



## **CHAPTER OUTLINE**

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## Learning Objectives

By the end of this chapter you should appreciate that:

- organizations use a variety of techniques to ensure a 'fit' between employees and the organization – some are more effective than others;
- designed appropriately, training that managers provide for employees can influence how those employees perform their jobs;
- stress and employee attitudes are important in influencing performance in the workplace;
- several person and situational factors impact on team effectiveness and group decision making;
- organizational culture is important for workplace performance, and can be measured across several different dimensions;
- power is an important construct in the workplace and can be defined and measured in several different ways;
- there is evidence for discrimination against women at work;
- unemployment can have serious psychological effects.

## INTRODUCTION

Within three years of reading this text, you are very likely to enter and begin work in an organization that is quite new to you. This will represent a major change in your life, associated with new patterns of behaviour, attitudes, new knowledge and skills.

In this chapter, we discover what psychologists know about the experience of working in an organization, from starting to leaving. This journey through the levels of work organizations and over the lifespan of an individual's experience can cover only a relatively few topics, but in the process it should provide an insight into a rich and increasingly important sub-discipline.

Almost all studies in this area are conducted in the organizations themselves, from three perspectives:

1. individual – selection, socialization, training, leadership, job satisfaction and organizational commitment, and the causes and consequences of stress;
2. group – work group effectiveness and decision making; and
3. organizational – design and culture of the organization, the exercise of power and the experience of women at work.

We end by analysing the powerful effects of redundancy and unemployment.

But the first step is recruitment. How do organizations achieve a fit between an individual, the job and the organization?

## INDIVIDUALS AT WORK

When we consider some of the major factors affecting individuals at work, how they are selected, socialized, developed through training and affected by the behaviour of their bosses and peers, we begin to see how pervasive the effects of our work experience can be in our lives.

The jobs we do shape us by offering us a sense of growth, commitment and satisfaction, or they can alienate us, creating chronic feelings of anxiety and directly affecting our health and wellbeing. The influence of work in colouring every aspect of our lives is profound.

## MATCHING THE PERSON TO THE JOB

Selection is based on the premise that there are stable individual differences between people, which can be identified (see chapters 13 and 14), and that these differences have an impact on how effective people are in a particular job (Robertson, 1995).

Not surprisingly, psychologists have been at the forefront of developing and using personnel selection methods. One of the aims of selection is to ensure a fit, i.e. a good match, between the person and the organization. Failure to achieve this can not only result in poor job performance, but the well being of the employee also suffers, and ultimately the employment relationship is likely to end.

## Common selection procedures

**job analysis** procedures for describing jobs, including the nature of the work and the relationships of the job-holder with other people

The typical process for designing a selection system begins with a *job analysis* to identify the essential requirements. This information is used to create a job description,

which forms the basis of a person specification. This specification translates the demands of the job into human terms and lists criteria that an applicant must satisfy if they are to perform the job successfully (Arnold, Robertson & Cooper, 1991). Selection methods determine whether the applicant's skills, knowledge and abilities meet these criteria. For example, if the person specification states that good verbal reasoning skills are required, a psychological test of verbal reasoning may well be used in the selection procedure. Common selection procedures (from Arnold, Robertson & Cooper 1991) are:

**Interviews** – often involving more than one interviewer. At a panel interview, the applicant will be questioned by several interviewers. The most important features of a job interview are the extent to which a pre-planned structure is followed, and the proportion of questions that are directly related to the job.

**Psychometric tests** – including tests of cognitive ability (e.g. general intelligence, verbal ability, numerical ability) and self-report measures which are designed to evaluate personality.

**References** – usually obtained from current or previous employers, often in the final stages of the selection process. The information requested may be specific or general and open-minded.

**Biodata** – biographical information about the candidate's life history. Some biodata inventories contain several questions, including objective questions (such as professional qualifications held) and more subjective ones (such as preferences for different job features).

**biodata** life history information about job candidates

**Work-sample tests** – using samples of the job (e.g. the contents of an in-tray for an executive position, or specific kinds of typing for a secretarial post). The applicant is given instructions and a specific amount of time to complete the tasks.

**work-sample tests** personnel assessment techniques which require the applicant to perform tasks that are examples of the task demands of the job in question

**Handwriting analysis** – making inferences about the candidate's characteristics by examining specific features of his/her handwriting, such as slant and letter shapes.

**Assessment centres** – a combination of some of the above techniques. Candidates are usually processed in groups, and some of the techniques require them to interact (e.g. simulated group decision-making exercises).

**assessment centres** series of assessment exercises (e.g. interviews, work-sample tests, group discussions) used to assess a person's potential for a job

Although the usefulness of *psychometric tests* in selection has been hotly debated by psychologists, their validity has been found to be relatively good (Robertson & Kinder, 1993). The drawback from the perspective of employers is that training is required for those who wish to administer and interpret these tests. Even though the financial costs of ineffective selection are potentially large, organizations still rely on techniques such as personal references, graphology (handwriting analysis) and even astrology. These techniques are demonstrably and largely invalid as selection devices (Rafaeli & Klimoski, 1983).

**psychometric tests** assess cognitive and personality dimensions

Selection methods need to have good *criterion validity*. This is the relationship between scores on the selection method and scores on the ultimate performance measures, such as number of sales made, commission earned or other types of outcomes required by the organization (Landy & Farr, 1980).

**criterion validity** the relationship between a person's scores in a selection method (e.g. job interview or intelligence test) and his/her scores on subsequent performance measures (e.g. supervisor's rating of the person's job performance)



**Figure 20.1**

Despite the fact that psychological tests show good criterion validity, the most frequently used selection method for many jobs is the unstructured interview.

Psychological tests show good criterion validity. For example, one of the best predictors of job performance (for all but very simple jobs) is general intelligence (Hunter & Hunter, 1984; see also chapter 13). And yet the most frequently used selection method for many jobs is the unstructured interview, which has poor criterion validity. Here, interviewers ask a wide variety of questions, but without planning what questions will elicit the information that best predicts job performance.

