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# Individuals matter, but the situation's the thing: The case for a habitual situational lens in leadership and organizational decision-making<sup>☆</sup>

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The central insight of the field of social psychology is obvious to most upon reflection, but seemingly counter-intuitive for most in practice: people's behavior is profoundly influenced by the situations they perceive themselves to be in. Leaders and managers frequently diagnose problems as the result of individuals' failings, personalities, or traits - seeking to correct them with varying degrees of success through changes of personnel, or institutional training initiatives, or revamped selection systems, among other interventions. Such interventions can be effective under the right circumstances, but leaders too often fail to see that the biggest and most persistent organizational problems emerge out of people's predictable responses to perceived situations. Problem behaviors are thus often the foreseeable result of the situations created and reinforced by organizational leaders. Having the right people on the bus is only helpful if the bus can accommodate them, the bus is in working order, the bus is preferably already pointed in the right general direction, and the people know why they're there in the first place.

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In this special issue on decision-making, it would be easy to focus primarily on the heroic, insightful, deliberate decisions that are made (or could be made) by individual leaders and managers. It is undeniably important to understand how biases shape and distort choices, and the implications of how people approach the decisions they make and the actions they take. My purpose is to offer a complementary perspective grounded in almost a century of scholarship (and centuries of philosophical observation) related to the shaping power of the context of choice.

I argue that the best leaders and managers are reflective situation architects and interpreters — mindful of the profound impact of situational cues on the choices and decisions of all organizational actors (including themselves). The most important, lasting, and sometimes subtle decisions that leaders make are often ones they do not even know they are making. In essence, I offer a situational lens as a corrective to our natural inclinations to be, first and foremost, (lay) personality theorists as we attempt to understand why people make the choices that they make and do the things that they do. A situational lens is at once more difficult to adopt than its alternatives, and more difficult to use (until it becomes habituated), but it is also

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potentially more likely to yield desired outcomes in organizational life.<sup>1</sup>

In this paper, I begin by clarifying the psychological dynamics that predictably undermine prudent and practical sensitivity to the importance of situation analysis and design for organizational choice and action: the fundamental attribution error. I offer several familiar manifestations of the fundamental attribution error in organizations to motivate an interest in alternative approaches. I then argue for the superiority of a habitual situational lens as a corrective by describing the fundamental underlying mechanisms of choice in social situations like organizations: the logic of appropriateness. An understanding of choice and action grounded in a logic of appropriateness perspective unsheathes three levers that can shape organizational outcomes. I finish with a consideration of how practicing leaders can use these insights in practical and productive ways.

## THE PROBLEM IS “FUNDAMENTAL”

Stanford social psychologist Lee Ross became a legend for his work on what he called “the fundamental attribution error,” and for arguing that it is the conceptual bedrock of his entire field. Put simply, when you observe others, you are likely to “over-attribute” their behavior and choices to their personal characteristics and traits as shapers and drivers of those behaviors and choices, while under-attributing to the power of the situation as a causal explanation. The evidence that people demonstrate this bias – reliably and persistently – is so overwhelming that it would be difficult indeed to call the error anything other than “fundamental”. Under-attributing behavior to contextual and situational factors unfortunately creates numerous failures and problems of judgment, strategy and implementation in organizations.

<sup>1</sup> My use of the term “situation architect” and my reference to subtle situational factors influencing choice might bring to mind Thaler and Sunstein’s excellent 2008 book “Nudge” for some readers. Thaler and Sunstein use the similar terms “choice architect” and “choice architecture” and explore an approach that they call libertarian paternalism: adjusting small features in the environment in ways that elicit “better” choices without changing financial incentives. They offer examples of “nudges” such as putting healthy food choices at eye level in student cafeterias, implementing “opt-out” programs for organ donation instead of “opt-in” programs, and setting more appropriate retirement portfolio defaults for employees who don’t act voluntarily. There is definite overlap between the argument I am making and the approaches they advocate, which is natural given that we are drawing on overlapping scholarly traditions that share common ancestors. Leaders deliberately “nudging” is an example of the kind of situational awareness and strategic thought and action I advocate here. However, as the reader will soon realize, the approach advocated here is much broader (not limited to libertarian paternalism), is offered as a solution to a very particular problem for leaders in a way nudges are not (fundamental attribution error), and is offered in the context of a tractable understanding of human social behavior that offers a general framework for leaders’ thinking about situation design (logic of appropriateness).

