

CORPORATE POWER AND POLITICS



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HEWLETT
PACKARD

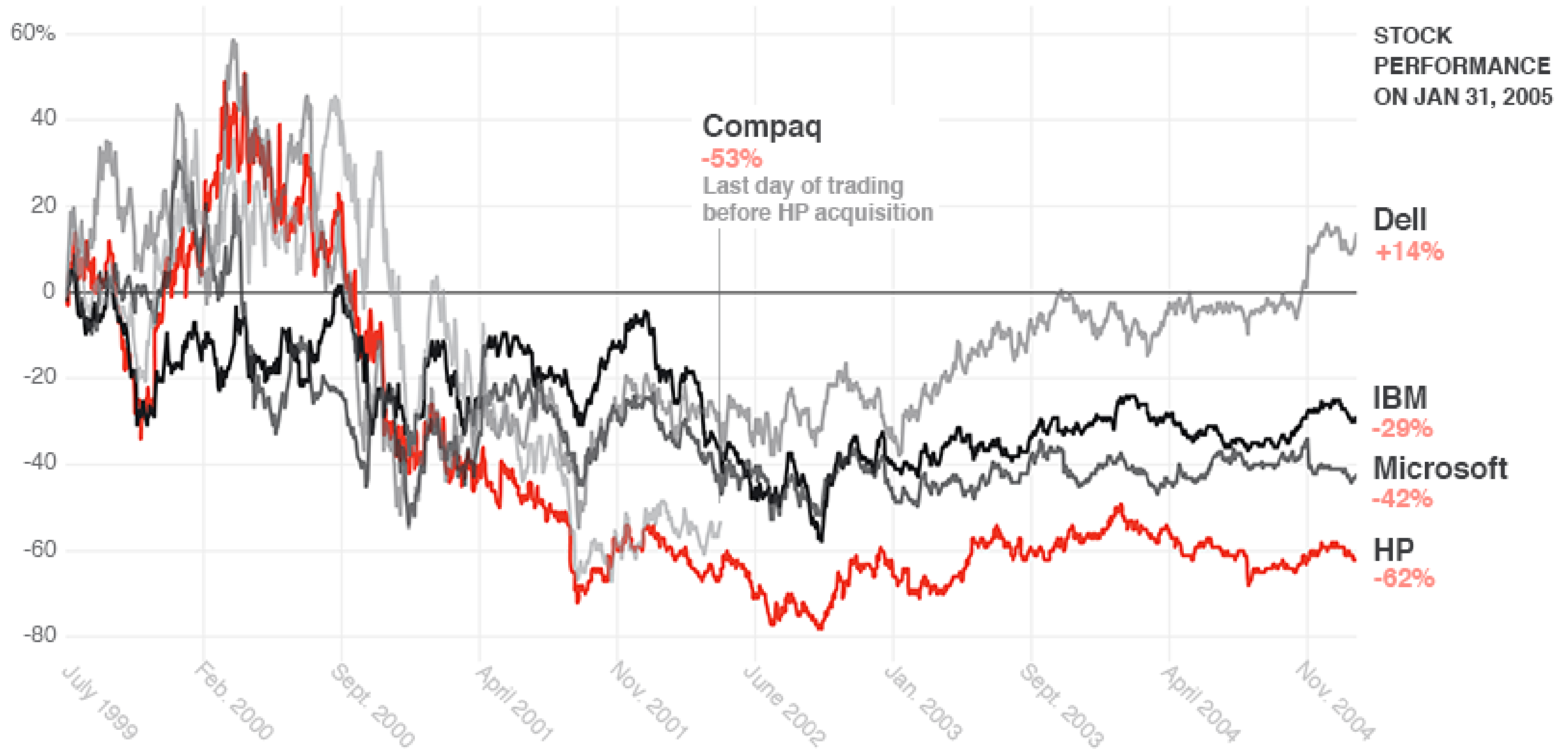


CARLY FIORINA

- CEO of HP between 1999-2005
- Oversaw a fusion with Compaq



HP, competitors' stock performance during Carly Fiorina's tenure as CEO



CHANGES DURING TIME AS CEO

- Board of directors reduced from 14 members (1999) to 11 members (2000)
- Share value reduced by cca. 50%
- No changes in dividends
- Increased rewards for board members
 - 100 000-105 000 (2000) to 200 000 (2004)



WHY ARE YOU
HERE?