**structured interviews** in which the questions are standardized across interviewees

*Structured interviews*, involving two or more interviewers asking standard job-related questions of all candidates, are much better selection methods, but they are rarely used (Huffcutt & Arthur, 1994; Wiesner & Cronshaw, 1988). These interviewers are likely to ask targeted questions, such as: 'Have you ever been in a situation at work where a customer was very angry about a service you had provided? Describe the situation and how you handled it.' This kind of question will usually elicit clearer information about the likely future performance of the candidate, because one thing we know for sure is that one of the best predictors of future behaviour is past behaviour (see chapter 17).

Personality tests (used for assessing traits such as conscientiousness, confidence and sociability) are increasingly popular tools in employee selection (see chapter 14). Tests that assess specific personality traits relevant to a particular job are reasonably valid predictors of job performance (Hogan & Roberts, 1996), whereas general-purpose personality tests have lower validity (Salgado, 1997).

## FITTING INTO THE ORGANIZATION

Once you have started work for an organization, it will seek to shape you to fit in and to contribute to achieving its goals. This is done through socialization and training.

### *The stages of socialization*

Socialization is the process by which members of a society (be it a country, organization or even a family) are taught how to behave and feel by influential members of that society. In the past, theory and research has concentrated on the development of children and adolescents. But more recently it has become clear that we are socialized and resocialized throughout our lives (Wanous, Reichers & Malik, 1984).

When employees start work, they learn about their new jobs, the work environment and how they are required to behave – attending meetings on time, dressing according to certain standards, using particular styles of speech. They learn to align their work values with those of the organization. For example, army recruits are socialized, or indoctrinated, into the 'army way', learning not only the rules and regulations but also the values and behaviours that match the army's distinctive culture. Many commercial organizations emphasize customer service as vital, and require employees to adopt the values, attitudes and behaviours that support such a service strategy.

Socialization has all or some of the following stages (Wanous, 1992):

- confronting and accepting organizational reality – Wanous (1978) suggested that organizations can make this 'reality shock' stage smoother by providing applicants with a realistic job preview describing negative as well as positive aspects of the job;



**Figure 20.2**

Like many new employees, army recruits learn to align their work values with those of the organization, absorbing not only the rules and regulations but also the values and behaviours that match the army's distinctive culture.

- achieving role clarity by discovering what is expected in terms of job requirements and performance;
- becoming situated within the organizational context – settling in and getting used to how things are done; and
- detecting signposts of successful socialization – e.g. feeling accepted by colleagues, confidence in completing the job successfully, understanding the formal and informal aspects of the job, and knowing the criteria used to assess job performance.

This process of 'learning the ropes' has at least three elements (Van Maanen & Schein, 1979, pp. 226–7):

- acquiring the knowledge required for both job performance and general functioning in the organization (e.g. how to make a grievance, what quality standards need to be met);
- acquiring a strategic base, i.e. a set of decision rules for solving problems and making decisions (e.g. building good relationships with colleagues in your and other departments, knowing whether it is acceptable to question a senior manager's decision); and
- learning the organization's purpose, which may be different from what is publicly stated (e.g. employee welfare may, in practice, be rated much lower than maximizing profits).

### How your job can change you

There is evidence that, over the longer term, an individual's personality, values and cognitive functioning are changed by their job. Kohn and Schooler (1983) found that jobs high in complexity can enhance intellectual functioning. Von Rosenstiel (1989) showed that people who started without a strong career orientation and who were supportive of environmental protection become less 'green' and more career-orientated when they took a company job. Mortimer, Lorence and Kumka (1986) found that people tend to value more, over time, things like money or challenge that are characteristic of their particular type of work, and to devalue things that are not, such as unconventional dress or antipathy to rules (although they may start their career valuing these latter characteristics more).

Not surprisingly, a problem with strong socialization tactics is that they tend to create conformists with little inclination to innovate (see chapter 18). Van Maanen and Schein (1979) proposed six dimensions to socialization tactics:

1. *collective vs. individual* – the degree to which the organization processes recruits in batches (where everyone has the same learning experiences) or individually;
2. *formal vs. informal* – the degree to which the process is formalized (as in set training programmes), or is handled informally (such as via individual supervision by the immediate supervisor, and through learning on the job);
3. *divestiture vs. investiture* – the degree to which the process destroys aspects of the self and replaces them (as in an army training camp), or enhances aspects of the self (as in some forms of professional development);

### Pioneer

**Edgar H. Schein** (1928–) is the Sloans Fellows Professor of Management (Emeritus) and Senior Lecturer at the MIT Sloan School of Management. He has contributed to the discipline of organizational psychology in the areas of organization development, career development and organizational culture. In *Career Survival: Strategic Job and Role Planning*, he presented concepts and activities for managers based on research he first reported in *Career Dynamics: Matching Individual and Organizational Needs* (1978). He is the author of *Organizational Culture and Leadership* (1992), and is considered the leading international expert on organizational culture.

4. *serial vs. disjunctive* – the degree to which role models are provided (as in apprenticeship or mentoring programmes), or are deliberately withheld (as in sink-or-swim initiations, in which the recruit is expected to figure out her own solutions and is not told what to do);
5. *sequential vs. random* – the degree to which the process consists of guiding the recruit through a series of discrete steps and roles, as opposed to being open-ended (where training is based on the needs of the individual, and there is no set sequence in his/her progression); and
6. *fixed vs. variable* – the degree to which stages of the training process have fixed timetables or are open-ended (such as in some promotional systems, where the employee is not advanced to the next stage until she is deemed ready).

Van Maanen and Schein argued that the more a newcomer's experiences are like the first half of each pair given in the listing above (e.g. collective, formal, sequential, etc.), the more likely the recruit is to conform; individual perspectives and attitudes will be stripped away and replaced by standardized behaviours. Socialization into the army relies on strong socialization tactics. New recruits are trained together, segregated from experienced soldiers, and socialization tends to suppress individual aspects of the self (which are then replaced by conformity to army norms).

