue of the highest priority to both sojourning individuals and those responsible for managing the re-entry transitions of international employees. ■

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Lucky bets and hot hands - Is your fund manager really performing?

by Joop Huij and Dirk Brounen

Congratulations! You are a lucky winner! All too often we receive email messages like these in our inbox and they invariably turn out to be nothing but a scam. But why be lucky? For the manager, the financial equivalent of winning is in outperforming benchmarks or the markets, preferably through the application of skill, insight and experience, not pure luck.

Outperformance, the reputationally enhanced promise of fund managers worldwide, is evaluated empirically at the end of a term. Nowadays, sophisticated asset pricing models are used to disentangle historic relative returns and provide data that enhances our luck and skill. At least, that is what they are designed to do.

Performance evaluation is clearly important since it allows clients to objectively assess the results of their

tools are adequate for such tasks. Even evaluation tools need evaluating from time to time, and this is a challenge that academics are lining up to do.

Recently, in a comparison study of the financial performance of US Real Estate Investment Trust (REITs) mutual funds, we found that conventional performance evaluation does not appear to work¹. Although real estate used to be an exclusive alternative for a relatively small group of investors,

portfolio. The difference between the return earned by the manager of the mutual fund and the return on the benchmark - known as abnormal return, or alpha - is typically attributed to managerial skill.

Interestingly, our analysis shows that outperforming – creating alpha – is easy in this market; little skill is needed. In fact, to not outperform is a much harder task, at least when applying the standard evaluation tools. Rather than through expertise alone, the source of the success of the real estate fund manager can be attributed to the principle of momentum.

Real estate performance is typically very stable over time, and our analysis shows that this year's winners are very likely going to outperform next year as well. This momentum offers a simple formula for achieving success since it only requires managers to select investments that have done well in the past.

In some business sectors recurring outperformance can of course occur, and managers on such winning streaks are referred to as having 'hot hands'. In financial markets however, genuine recurring outperformance tends to be rare, since simple trends are usually anticipated and accounted for in the evaluation model.

Making handsome returns from momentum alone does not require skill

“By merely chasing the triumphs of last year, and avoiding past failures, real estate fund managers are able to claim the success of outperformance.”

agents. At the same time, these evaluations also generate crucially important lessons for managers about past decisions and thereby yield valuable insights for the future. However, this is only so if the evaluation

doing so through REITs, real estate mutual funds and private offerings, is now easier than ever.

Managers of such investments are compensated for the returns they produce relative to a benchmark

and an old newspaper will provide you with all the inside data you need. By merely chasing the triumphs of last year, and avoiding past failures, real estate fund managers are able to claim the success of outperformance. Through such basic insights and actions fund performance will appear higher than average. However, it is simply the result of buying into existing, but slow moving trends.

We are not the first to document the persistence of returns. In fact, the momentum factor has been incorporated into modern finance ever since research analyst and fund manager Mark Carhart introduced the concept in 1997. The most striking result from our analysis of real estate mutual funds is that this common stock momentum factor, which was explicitly designed by Carhart to capture these trend-following strategies, does not suffice to capture the REIT momentum anomaly.

Genuine outperformance in real estate fund management only occurs when momentum is considered. Our findings show, when given in this context, that only half of fund managers actually outperform, while the rest achieve lower than average results.

Hence, we must categorically state that for the proper evaluation of performance, and to meaningfully differentiate luck from skill, it is essential to re-assess the measurement tools.



Finance literature has a lot to offer on the risks and returns of our investments, but in many markets the dynamics are more specific than the accepted textbook tools tell us.

The specifics of industry performance need to be acknowledged before being incorporated into any evaluation tool, and only then can real winners can be identified. Winning in markets where not everyone wins all the time has nothing to do with luck, or 'hot hands', but really does rest on the quality of your evaluation models. ■

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¹ This study was published in the *Financial Analyst Journal*, Volume 65 (5), pp. 24-35.