## THE “PROBLEMS”

Consider how natural it is, as a manager, to think about failing organizational outcomes as the direct result of the flawed judgment and choices of individuals. When your production team misses its efficiency targets, don’t you wonder if better engineers than the ones you have would have solved the problem? When your management team sits in the annual strategy retreat offering half-hearted and uninspiring ideas for the future, don’t you think maybe replacing a few of them might yield a group with more passion and creativity? When your sales teams keep bringing you short-term deals of limited profitability, don’t you think maybe a great sales course would refocus them on long-term relationship selling instead and lead them to consequently greater success? When a CEO fails to deliver desired performance over several quarters, it’s a well-documented preference of boards to seek an external candidate, a “superstar”, assuming that such candidates’ past success can be replicated in a new company.

Those are organizational examples, but you undoubtedly have personal versions of them. A couple you invited over for dinner twice hasn’t reciprocated; don’t you think they might not like you as much as you like them, or that they are socially obtuse? Your spouse seems to be nagging at you about household chores undone or done half-heartedly; don’t you mutter to yourself that they fail to understand the pressures you are under at work, or perhaps that they are inconsiderate?

These are understandable, common and remarkably predictable responses that attribute an undesirable or unappreciated behavior to the relative failings of individuals. There might even be some degree of truth to each. But each attribution might also miss significant dynamics that would require effort to actually bring about sustained improvement. A lack of attention to those dynamics risks costly, disruptive “solutions” that solve nothing because they misdiagnose the cause of the problem.

Let’s take a moment to consider a few of the examples offered above and, instead of accepting and privileging easy explanations rooted in the failings of the individuals involved, let’s start with a search for situational explanations.

### Uninspired and Unmotivated Leadership Team

People who aspire to and achieve positions of leadership are generally goal-directed and at least somewhat motivated to achieve. Is the management team uninspired and unmotivated because they are inadequate and tired, or are they instead inadequate to the task of overcoming situational constraints and fatigued by trying? Does the CEO genuinely welcome suggestions and ideas from others? Is the organization forgiving of well-conceived decisions that nonetheless ultimately failed? Are people who take prudent risks and go out on a limb rewarded socially (with praise and encouragement) or materially (with compensation) relative to those who sit subdued and entrenched? Do the social and organizational risks of informed and measured choice appear to outweigh those of inaction and inertia?

## Sales Force Focused On Quick Wins Rather Than Longer Term Relationship Selling

Organizational behavior experts are regularly asked to come into large sales organizations and focus sales executives on building trust and using influence to craft bigger, longer-term relationship-driven deals. Anyone conversant with this literature can craft a powerful presentation on the merits of such an approach, and presentations of this kind are commonly well received by everyone involved. Then nothing changes. Why? Because the sales executives are compensated in the short-term based on meeting monthly or quarterly sales targets. One of the most compelling papers in the organizations literature has a title that quite literally says it all: "On the folly of rewarding A while hoping for B." What you reward – the incentives you put in place – "defines the situation" for organizational actors, and that in turn drives choice.

## Quest For The Superstar CEO

Our collective love of the hero myth leads boards of troubled companies to pursue "superstar" CEOs. There is a belief that a sufficiently gifted individual can be the lynchpin in positive transformation. This is often a view appreciated by leaders themselves, whose self-esteem and confidence is generally linked to a belief that they, themselves, are lynch pins in the success of their organizations. Yet research documents how this belief leads to poor choices, because superstars are rarely as successful in their engagements after becoming stars as they were in their star-making engagements.