## TRAINING – DOES IT WORK?

Training is a learning process structured in a systematic fashion and designed to raise the performance level of an employee (Goldstein, 1993; Tannenbaum & Yukl, 1992). With the marked change in work environments over the last quarter of the twentieth century (such as new ways of working, cutbacks at managerial level and the devolution of responsibility and accountability to individual staff) has come an urgent need to develop and maintain staff skills through continuous training. Furthermore, with the expanded use of new technology (and information technology in particular) most people at work need continual training

to update their skills (Ashton & Felstead, 1995; Pfeffer, 1998; Tharenou & Burke, 2002). Yet the approach to training in many organizations is often haphazard and reactive.

Psychologists have much to offer organizations in relation to how training can best be used to achieve a fit between the individual and his job. Organizations must undertake a *training needs assessment* in order to identify who needs to develop more knowledge and skills to successfully complete their present and future

**training needs assessment** identification of learning requirements, to facilitate successful completion of present and future roles

tasks. This is usually done through observation, interview, group discussion and work samples. Training methods include on-the-job training (coaching), lectures, simulations (e.g. cockpit simulation), case studies and programmed instruction (via computers).

A critical question (given the huge costs involved) is whether training transfers to job performance. Three factors influence the *transfer of training*:

**transfer of training** application of what was learned in job training to the job itself

- the similarity of training to work tasks – the more similar the better;
- the employee's motivation to use newly learned skills or knowledge on the job; and
- organizational support for the transfer of training, such as supervisory support for the implementation of new ideas.

Ideally, training should be evaluated to determine whether it is achieving its desired ends. This can range from whether the individual enjoyed the training and applies it, to whether it affects job performance, customer satisfaction or even organizational productivity and profitability.

Does training work in practice? Research shows that training improves individual and organizational performance in a variety of ways, including increased organizational productivity, better product quality and improved customer service. In a review of training research, Tharenou and Burke (2002) report that training is related to:

- the acquisition and retention of essential employees;
- employee satisfaction;
- employee turnover rate (i.e. the percentage of employees quitting their jobs each year);
- work productivity (e.g. sales per employee);
- product quality; and
- customer ratings of service and product quality.

## LEADERSHIP STYLES

Organizational psychologists have struggled with the concept of leadership since the mid twentieth century, changing their focus from personality ('leaders are born, not made') to environmental factors ('circumstances determine who emerges as the leader')

and back to personality again (Bass, 1990; Fiedler, 1967; House, 1977; see also chapter 18).

Today, there is a lot of interest in charismatic or *transformational leadership*. This represents a leadership style that enables the leader to exercise diffuse and intense influence over the beliefs, values, behaviour and performance of others (House, Spangler & Woycke, 1991).

Such leaders tend to be dominant and self-confident with a need to influence others while believing strongly in their own values. They communicate their goals and visions clearly, and have high expectations of their followers' performance.

The fascination with this kind of leadership is evidenced by the number of books by or about charismatic leaders. Some studies suggest that these leaders inspire effort and satisfaction amongst their employees, resulting in higher productivity. But Howell and House (1995) caution against this type of leadership style because, they argue, it can also have negative consequences. Think of charismatic historical figures who have initiated destruction in their societies (e.g. Adolf Hitler); or particular characters such as the People's Temple cult leader, Reverend Jim Jones, who persuaded his followers to feed a poison-laced drink to their children and then drink it themselves. Nearly 1000 people died in this incident (Osherow, 1981).

Howell and House distinguish between socialized and personalized charismatic leadership. 'Socialized leaders' emphasize egalitarianism, serving collective interests rather than self-interest, and developing and empowering others. They are altruistic, self-controlled, follower-oriented (rather than narcissistic), and work

**transformational leadership** a style used by leaders who tend to be dominant and self-confident, need to influence others, while believing strongly in their own values, communicate their goals and visions clearly, and have high expectations of their followers' performance



**Figure 20.3**

The negative influence of transformational leadership: the People's Temple cult leader, Reverend Jim Jones, persuaded his followers to feed a poison-laced drink to their children and then drink it themselves. Nearly 1000 people died.

## Research close-up 1

### Transformational and transactional leadership

#### *The research issue*

Bass's (1985) theory of transformational leadership distinguishes between transactional leaders and transformational leaders. Transactional leaders base their relationships with their followers on a series of exchanges or bargains. They reward followers for accomplishing agreed objectives by giving recognition, bonuses, merit awards or particularly stimulating projects. They also 'transact' with followers by focusing on their mistakes, and delaying decisions or avoiding intervening until something has gone wrong. Transformational leadership, in contrast, is characterized by behaviour that helps followers to develop their knowledge and skills, stimulating them intellectually and inspiring them to go beyond self-interests to achieve or pursue a higher vision, mission or purpose. Transactional leadership focuses on short-term corrective or reward-based transactions, whereas transformational leaders employ charisma and give more consideration to each individual's needs. Transformational leaders focus on longer-term goals and place emphasis on developing a vision that inspires their followers.

Of course, all leaders are likely to display elements of both styles of leadership, but, according to this framework, it is proposed that there will be considerable variation between leaders in the extent to which they employ predominantly one or other style. Howell and Avolio (1993) decided to investigate the extent to which transactional and transformational leadership behaviours predicted business performance.

#### *Design and procedure*

The researchers worked with 78 managers in a large Canadian financial institution, which was one of the oldest and most successful in the country. They measured leadership behaviour by administering the Multifactor Leadership Questionnaire (MLQ) to (on average) four of the followers of each of the 78 managers. The MLQ measures transformational leader behaviour by items such as 'uses symbols and images to get his or her ideas across', 'provides reasons to change my way of thinking about problems' and 'spends time coaching me'. Transactional leadership is measured by items such as 'points out what I will receive if I do what needs to be done', 'is alert for failure to meet standards' and 'things have to go wrong for him or her to take action'.

One year later, the researchers gathered data on the performance of the business units for which each of the managers was responsible. These data included productivity improvement, size of operating expense budget, conformity of salaries to budget and total project costs.

#### *Results and implications*

The managers who displayed less transactional leadership behaviours and more consideration for individuals, intellectual stimulation of followers and charisma had better business unit performance one year later. Transactional leadership behaviours were also negatively related to unit performance.

The results suggest that managers need to develop a transformational leadership style in order to be more effective and to contribute to the performance of their business units or organizations. But the authors point out that their results are not entirely consistent with previous studies. Although previous studies reveal positive relationships between transformational leadership styles and performance, they also showed positive relationships between transactional behaviours and performance.