LEADERSHIP VS. POWER

Leadership perspective

- Role of the individual
- Downward influence
- Goal congruence

Power perspective

- Role of individual, group, organization
- Down, up, lateral influence
- Dependence



WHAT IS POWER

Power

Capacity of person A to influence person B in such a way that B acts in accordance with A's wishes.

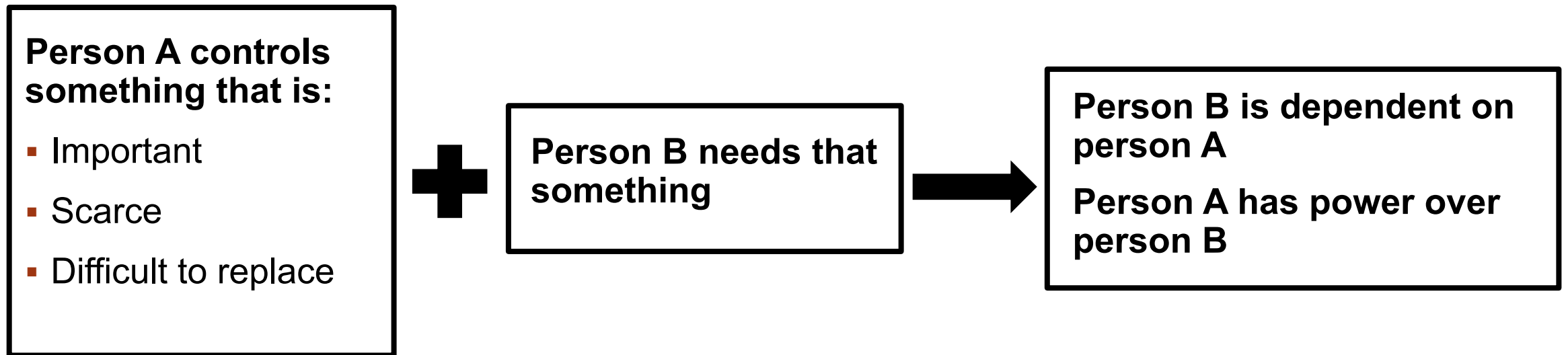


Dependence

Relationship between two people, where one controls something that the other wants.



WHAT MAKES DEPENDENCE?



BASES OF POWER (FRENCH & RAVEN MODEL)

- **Formal**
 - Coercive
 - Reward
 - Legitimate

- **Personal**
 - Expert
 - Referent

↑

Greater satisfaction,
commitment, performance



POWER TACTICS

- Methods of transforming the power base into results:
 - Legitimacy
 - Rational persuasion
 - Inspirational goals
 - Consultation
 - Exchange
 - Personal appeal
 - Ingratiation
 - Pressure
 - Coalitions



APPLYING POWER TACTICS

- Upward (on your superior)
 - Rational persuasion, coalitions
- Downward (on your subordinates)
 - Rational persuasion, inspiration, pressure, consultation, ingratiation, exchange, legitimacy
- Lateral (on your peers)
 - Rational persuasion, consultation, ingratiation, exchange, legitimacy, personal appeals, coalitions



SELECTORATE THEORY
(MODEL BY DE MESQUITA ET
AL.)



SELECTORATE THEORY (MODEL BY DE MESQUITA ET AL.)

- There is no such thing as an absolute ruler.

- A person can divide the environment into three dimensions:
 - **Nominal selectorate (Exchangeables)**
 - **Real selectorate (Influentials)**
 - **Winning coalition (Essentials)**



SELECTORATE THEORY (MODEL BY DE MESQUITA ET AL.)