To a social psychologist, the explanation is quite straightforward: people (in this case smart board members) over-attribute to the individual "superstar" and under-attribute to all the situational factors that interact with that individual at that particular moment in time to create (the appearance of) great success. Those situational factors might include market dynamics, chemistry with key followers, deep knowledge of a very particular industry, blind chance and dumb luck.

As Rakesh Khurana noted, in this area "most academic research that has sought to measure the impact of CEOs confirms Warren Buffett's observation that when you bring good management into a bad business, it's the reputation of the business that stays intact. Studies show that various internal and external constraints inhibit an executive's ability to affect a company's performance. Most estimates, for example, attribute anywhere from 30 to 45% of [firm] performance to industry effects and 10–20% to year-to-year economic changes. Thus, the best anyone can say about the effect of a CEO on a company's performance is that it depends greatly on circumstances."

Long before Khurana published his conclusions, James Meindl and his colleagues were documenting the "romance of leadership" – the striking and consistent finding that people use "leadership" (or its lack) to explain outcomes. Good outcomes signal great leadership. Bad outcomes must therefore be the result of lousy leadership. This tendency to invoke leadership as an explanation for all outcomes precludes a more nuanced view of the situation as a causal

factor. As my colleague Celia Moore and I have argued elsewhere, creating and sustaining the experience of charisma in followers is more likely to be about situational factors than the forcefulness of any particular "charismatic leader" or his or her personal characteristics or traits. Though, to be sure, the clear and noteworthy behavior of an individual can be a powerful situation-defining feature for others.

## The Unreciprocated Dinner Invitation

Though the couple that fails to reciprocate a dinner invitation may, indeed, be obtuse, or care less for you than you for them, it may also be that they are busy providing eldercare for an aging parent. Or that they have a child with mental health issues who makes entertaining difficult. Or that the couple has unresolved conflicts that are heightened by entertaining; perhaps they don't, as a result, ever entertain anyone. Concluding that an unreciprocated dinner invitation signals a lack of interest in you may consequently result in the failure to develop a potentially meaningful, fruitful and valued friendship.

The pattern all these examples illustrate is clear: there are almost always situational factors that can, and do, explain many of the "whys" of people's judgments and choices rather effectively – and we don't necessarily think about them first, if at all. The over attribution to individual-level explanations when explaining others' behaviors (fundamental attribution error) often combines in unhelpful ways with the more self-explanatory "self-serving bias". Though we may have many person-based explanations for the misconceived choices and actions of others, we are highly prone to explaining away our own failings as situationally determined. Sally was late because she's lazy and disrespectful; I, on the other hand, was late because of traffic and other factors beyond my control. Leaders are no less prone to this tendency than everyone else, but their positions make such behavior far more devastating to morale, good judgment, and important organizational outcomes. The board sees its organization's failings as somehow indicative of the CEO's failings (not theirs), and sees its own limitations as profoundly industry and government-constrained.

## IMPORTANT DISCLAIMER

I am not suggesting that the situation is everything. I am not arguing that individuals don't matter. I am, however, arguing that thinking first and most deeply about the situation and its design will give many leaders and managers a leg-up on greater insight in their efforts to understand why people think and act as they do, and by extension encourage wiser actions and superior performance. Further, I am arguing that starting with situation analysis first is the right order, and a great habit for most leaders, boards and managers to adopt.

Everybody knows that more talented workers will outperform less talented workers, all things being equal. Everybody knows that more conscientious workers will work more conscientiously, all things being equal. Everybody knows that more agreeable workers will be more agreeable to work with, all things being equal. And everybody knows that more

extraverted workers will be more outgoing, all things being equal.<sup>2</sup>

Because everybody knows these things, every leader will naturally seek to employ the smartest, most talented, most conscientious, most “whatever is deemed desirable”, people they can. And they should do that. Nobody needs to read an article telling them to do this.