Transactional leadership behaviours may lead to poorer performance in an environment, such as the financial services industry, where there is much change and turbulence. Employees may need to develop a longer-term vision of their work to cope with long-term change, which transactional styles (focused as they are on meeting short-term goals) do not encourage. Interviews with senior managers in the organization revealed a concern that some managers had become too transactional and spent too much time on meeting immediate goals and achieving short-term results rather than motivating, empowering and inspiring employees. The researchers suspected that the negative relationships between transactional styles and performance might have been a consequence of employees feeling that rewards were being used to control their behaviour rather than reward performance.

The positive impact of transformational leadership on performance could be due to followers internalizing the charismatic leader's vision or values and consequently working hard to achieve that vision, regardless of the short-term consequences for them. Such effects are more likely to be powerful (according to theory) in organizations that are coping with considerable change, where a focus on the long-term future helps to distract employees from the short-term stresses of additional workloads or major change in their work.

The researchers speculate that transformational leadership may have a direct effect on the commitment levels of followers and their preparedness to be good organizational 'citizens' who contribute beyond what they are required to, and that this, in turn, affects business unit performance. The investigators call for more research to help us understand not just whether, but how, transformational leadership behaviours influence job performance.

Howell, J.M., & Avolio, B.J., 1993, 'Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of consolidated-business-unit performance', *Journal of Applied Psychology*, 78, 891–902.

through legitimate authority and established systems. ‘Personalized leaders’ are more self-interested and manipulative and can engender pathological relationships with their followers, leading to unhappy work outcomes such as poor performance, conflict-ridden relationships and poor individual wellbeing.

### JOB SATISFACTION

Selection, socialization and training are all ways in which the organization acts upon the individual at work. But how might individuals react to these processes and to the experience of work in general?

**job satisfaction** a person’s attitude (favourable or unfavourable) towards their job

*Job satisfaction* is a judgement we make about how favourable our work environment is (Motowildo, 1996) and can be reflected in our thoughts and feelings (Brief,

1998). It is the most researched construct in organizational psychology and the subject of literally thousands of studies.

There are two approaches to assessing job satisfaction. The first sees it as a single, global affective experience. So people are asked to give an overall assessment: ‘In general, how satisfied are you with your job?’ The second, and more widely adopted, approach is to view job satisfaction as a cluster of attitudes

towards different aspects of the job, such as pay, supervisory support, autonomy, variety, working conditions and promotion prospects. A mean score is calculated to represent a composite measure of job satisfaction. Table 20.1 is a typical example of this composite approach.

### What makes a job satisfying?

Hackman and Oldham’s (1976) influential job characteristics theory identifies five characteristics as contributors to job satisfaction:

- task identity – the extent to which the job represents a whole piece of work (e.g. running a restaurant compared with just washing the dishes);
- task significance – how important the task is for society in general, and for the goals of the organization;
- autonomy – the amount of freedom the person has to decide on how best to do their job;
- feedback – receiving information about job performance (imagine writing essays and never receiving feedback on how well they were written); and
- variety – varied tasks are important (compare the work of an organizational psychologist with that of a supermarket check-out worker), but too much variety can create conflicting and therefore stressful demands.

**Table 20.1** Job satisfaction. Across samples of several thousand, 70 per cent of people score an average of between 3.5 and 5.5. If you rate your satisfaction in this range, you are similar to most others at work but scores to the top end of this range clearly indicate a healthier person–job fit. If your average satisfaction rating is higher than 5.5, you are in an unusually satisfying job. If your average rating is below 3.5, you should consider changing those aspects of your job that are least satisfying, or even finding a new and more fulfilling role altogether.

	<i>Extremely dissatisfied</i>	<i>Very dissatisfied</i>	<i>Moderately dissatisfied</i>	<i>Not sure</i>	<i>Moderately satisfied</i>	<i>Very satisfied</i>	<i>Extremely satisfied</i>
1 The physical working conditions.	1	2	3	4	5	6	7
2 The freedom to choose your own method of working.	1	2	3	4	5	6	7
3 Your fellow team members.	1	2	3	4	5	6	7
4 The recognition you get for good work.	1	2	3	4	5	6	7
5 Your immediate boss.	1	2	3	4	5	6	7
6 The amount of responsibility you are given.	1	2	3	4	5	6	7
7 Your rate of pay.	1	2	3	4	5	6	7
8 The opportunity to use your ability.	1	2	3	4	5	6	7
9 Relationships between management and workers in the organization.	1	2	3	4	5	6	7
10 Your chance of promotion or progression within the company.	1	2	3	4	5	6	7
11 The way your firm is managed.	1	2	3	4	5	6	7
12 The attention paid to suggestions you make.	1	2	3	4	5	6	7
13 Your hours of work.	1	2	3	4	5	6	7
14 The amount of variety in your job.	1	2	3	4	5	6	7
15 Your job security.	1	2	3	4	5	6	7
16 The amount of training you receive.	1	2	3	4	5	6	7

Source: Warr, Cook and Wall (1979).



### Pioneer

**J. Richard Hackman** (1940– ) pioneered the Job Characteristics Model in order to help specify the content and methods of jobs. This model has influenced generations of researchers since the 1970s (Hackman & Oldham, 1976). The job characteristics model effectively linked the design of jobs with motivation theory, in what has proved to be a powerful theoretical framework. His work on groups, developed in the 1980s and 1990s, has also had a major influence (Hackman, 1990), particularly because of his championing of qualitative methods for the study of workgroups. Hackman is Cahners-Rabb Professor of Social and Organizational Psychology at Harvard University in the USA.

Many studies (e.g. Fried & Ferris, 1987) have found significant relationships between job characteristics and job satisfaction. There is strong evidence that simple and monotonous jobs (e.g. repeatedly undertaking a simple task on a factory production line) are associated with job dissatisfaction (Melamed et al., 1995). On the other hand, some people do not respond favourably to more challenging and complex jobs (Spector, 1997), so personality factors may well also be relevant here.