- Stay in power and achieve goals, people obtain **the support of Influentials and Essentials by giving them rewards**
- These rewards come at the **expense of Exchangeables**



SELECTORATE THEORY (MODEL BY DE MESQUITA ET AL.)

- **Rules for rulers:**

1. Keep the winning coalition as small as possible,
2. Keep the nominal selectorate as large as possible,
3. Control the rewards,
4. Reward Essentials to keep them loyal,
5. Don't take rewards away from essentials to give them to Exchangeables.



**BACK TO CARLY
FIORINA**



WHAT IS POLITICS?

- Using power to achieve goals
- Engaging in **Political Behavior**
 - Activities not part of formal role
 - Attempts to influence the distribution of advantages



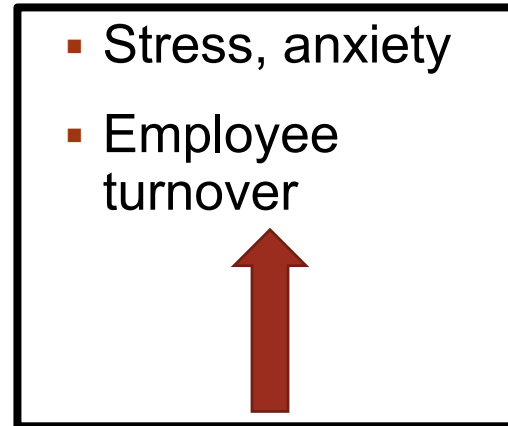
WHY POLITICAL BEHAVIOR

- Differences between individual and organizational goals
- Limited resources
- Ambiguous, unclear, subjective methods of distributing rewards
- Personality traits

- **It is almost inevitable**



EFFECTS OF POLITICS



Depends on corporate culture, personality, **political ability**



ABUSE OF POWER

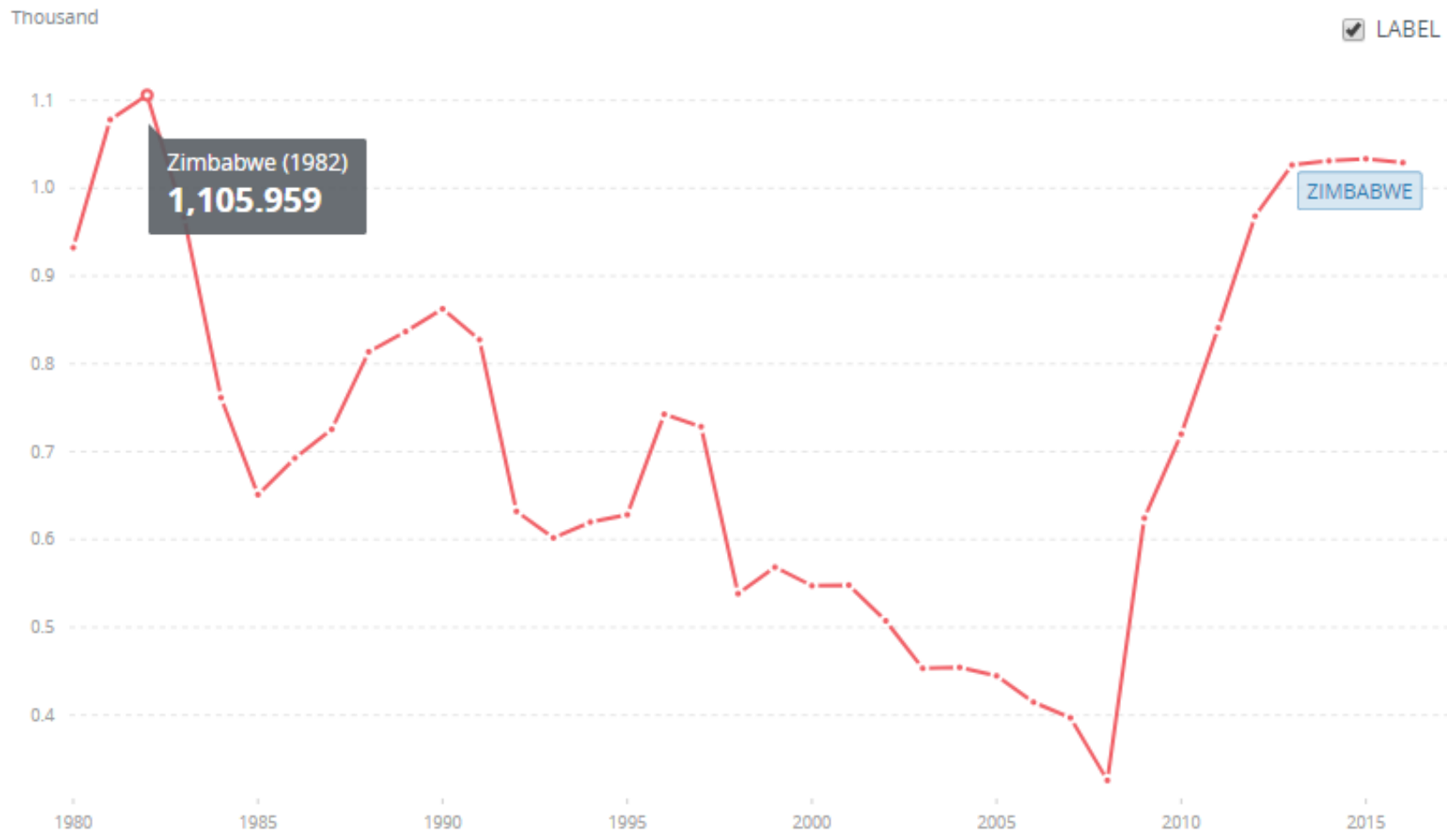
- Forms
 - Bullying
 - Corruption
 - Sexual Harassment
 - ...
- Minimize abuse of power:
 - Create clear rules
 - Make reporting abuse easy and safe
 - Investigate every report
 - Punish abusers
 - Educate