Should advertisers use skinny models?

by Dirk Smeesters, Thomas Mussweiler and Naomi Mandel

The size of the models you show in advertising affects how consumers feel about themselves and your products. A woman's body image is an important source of her self-esteem, yet approximately 50% of girls and young women report being dissatisfied with their bodies.

Among the many forces believed to play a role in this is the thin ideal dominating the media. The images we see of women in the media today are thinner than the majority of the female population. Frequent media exposure may cause consumers to cultivate unrealistic perceptions about the prevalence of desirable attributes, such as wealth or physical ideals. Indeed, abundant exposure to thin media images has led to the commonly held belief that the thin ideal is normative and central to attractiveness.

To test these perceptions we examined how advertisements containing thin or heavy models influence the self-esteem levels of overweight and underweight people as determined by Body Mass Index (BMI). Overweight individuals represent a significant and growing segment of consumers. Approximately 59% of Americans and 40% of Europeans are overweight or obese.

If exposure to thin media images can result in low self-esteem and eating pathologies among women with an

average BMI, it is possible that overweight women will be even more vulnerable to these effects. Furthermore, although underweight consumers comprise only 2% of the American population, they are often victims of eating disorders, and therefore might also be especially vulnerable to thin media images.

In our experiments the first hypothesis we wanted to test was if the extreme thinness of models affected women's self-esteem. We learned that images of extremely thin models leads to a negative effect for most consumers. Specifically, people with moderate or high BMI think that they are too dissimilar to models of this size. They think that the divide between their own self-perception and weight and that of the models they see is too great. This then leads to negative self-esteem in the consumer.

At the other end of the scale, we found very positive effects came from the use of moderately thin models in advertisements; models that are still thin, but healthily so and whose weight

is perceived as being more realistically attainable by the public. We believe that the use of such images could help inspire people to reach their ideal BMI and size, as they are able to envisage that with some effort on their part – through exercise and diet, for example – they can be of a similar size or weight to these models. Such images also have a directly positive effect on consumers' self-esteem.

We also conducted the same tests using moderately heavy models, similar to the women used in the famous Dove soap campaigns, and obese models; both being sizes that you would not typically see used in advertising campaigns. Our results showed that obese models have a positive effect on self-esteem, except for consumers with a high BMI. For most other people, comparing themselves to obese models makes them feel better because they don't perceive themselves as being like them. However, the effect of moderately heavy models (the 'Dove models', if we can give them that name) is for most consumers (except for those with a low BMI) negative and leads to a decrease in self-esteem. This effect is an important finding and goes against the perceptions that many marketers have about the size of models that should be used in campaigns.

This complicates the campaign used by Dove because the point was to



inspire people and make them feel good. Our view is that people had a positive reaction to the campaign because it received so much media attention and had people talking. Dove was using 'real' people and the public said that this is what more advertisers should be doing, and rightly so.

However, there is often conflict between what people say and what they feel. On the surface the reaction to the Dove campaign was positive. But, when you scratch a little deeper you find that the responses are different.

We know this because we tested for it. We found that the images in the Dove campaign left people with lower self-esteem and had a negative effect. Other researchers have confirmed this, and it is an important finding.

There are always groups of consumers for whom certain types of models have a negative effect. In the main those groups comprise people who are overweight themselves, so anything that triggers a feeling of being heavy provokes negative self-esteem. But, there could be a positive effect from advertising models for most people, and here we are referring to those who are underweight or have a normal body mass. Plainly speaking, if marketers and fashion houses used moderately thin models with body masses that are more readily attainable by the majority of the public, instead of the anorexically

thin types that seem to be so favoured by this sector, then the effect on the self-esteem of consumers would be positive. Expose this large section of the population to extremely thin models and the effect is negative.

Consequences for brands

Taking our research further, we are exploring to what extent these effects alter people's attitudes towards the products and brands they see advertised. What we're finding is that consumers exposed to models that provoke negative self-esteem transfer these emotions to the product. This is particularly true for fashion advertising, with clothing, jewellery, and suchlike.