But the most important part of each of those four “everybody knows” statements comes after the commas: “all things being equal”. Anybody who has worked in two or more companies, eaten in two or more restaurants, or purchased clothing from two or more stores knows that all things are rarely equal. One aspect of enlightened leadership and management is to select great people for teams; another, much less considered aspect is to craft, shape and maintain the situations that will shape and determine their approaches to judgment and decision-making, and their consequent behavior and performance. The problem with overemphasizing the first part (great people) at the expense of the harder reflection on the second (enabling situations) is that many efforts to improve things through selection and training fail miserably if they unfold in the absence of a deep understanding of why the problems were occurring in the first place.

Training, for example, is a great solution when lack of skill or insight is the problem; it’s a lousy — and even discouraging and destructive — solution when managerial systems are the problem. A deeper understanding of “why” can be aided by a deeper understanding of the factors that exist in and define the situation for the individuals or groups whose judgment and choices are at issue.

## THE LOGIC OF APPROPRIATENESS & ITS THREE LEVERS

The “logic of appropriateness” is a particularly powerful way of describing and predicting how people in social situations actually behave. First advanced by James March and his colleagues, the logic of appropriateness suggests that people, either consciously or unconsciously, move through life as if they were asking themselves the following question: “What does a person like me do in a situation like this?” The logic of appropriateness is offered in contrast to logics of consequence (rational choice models) which instead suggest that people pursue strategies they compute to maximize their personal, “expected utility” — in other words, getting as much as possible of what they personally value. Logics of consequence are undeniably intuitive in feel and dominant in how people tend to think about decision-making, but they have generally offered a weak predictive capacity where social behavior in mixed-motive situations is concerned.

The logic of appropriateness asserts that most of the time we are simply trying to behave appropriately. This means

that we apply what we perceive to be normatively acceptable social rules concerning how we should (or could) be expected to behave based on the situations in which we perceive ourselves to be. Embedded in the logic of appropriateness are three key factors: (1) our definition of the situation, (2) our identity and (3) applicable rules or heuristics. With these three factors in mind, consider the core question again: “What does a person like me (identity) do (rules) in a situation like this (situation recognition)?”

These three component parts offer situation-sensitive leaders three effective levers. The first lever is identity (“a person like me”). But people are, in fact, many different people at once. You may be a parent, an engineer, an academic, a Buddhist, an American, a “team-player”, a “high-performer”, a Toronto Maple Leafs fan, and a philanthropist all at once. Research in the psychology of judgment and decision-making has been quite clear that whichever of your identities is salient to you at any given point in time can and will profoundly shape your choices. In other words, in objectively identical situations with identical payoffs and contingencies, you will make different choices as a function of the aspect of yourself that is salient to you in that moment. A doctor driving to work who encounters an accident by the side of the road and can hear the sirens probably stops to see if he can help. He is on his way to work, thinking of himself first and foremost as a physician who does doctor things. Do you think the same doctor would be as likely to stop when able to hear coming sirens and see flashing lights cresting the horizon if he is also twenty minutes late and racing to the university convocation of his only child who is delivering the valedictory address? Research would suggest the answer is, on average, “no”, and that the explanatory mechanism is the relative salience of the identity of “parent” rather than “doctor” at the moment of decision.

Awareness and use of identity can be a lever insofar as a leader can highlight aspects of their people’s identities at key moments in ways that shape their choices. I have had leaders invite me to comment on something because they valued me as a strategist, and at other times because they thought my sensitivity to interpersonal dynamics might be helpful. They got different versions of me to “show up” to those two different conversations — and those different versions of me attended to and sought out different kinds of information to support different approaches to decision-making. A leader who is sensitive to these dynamics can both be deliberate in evoking people’s personas, and also sensitive to how the personas they evoke might shape (and distort) the inputs they receive.