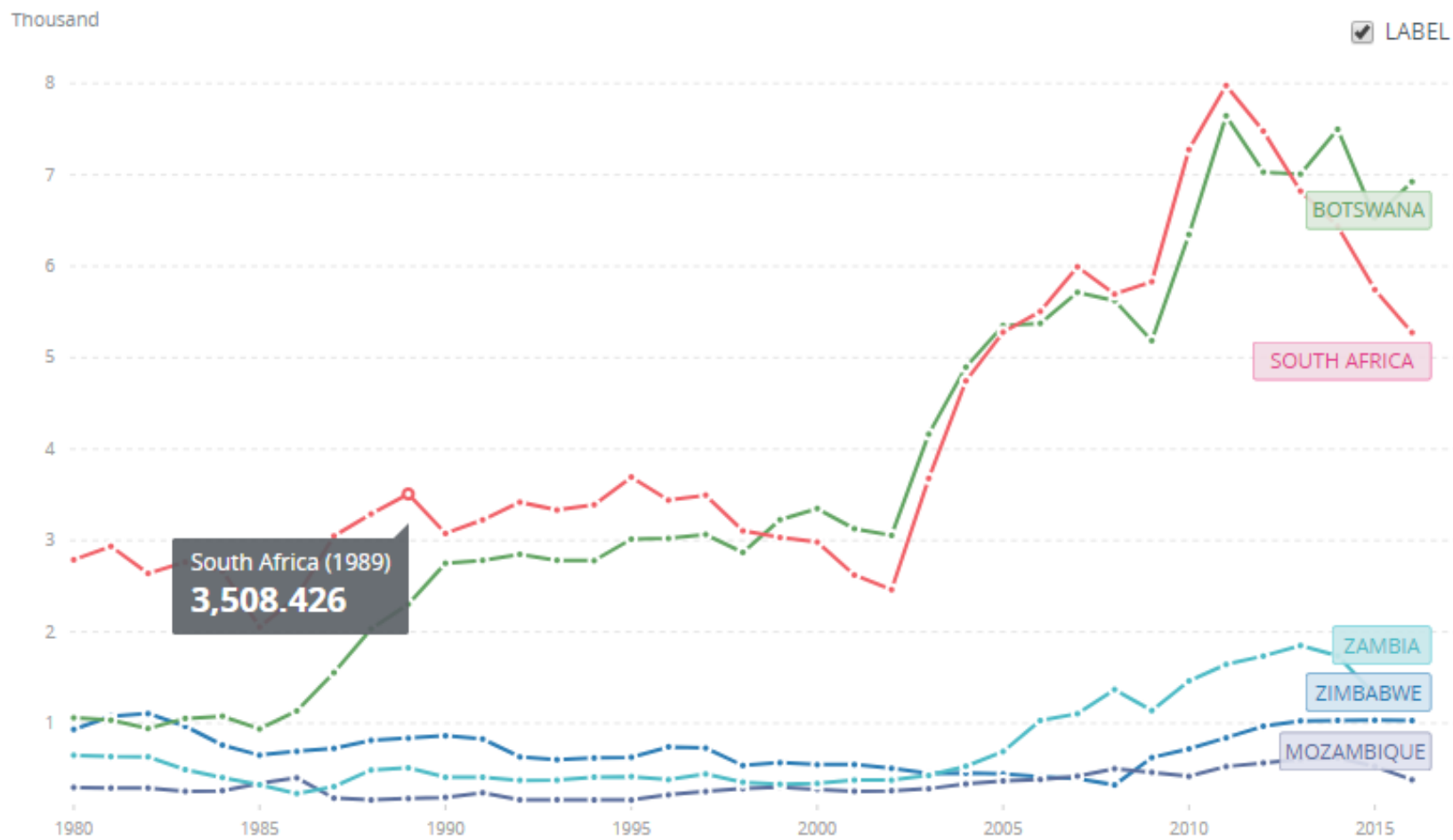
ABUSE OF POWER





ABUSE OF POWER ZIMBABWE GDP PER CAPITA





ABUSE OF POWER ZIMBABWE GDP PER CAPITA



ABUSE OF POWER – ADDITIONAL INDICATORS

- May 2008 – massive inflation
- Portion of population living off less than 1 USD/day
 - 36% (1990) -> 80% (2006)
- Life expectancy
 - 59 (1990) -> 37 (2005)
- 44% of citizens suffer from malnutrition, although 70% of citizens are farmers (2008)



ABUSE OF POWER – COLLAPSE OF ZIMBABWE

- 1997 – buying electoral support
- 1998 – increased food prices -> unrest
- Land redistribution (2000)
 - 70% of land taken without compensation and given to the poor

„Local courts twice ruled that farm occupation was illegal and ordered government to drive off veterans and their supporters. As a result, Mugabe's land grabbing effectively crippled Zimbabwe's commercial industry“

- Foreign aid to Zimbabwe stopped
- Public sector financed by printing money



ABUSE OF POWER – SPECIFIC MEASURES

- Buying support of war veterans (Essentials) with state land
 - Control over food supply and food aid -> buying votes with food (Influentials)
 - Land redistribution to buy the support of the poor (Influentials)
 - Loyalty rewarded by distributing housing (Influentials, Essentials)
 - All of this at the expense of everyone else (Interchangeables)
-
- Political opposition and dissidents' property destroyed



LESSONS

- You can gain power by making others dependent on you – obtain something that is necessary, scarce, and difficult to replace
- Others will try to do the same
- Avoid making others feel powerless or threatened – people will do horrible things if they feel like they will lose the power they have
- You can get a more accurate picture of a situation by taking politics into account



SOURCES

- Robbins, S. P., & Judge, T. A. (2017). *Organizational Behavior*. Pearson Education Limited
- De Mesquita, B. B., & Smith, A. (2011). *The dictator's handbook: why bad behavior is almost always good politics*. PublicAffairs.