Other environmental factors that show significant relationships with job satisfaction include supportive supervisors and co-workers (Arvey, Carter & Buerkley, 1991) and equitable rewards (Sweeney & McFarlin, 1997). In the case of rewards, it is the extent to which employees view these as distributed fairly that affects satisfaction, rather than actual pay levels.

Job satisfaction has also been found to be related to IQ, mental health and personality variables (e.g. O'Brien, 1983; Staw, Bell & Clausen, 1986). It has even been argued that there is a genetic



**Figure 20.4**

It is probably unsurprising that simple and monotonous jobs are thought to be associated with job dissatisfaction.

component to job satisfaction. For example, in a survey of groups of identical twins who were reared separately, Arvey, Bouchard, Segal and Abraham (1989) found a significant association between their levels of job satisfaction. It appears from this research that our genes influence our affective reactions to life, which can in turn affect our job experiences.

### Consequences of job satisfaction

Does high job satisfaction lead to better job performance, or does high performance result in high job satisfaction (due, perhaps, to pride or rewards associated with high performance)?

Whatever the causal direction, past research in this area indicates that if a relationship does exist, it is a weak one (Iaffaldano & Muchinsky, 1992). But more recent research provides renewed support for the view that 'a happy worker is a productive worker'. Two studies have related the average level of job satisfaction in an organization to measures of company performance, such as profitability. They found that organizations with more satisfied employees tend to perform better than those whose employees are less satisfied (Ostroff, 1992; Patterson & West, 1998). These organizational relationships are stronger than the association between individual job satisfaction and individual job performance, because individual measures of productivity do not take into account coordination and cooperation between employees. So when people are generally satisfied and well treated at work, they seem more likely to be good organizational 'citizens', co-operating with people from other departments, taking on tasks outside their formal job descriptions and encouraging others to perform effectively.

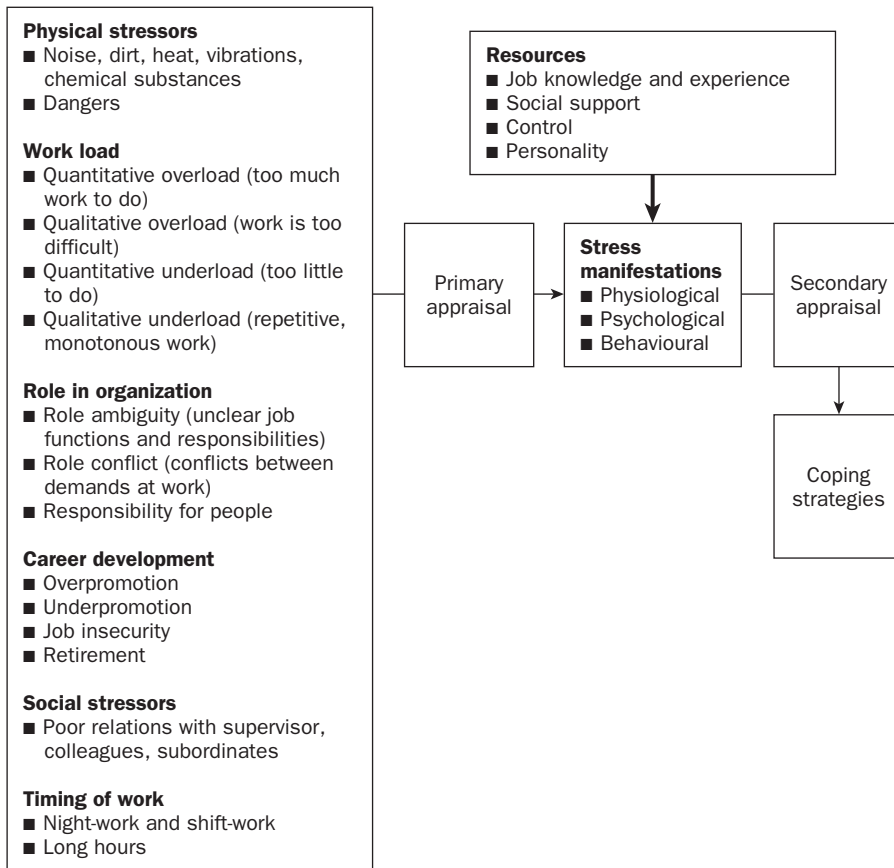
At the individual level, perhaps not surprisingly, low job satisfaction significantly increases the likelihood that the employee will leave the organization (e.g. Crampton & Wagner, 1994).

### STRESS AT WORK

Although it is difficult to estimate the cost of work-related stress, many studies report that it has enormous impact in terms of both economic costs and human suffering. For example, recent survey research estimated that about half a million people in the UK believe they are suffering from work-related stress, depression or anxiety (Jones et al., 2003) and that, in 2001, 13.4 million working days were lost in the UK due to stress, depression and anxiety. Another survey estimated that five million people in the UK feel 'very' or 'extremely' stressed by their work (Smith et al., 2000).

Based on 1995/96 prices, the Health and Safety Executive estimated that the financial cost of work-related stress to employers was about £353 to £381 million and to society about £3.7 to £3.8 billion per year. Since these calculations were made, the estimated number of working days lost due to stress has more than doubled (Jones et al., 2003).

The costs of stress stem not only from absenteeism and lost productivity, but also from compensation claims, health insurance and medical expenses. In the USA, annual mental stress



**Figure 20.5**

A framework of stress. Source: Based on Kahn and Byosiere (1992).

insurance claims in the California workers' compensation system have been estimated to be approximately \$383 million (Beehr, 1995). Figure 20.5 presents a framework for thinking about work-place stress.

### *Kinds of stress*

The word 'stress' is used in a number of ways (see also chapter 19). For example, 'I've got such a headache. It must be the stress over this big project'; 'I feel stressed when my boss is around'; 'I feel tense and my concentration goes when I am under stress'.

There are numerous stressors in the work environment that can result in distinctive physiological, psychological and behavioural responses.