The continual use of very skinny models by marketing agencies leads to multiple negative effects on the consumer's self-esteem, which in turn hurts the brands because of the negative perceptions it fosters.

Conversely, where the models in advertisements create a positive reaction and consumer self-esteem is increased, then higher purchasing intentions of the product and brand are generated. This, of course, is exactly the desired effect.

So, brand marketers should look to use healthy looking, moderately thin models. The public want to see models that they can associate directly with, or who are of a size that is deemed

The effects of media images on consumers

- Exposure to extremely thin models lowers self-esteem (except for consumers with a low BMI).
- Exposure to moderately thin models increases self-esteem (except for consumers with a high BMI).
- Exposure to moderately heavy models lowers self-esteem (except for consumers with a low BMI).
- Exposure to extremely heavy models increases self-esteem (except for consumers with a high BMI).

attainable. The use of moderately thin models can engender a positive effect on the self-esteem of consumers. This in turn can lead to a positive effect on their perceptions of the product and brand being advertised. There is also a halo effect here: when people say "I feel good" then everything else around them also seems good. ■

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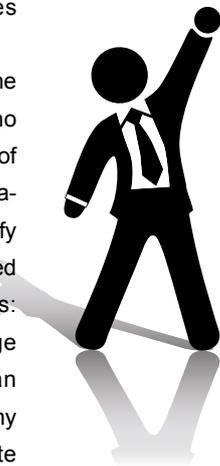
Why companies should value passionate leaders

by David De Cremer

In times of corporate scandals, companies have a strong motive to create ethical awareness among their employees and increase the effectiveness of fairness policies. Many companies agree with the idea that when establishing an ethical climate, the right type of leadership is needed.

But what exactly is the right type of leadership? Many companies seem to employ leadership styles that are controlling in nature and have an underlying rational decision-making strategy in which values are promoted by means of calculated financial incentives. However, for employees to be convinced that moral values are the ones to pursue, they need to feel intrinsically motivated to embrace these values rather than being told to do so by the leader. What may also be needed is leadership that stimulates and energises staff by means of a contagious enthusiasm. In other words, to be passionate about ethics requires leaders who lead with passion!

In fact, one could even say that the best leaders around are those who leave their footprints in their areas of passion. Looking at some of the mega-brands around, we can easily identify passionate leaders who have inspired their employees in amazing ways: Steve Jobs (Apple), Larry Page (Google) and David Neeleman (JetBlue). But if passion matters, why does it matter? How is passionate



leadership linked to more ethical and fair organisational climates?

My own research shows that asking employees to recall encounters with passionate leaders (i.e. those who are energetic in their work and stress the importance of what they do) subsequently influences their minds in a way that automatically activates a sense of morality and concern for fairness. Specifically, recalling such experiences makes followers more attentive to, and more aware of, moral values. The implication here is that, when being supervised by such leaders, employees will intrinsically be more concerned about moral values and thus be more motivated to watch out for and ultimately report ethical misconduct. In this way passionate leaders may help in shaping a climate that supports whistle-blowing and the reporting of wrong-doing.

My findings also show that fair decision-making procedures have a stronger impact on employees when implemented by a passionate leader. Companies have recently recognised that to promote the legitimacy of

management and intrinsically motivate employees to comply with their directives, they need to use decision-making procedures that are perceived as fair, give a voice to employees, and encourage leaders to be consistent in their treatment of people. However, how such measures are brought into play does seem to matter. Indeed, the implication here is that policies instilling fair and ethical decision-making procedures are more easily accepted and perceived as legitimate when coming from leaders who set examples in passionate ways. These leaders not only increase our moral awareness, but also facilitate organisational initiatives aimed at increasing or restoring fairness within the company.

Creating ethical climates is crucial to effective and sustainable business, particularly in times of crisis. Although passion may have been dismissed in the past as a distraction in organisational settings, it is clear that in light of contemporary efforts to create moral awareness, passionate leaders represent a valuable resource to companies.

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