The second lever is situation recognition (“a situation like this”). It has long been acknowledged in cognitive and social psychology that people cope with their limitations in part by developing coherent mental models or pattern templates that guide choice in a complex world. These patterns are well learned, routinized and can be evoked efficiently by even small features of a situation. In one of my favorite illustrations of this effect, Daniel Batson ran a very simple, two-condition study. In both conditions participants were asked to play a competitive prisoner’s dilemma game with identical rules, identical payoffs, and identical effort by participants. The only difference between the two conditions was that in one it was labeled a “social exchange” study and the other as a study of a “business transaction.”

<sup>2</sup> These are four of the “Big 5” personality traits. To the extent that personality predicts work performance, the Big 5 is the most robust instrument. However, on a great day, personality accounts for approximately 9% of the variance in observed behavior leaving, as Pfeffer and Sutton (2006) have noted, 91% to be explained by other things.

This very small change in the name evoked very different levels of cooperation and competition. In the business transaction condition, participants were more competitive and less cooperative. In the social exchange condition, participants were more cooperative and less competitive. The label evoked a different set of assumptions about appropriate behavior (rules — see below). In one of my own studies — along with my coauthor Keith Murnighan — we were able to demonstrate that the mere presence of a consistently cooperative player in a competitive game evoked a different understanding of the kind of situation participants were in, and by extension, the kinds of rules that they felt should apply to their own behavior and the behavior of others. In this case, much more cooperative behavior was demonstrated in the presence of a normatively cooperative actor.

And that brings us to the lever of rules (what you are supposed to do in a situation like this given the kind of person you are). Our rules in social situations are social norms — taken for granted assumptions about appropriate behavior. In an emergency, protect the children and the vulnerable first. Let people exit an elevator before you get on. Don't interrupt a speaker unless invited to do so. Or, in some organizations, "don't challenge the boss in public . . . or ever."

People are highly rule-driven and habitual creatures, even when they are not wholly conscious of the rules that guide their behavior and even when they are relatively inarticulate about the "whys" of their choices. An enlightened leader is sensitive to the rules that might be evoked. For example, in conditions of high uncertainty, "look out for number one" is a fairly well documented social rule, but not one most leaders in struggling organizations want to see broadly applied by their employees.

In addition to sensitivity and awareness of rules that might be applied, enlightened leaders create and reinforce social rules that advance their agendas. They do this by modeling desired behavior, focusing attention on the defining characteristics of a situation or desired outcomes, telling stories about success, and so forth.

For example, the global design firm IDEO has clear norms about creative engagement and design. Toyota's approach to sharing responsibility broadly for process improvement regardless of rank is another. Disney's consistent reinforcement that cast members must treat every theme park customer as guests, rather than as customers, is yet another. It is important to note, as my colleagues David Messick, Shirl Kopelman and I have noted elsewhere, that rule selection is only rarely highly considered and deliberate. It is, in contrast, usually intuitive or "automatic" — which means that if organizational leaders and managers want particular rules to be evoked, then they must first do the work of deciding what those rules are and then instilling them with clarity and frequency such that they are socially validated and called to mind effortlessly.

Leaders and managers should adopt a situational lens to both understand their own decision-making better, as well as to understand better the judgments and choices that are occurring incessantly within their own organizations with limited deep consideration. Understanding the descriptive and predictive power of a logic of appropriateness, and understanding the influence of identity, situation construal and rules, should allow for the enactment of a more struc-

tured and effective architecture for decision-making. This framework, however, also offers a powerful tool for retrospective analysis. That is, when a leader encounters behaviors that are puzzling and problematic, ask the "why" questions in ways that also consider the role of the three levers.