- *Physical stressors* can lead to both physical and mental health problems. They might include the noise in a heavy construction manufacturing site or at an aluminium smelting plant, or the dirty and hot physical environment of a coal mine or steel plant. Dangers in the work environment also cause stress – think of the jobs of police officers or nurses in accident and emergency departments of hospitals; both of these sets of workers are often subject to violent attacks.
- *Work load* can be quantitative (too much work to do) and qualitative, where work is too difficult for the individual (French & Caplan, 1972). Work underload can also act as a stressor (Cox, 1980) – again this can be quantitative (not

enough work to do) and/or qualitative (repetitive, routine, under-stimulating).

- The person's *role in the organization* can also lead to pressures in the form of *role conflict* and ambiguity (Kahn et al., 1964). Role conflict occurs when we have to deal with conflicting job demands. It is not unusual for an individual to be caught between two groups of people expecting different behaviours. This might occur when a non-management employee is promoted to a supervisory role and then has to balance the expectations of previous colleagues with the new demands of management. *Role ambiguity* occurs when we are unsure about our work requirements, responsibilities and co-workers' expectations.
- Stress can also arise from *career development issues*, such as fear of redundancy, failure to achieve promotion, or promotion into a role we are not prepared for.
- *Social stressors* include poor relationships with supervisors, peers and subordinates (characterized by, for example, low trust and supportiveness).
- Finally, many studies have shown that the *timing of work* (such as long hours or shift work) affects stress levels.

**role conflict** when demands placed on an employee conflict with one another

**role ambiguity** employee uncertainty about their job functions and responsibilities



**Figure 20.6**

Shift work can affect stress levels.

### Reactions to stress

Although you and I may be subject to similar work stressors, our responses and the amount of strain each of us feels can be very different, depending on how we appraise the situation and what coping strategies we use (Lazarus & Folkman, 1984; Lazarus & Launier, 1978; see also chapters 6, 14 and 19). So the outcome of stress is a function of the interaction of the individual and the environment.

The resources that we bring to a work situation can also affect the way each of us responds to stress. Job knowledge and experience, social support, control over our work, and personality characteristics are the kinds of resources that determine whether someone finds a situation stressful. Some of the most relevant factors are:

**Knowledge** – People who have considerable job knowledge and experience are more likely to be able to cope with stressful situations. This is because they are less likely to experience quantitative or qualitative work overload, and they are likely to have more control over a situation than someone with little experience or knowledge (see below).

**Social support** – Whilst poor relationships at work can be a major source of stress, social support from colleagues and supervisors can buffer the impact of stress, mitigating the negative effects (e.g. Cummins, 1990; Manning, Jackson & Fusilier, 1996). Social support may also come from outside the job, from family and from friends.

**Control** – There is a widely held misperception that managers have more stressful jobs than others. While they do tend to have heavy workloads, deadlines, responsibility for complex decisions, and many relationships to manage, stress-related diseases are much less common in managers than in blue-collar workers (Fletcher, 1988; Karasek & Theorell, 1990). One important reason for this appears to be that managers have greater control (autonomy) over their

work. Karasek (1979) showed that the most damaging jobs have a combination of high demands (volume and pace of work) with low control.

**Personality characteristics** – Neurotic people are more likely to see stimuli as threatening than are hardy characters. Hardiness encompasses three personality traits: (i) commitment, (ii) an internal locus of control (believing that you have control over your own life) and (iii) a sense of welcoming challenge (Maddi & Kobasa, 1984; see also chapters 14 and 19). Those who are high in hardiness tend to view events as less stressful than do others, and they are less likely to be overwhelmed by challenging situations.

### Prevention of stress

Stress management programmes have multiplied since the 1970s (Payne, 1995). Many of these programmes help participants to perceive a situation as challenging rather than stressful. They teach coping strategies and advise on diet, exercise, alcohol and substance abuse. Some programmes use techniques such as self-help groups, relaxation and meditation. Unfortunately, systematic evaluations of stress management programmes have shown them to be of limited effectiveness (Briner & Reynolds, 1999).

Employers will sometimes try to reduce stress through changes in the workplace, such as *job redesign*, or to increase individuals' resources through social support or increased control (by increasing job responsibilities and/or participation in decision making). And, of course, stressors can also be tackled directly, for example by reducing noise or working hours.

**job redesign** techniques to increase the variety, autonomy and completeness of a job

## GROUPS AT WORK

### MORE THAN THE SUM OF THE PARTS

**Work groups**, or teams, are increasingly common in organizations. Formal groups are those designated as work groups by the organization. The members of these groups usually have shared task objectives. Examples of these formal groups include health care teams, management groups, mining crews and research and development project groups. Informal work groups are not defined by the organization as functional units, but nevertheless have an impact upon organizational behaviour. Examples include friendship and pressure groups.

**work groups** collectives of individuals within organizations – formal groups are designated as work groups by the organization, and informal groups are not defined by the organization as functional units, but nevertheless have an impact upon organizational behaviour

### Group influences on work behaviour

Early studies of organizational behaviour show that work groups profoundly influence individual behaviour. In the 1920s and 1930s, several studies were carried out at Western Electric's Hawthorne Works in Chicago, USA, to examine the effects of illumination levels on workers' performance in assembling and inspecting relays used in telephone equipment. The researchers varied the level of illumination and studied the effects on workers' performance.

The results showed that any variation in the level of illumination (down to a level almost the equivalent of moonlight) led to improvements in performance. This effect was explained in terms of the workers' appreciation of the attention and interest shown in their work by researchers and managers, which

manifested itself in better work performance. This effect has come to be known as the *Hawthorne effect*, and field studies that test methods of intervention in organizations have to demonstrate that positive results are not simply due to this effect (this is somewhat analogous to the 'placebo effect' discussed in chapters 16 and 19).

Further studies in the Hawthorne Works examined the effects of several other factors (such as number and length of rest periods, and hours of work) on the performance of a small group of female workers (see *Everyday Psychology* for more detail on this

**Hawthorne effect** when workers appreciate the attention and interest shown in their work by researchers and managers, and show this appreciation through better work performance

## Everyday Psychology

### The Hawthorne Effect

The scientific management approach dominated thinking about human performance in organizations in the early part of the twentieth century. It assumed that there was one best way to manage, and that productivity could be maximized by careful study of job content, combined with ergonomic studies, standardized methods of job performance and appropriate selection and training in the precise components required for the job. This approach informed the continued development of assembly line methods in the early twentieth century, best typified in the Ford Motor Company's approach to vehicle production.

Roethlisberger and Dixon (1939) were inspired by the scientific management approach to investigate the effects of (among other things) illumination levels on workers' performance in Western Electric's Hawthorne Works, near Chicago. Their aim was to discover how to optimize the workplace by manipulating factors such as levels of lighting and hours of work, in order to achieve maximum productivity.

Two groups of female employees took part in the first element of the investigation, which took place in a relay assembly department. The control group worked without any changes in the level of illumination in their workroom. In the experimental group the lighting was systematically varied (being sometimes brighter and sometimes dimmer than the standard level of illumination for the control group), and the productivity of the workers was continually monitored. Subsequent investigations examined the effects on productivity of variables such as length of rest pauses, length of the working day and week, and a free lunch.

The findings were quite baffling. Both the control group and the experimental group increased their productivity during the study. Regardless of whether illumination levels were increased or decreased, the productivity of the experimental group went up. Even when the illumination was turned so low that the women could barely see what they were doing, productivity went up! The introduction of changed lengths of working hours, weeks and rest pauses had a similar impact. Even the introduction of a free lunch led to improved performance.

The results suggested that productivity rose because the women responded favourably to the 'special attention' they felt they were getting from the investigators. Knowing they were being studied apparently made them feel important and valued, and they were motivated to do their best, regardless of what changes were introduced.

In a second component of the investigation, conducted in the bank wiring room, members of work groups (this time all men) were observed during their work and interviewed at length at the end of the working day or week. There was no intervention here, since the aim was simply to observe the work process and discover how it could be done more efficiently and productively.

The men did not improve their productivity. Quite the contrary – they stopped work before the end of the working day and later told the investigators that they were capable of being much more productive. It appeared that the men feared the study would lead the company to raise the level of productivity required for the same rate of pay. So they deliberately kept productivity low to ensure they were not required in the future to achieve unreasonable levels of performance. The men had agreed informal rules between themselves about the level of productivity they would achieve, and they maintained this through their cooperation and shared goals.

In contrast to the assumptions of the scientific management approach (i.e. that technological and ergonomic factors are the predominant influences on workplace productivity), these investigations reveal the importance of social factors in work performance. In both cases, interpersonal processes played the major role in determining productivity.

These findings mark the birth of the 'human relations' movement, which drew attention to the importance of workers' needs, attitudes, social relationships and group memberships in the workplace. It is an orientation that continues to have a major influence on managerial practice today, most notably in the domain of human resource management.

Roethlisberger, F.J., & Dickson, W.J., 1939, *Management and the Worker*, Cambridge, MA: Harvard University Press.

phenomenon). The results suggest that the characteristics of the social setting or group are at least as important as the technical aspects of the work in explaining performance (Roethlisberger & Dixon, 1939).

### *Types of group and what makes them effective*

Sundstrom, De Meuse and Futrell (1990) distinguish four main types of formal work teams:

*advice/involvement teams* – e.g. committees, review panels, boards, quality circles, employee involvement groups, advisory councils;

*production/service groups* – e.g. assembly teams, manufacturing crews;

*project/development groups* – e.g. research groups, planning teams, specialist functional teams, development teams, task forces; and

*action/negotiation groups* – e.g. entertainment groups, expeditions, negotiating teams, surgery teams, cockpit crews.

In some organizations, groups as a whole may be hired, fired, trained, rewarded and promoted. This trend has developed as organizations have grown and become increasingly complex, demanding that shared experiences and complementary skills are constantly utilized in decision-making processes. Another reason for the dominance of the work team is the belief that the combined efforts of individuals may be better than the aggregate of individual contributions – the principle of synergy.

A good deal of effort is now directed toward understanding the factors that promote group effectiveness and this has led to the development of models for understanding teams. A typical model combines inputs, processes and outputs. Inputs include (for example) organizational context and group composition; processes



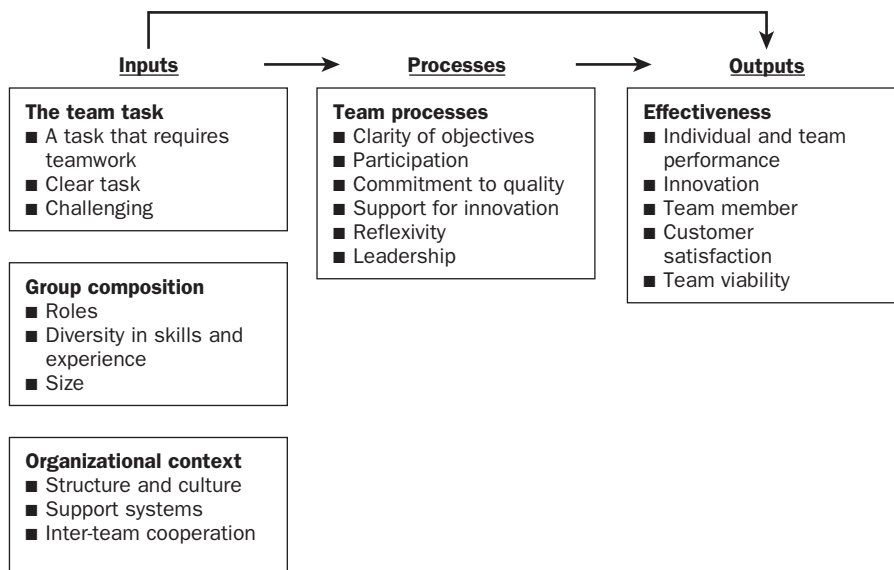
**Figure 20.7**

The surgery team: a typical action/negotiation group.

include decision-making leadership. Outputs refer to group performance and team member well-being (see also chapter 18). A model of these factors is shown in figure 20.8.

This work suggests that, ideally:

- teams should have intrinsically interesting tasks to perform (Guzzo & Shea, 1992);
- each individual's role should be essential and unique (Guzzo & Shea, 1992);
- each individual should be subject to evaluation and receive clear performance feedback (Pritchard et al., 1988);
- the team as a whole should have clear objectives, be subject to evaluation, and receive performance feedback (Poulton & West, 1999); and
- the team should frequently reflect on their task objectives, strategies and processes, modifying these as appropriate (West, 1996).