## OTHER CONSIDERATIONS FOR PRACTICING LEADERS

Failing to use a situational lens is a missed opportunity that is particularly problematic in the context of short leadership tenures. It is now quite common for leaders to occupy their positions for five years or less. Consider this common scenario. A new leader is appointed and spends six months to a year getting her bearings. She concludes towards the end of that year that one of her departments is underperforming, and that leadership of that department is likely to blame (a predictable attribution as noted earlier). A "performance" intervention of some kind is attempted with little evident benefit. In the second half of year two, a search for a replacement is on. By the end of year two, our leader replaces the department head. The new department head takes a year to learn his new job and benefits from a cyclical uptick in their focal market during the CEO's third year, initially offering some albeit faint evidence of the CEO's wisdom and insight. The CEO, predictably, seizes on that evidence and feels pretty good about herself. However, by the beginning of year four of our CEO's tenure, performance of the department remains weak. The CEO begins consideration of again trying for a "better person" solution, but it is by now partway into her fourth year on the job. She has therefore begun contemplating her next move and by 4.5 years, it feels like adjustments should be left to new leadership. At the five-year mark she leaves, the new leader arrives, and the cycle repeats.

Over and over, the same mistake is repeated: replacing individuals to solve problems that may more accurately be characterized as situation design or organizational problems. When working with large groups inside large organizations around the world, I often ask whether anyone has observed this phenomenon "on the ground" in their work lives. I am no longer surprised by how universal and emphatic is the recognition.

As an academic, it is also discouraging, but not surprising, to have to admit that universities are organizations particularly prone to this challenge. Everyone wants to see innovation thrive in university environments, but leadership terms are generally time limited (e.g., 4 or 5 years) and reappointments are contingent on support from change-averse constituencies. Further, university governance systems — designed to ensure stability, great care, and to reduce the costs of mistakes rather than to reduce opportunity costs — move with a cautious lethargy that can, quite literally, require more than a year's lead time to change the name of a course in the official course calendar. In such environments, I have observed many entrepreneurially minded academics conclude that the payoff for their entrepreneurial efforts is greater outside university governance structures than inside.

Around the world, universities claim they want to see the higher levels of research commercialization demanded by

investing governments, but in many ways their intellectual property ownership policies discourage faculty members from investing in such efforts, while merit review policies usually offer credit exclusively for a narrow band of non-commercialization activities (usually peer-reviewed publication 40%, teaching 40%, and service to the university 20%). If you are an early stage academic, you are asking yourself what a person like you (a talented scholar aspiring to recognized and validated contributions that get you tenure) should do (publish or perish) in a situation like this (a place where faculty are secretive about their industry work and everyone publicly celebrates journal publications above all else and other activities are pursued quietly)? People generally do what seems appropriate given the situation they perceive. If leaders want different outcomes, they need to design different situations.

When Google set out to use its terabytes of personnel data to understand what made a team great, their conclusions aligned beautifully with the importance of a situational lens and a logic of appropriateness understanding of human choice and action. As reported by Charles Duhigg in the *New York Times*, Google found “that the *who* [was on the team] part of the equation didn’t seem to matter”.<sup>3</sup> Instead they found that building a certain set of group norms was the key, and they effectively found support for important observations from decades of organization science. What mattered: Psychological safety (so people could speak without fear of reprisal or negative repercussions), clear goals (so people knew what they were working towards), and a culture of dependability (so there was an experience of momentum and the basis for trust). If you want a great team, in other words, you build a situation that participants experience as safe, moving forward and dependable. Having talented team members were table stakes; the enabling situation was the thing.

Despite this and other examples of situation architecture encouraging desired choices, the deck is stacked against a widespread implementation of a situational approach in organizations everywhere. Situational analysis and situational explanations are complex, multi-layered, multi-faceted, and just plain difficult. And as Google’s results and breathless press coverage showed, smart people continue to be surprised that the situation is so important, despite ample social science that proves it. Many aspects of any given situation are outside the direct or easy control of leaders. In contrast, personnel selection (or dismissal) is usually within their control, and a leader who makes a change in personnel is seen as decisive, even if taking that decisive action does nothing whatsoever to address root causes and is thereby almost sure to fail.

## WHAT TO DO . . .

So what is a leader or manager to do? To start, I propose a fairly simple reversal in the order of operations when assessing a problem or making a decision. Though it is natural to

begin by trying to assign fault or localizing problems or opportunities in individuals, start with the situation instead. Make it a habit of thought and approach. Starting with the situation doesn’t absolve individuals of personal responsibility. Rather, it actually offers you the perspective necessary to evaluate responsibility more accurately and thus ensure accountability.

In the realms of organization design and setting the stage for new ventures, this situational perspective challenges the design skills, and psychological insights of the leader. What are the desired ends, and what kinds of contextual “containers” will encourage, prompt and facilitate desired approaches, decisions and behaviors?

For example, what is it in your environment that strongly signals that:

- Excellence in decision outcomes is to be consistently pursued?
- Well-intentioned and considered effort with respect to the process of decision-making and all undertakings will be rewarded (even when decisions are not wholly successful)?
- Curiosity, insight and thoughtful consideration are valued?
- Success will be accurately attributed and rewarded appropriately?
- When making difficult decisions, tough questions are always welcomed, even when posed by those without power and titular authority?

Framing of choices, explanations for directions, and providing aid in “sense-making” all become critically important in defining a situation to increase the chances of success in crucial decision-making. Among the most important ways leaders do this is by making prudent decisions about what stories they tell. The stories a leader tells signal both privately and publicly what is valued, how one is expected to think, what behavior is appreciated, and even how others in an organization should approach stakeholders. The elementary school Principal who enters the staff room every day with a tale of one unreasonable parent or another creates a very different understanding of appropriate behavior and choices than the Principal who tells a daily story of working to find creative solutions to children’s challenges by engaging actively with parents. All too often, though, leaders let off steam in unwittingly situation-defining and habit-instilling ways. What do followers do when they are told a story by a leader? They often internalize the memorable message, thereby ultimately rehearsing and routinizing the leader’s inclinations as their own.

Leaders at every level of an organization, from CEOs to front-line supervisors, clearly bear a special burden. The leader stands out as a salient symbol of how to get ahead and what is valued. In novel situations, people apply the logic of appropriateness by scanning the environment for clues. The consistent behaviors of high status others are among the best and most powerful of these. Others in an organization will practice, habituate and transmit those values across the rolling “generations” of new employees. Leaders seeking to bring about a change in an organization must embody the desired change as much as possible, because changes that

<sup>3</sup> “What Google Learned From its Quest to Build the Perfect Team”. *New York Times*, February 25, 2016.

are not embodied in the routines of an organization's leadership are unlikely to be noticed, effectively learned and thereby successful.

Don't just hire people because they are talented. Hire them because they also send signals, reinforce key messages, and model desired behaviors and values. All these decisions signal "the kind of situation" it is, and the rules that should consequently apply when choices are being made.

The essence of the ideas presented here is far from new. The relative merits of individual vs situational perspectives are as old as the hills and the foundation of whole disciplines. I cannot claim novelty in my observation when I say to executive audiences "if you have to bet on the individual or the situation predicting what someone will do, the smart money is generally on the situation (or at least how it's perceived)." IQ is the single best individual-level predictor of work performance by individuals, yet as Pfeffer and Sutton observe, it can only account for 16% of the variance

in performance, leaving 84% to other factors. Silicon valley is littered with the carcasses of failed start-ups that were founded and staffed by people with genius-level IQs. Often the leadership of these geniuses unfortunately failed to create and maintain the situations that might have enabled organizational success.

Rooted in the rich and empirically validated observations of social and organizational psychology, the challenge of this paper is clear: nurture the habit of situational awareness and the skills of situational analysis and design. Recognize that people react to the situations they perceive and make decisions according to the rules they have learned. Insightful leaders think a lot about the rules that are learned and how they are reinforced. They also strategize with care about how the situations they design shape perception, judgment and decision-making in ways that enable their desired outcomes. What the insightful leader does not do is act as if talent selection alone is the solution to any problem or challenge of substance.



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Murnighan, Sheri Wideman, The Beer Group, and the hundreds of organizational leaders who have responded to different versions of these ideas over the last fifteen years.

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