**Figure 20.8**

An input–process–output model of team performance. Source: West & Markiewicz, 2003.

## Research close-up 2

### Psychological safety in work teams

#### *The research issue*

In recent years, there has been a wave of research into teams at work. In particular, researchers seek to understand how the climate in work teams affects their performance. In a study of hospital patient care teams (Edmondson, 1996), there were clear differences between members' beliefs about the social consequences or the safety of reporting medication errors (giving the wrong drug to a patient, or giving too little or too much of the right drug). In some teams, nurses openly reported and discussed errors. In other teams, they kept information about errors to themselves. A nurse in one team said, 'Mistakes are serious, because of the toxicity of the drugs [we use] – so you're never afraid to tell the Nurse Manager.' In contrast, a nurse in another team reported, 'You get put on trial! People get blamed for mistakes . . . you don't want to have made one.'

In a subsequent study of 51 work teams in a manufacturing company, Edmondson (1999) examined whether psychological safety was evident, and whether it predicted learning in the team (e.g. about how to do the work better and meet customer requirements).

#### *Design and procedure*

Edmondson studied teams in Office Design Incorporated, an innovative manufacturer of office furniture with some 5000 employees. There were four types of team in the organization: (i) functional teams, including sales, management and manufacturing teams; (ii) self-managed teams in sales and manufacturing; (iii) time-limited cross-functional product development teams; and (iv) time-limited cross-functional project teams.

There were three phases of data collection. The first phase involved preliminary qualitative research, in which Edmondson observed eight team meetings, each of which lasted one to three hours. She also conducted 17 interviews (lasting for about an hour each) with members or observers of these eight teams. The second phase involved a questionnaire survey of 496 members of 53 teams, and two or three managers identified as observers of each team. The survey measured learning behaviour in the team ('we regularly take time out to figure out ways to improve our team's work process') and team feedback (e.g. team goals, job satisfaction, team task design, internal motivation). Phase 3 involved follow-up qualitative research with the six teams with the lowest level of learning behaviour, and the six with the highest level of learning behaviour.

The objective was to study these teams in more depth and explore differences between high- and low-learning teams. Edmondson reviewed field notes and tapes to construct short case studies describing each team, which were then used to reveal which factors were most closely related to team learning. Customers' and managers' ratings of all the teams in the study were used to provide measures of team performance and learning.

#### *Results and implications*

The study revealed considerable support for the relationship between team psychological safety and team learning behaviour. Team psychological safety was conceptualized as a shared belief among members of a team that it is safe to take interpersonal risks and that team members will not embarrass, reject or punish someone for speaking up (a confidence that stems from mutual respect and trust among team members). Edmondson found that psychological safety predicted team learning and that this, in turn, predicted team performance, as rated by managers outside the teams. For example, team members' own descriptions illustrated how a climate of safety and supportiveness enabled them to embrace error and make changes in product design as a result of seeking customer feedback. A lack of team safety contributed to reluctance to ask for help, and unwillingness to question team goals for fear of sanctions being imposed by managers. Quantitative analyses provided consistent support for the study's hypotheses: learning behaviour appeared to mediate the relationship between team psychological safety and team performance (i.e. team safety predicted performance because safety led to learning, which, in turn, led to improved performance).

The findings from Edmondson's research indicate how team design and leadership enable effective team performance. By producing a climate of psychological safety, they enable team members to explore errors and difficulties and learn from them. Members then make improvements in their work (i.e. products or services), and this, in turn, leads to improved performance. The theoretical and practical implications of this work point to the importance of team psychological safety as a central concept in understanding team composition, processes and outcomes (such as member mental health, and team performance). At the same time, the results have practical implications for how we can make teams more effective and innovative in the workplace.

Edmondson, A.C., 1996, 'Learning from mistakes is easier said than done: Group and organizational influences on the detection and correction of human error', *Journal of Applied Behavioral Science*, 32 (1), 5–28.

## GROUP DECISION MAKING

### *Factors in poor decision making*

A principal assumption behind formal work groups is that a group will make better decisions than members working alone. And yet a good deal of research shows that social processes can undermine the effectiveness of group decision-making. While group decisions are better than the average of the decisions made individually by group members, experimental groups consistently fall short of the quality of decisions made by the best individual member (see chapter 18).

The implications of this for board and top management teams are serious. Organizational and social psychologists have therefore devoted considerable effort to identifying the processes that lead to poor group decision making:

- *Personality factors* can affect social behaviour: for example, individual members may be too shy to offer their opinions and knowledge assertively, therefore failing to contribute fully to the group's store of knowledge (Guzzo & Shea, 1992).
- *Social conformity effects* can cause group members to withhold opinions and information contrary to the majority view, especially an organizationally dominant view (Hackman, 1992; Schlenker, 1980).
- *Communication skills* vary, and some members may be unable to present their views and knowledge successfully, while someone who has mastered 'impression management' may disproportionately influence group decisions, even in the absence of expertise (Leery & Kowalski, 1990).
- *Domination* by particular individuals can mean they claim a disproportionate amount of 'air time' and argue so vigorously that their own views generally prevail. Interestingly, 'air time' and expertise are uncorrelated in groups that perform poorly (Rogelberg, Barnes-Farrell & Lowe, 1992).
- *Egocentricity* might take some individuals to senior positions, but people with this trait tend to be unwilling to consider opinions and knowledge contrary to their own, making for poor communication within the group (Winter, 1973).
- *Status and hierarchy* effects can cause some members' contributions to be valued and attended to disproportionately. So, when a senior executive is present in a meeting, her views are likely to have an undue influence on the outcome (Hollander, 1958).
- *Group polarization* is the tendency of work groups to make decisions that are more extreme than the average of individual members' decisions (Myers & Lamm, 1976).
- *Groupthink* – a phenomenon identified by Janis (1982) in his study of policy decisions and fiascos – is when a tightly knit group makes a poor decision because it is more concerned with achieving agreement than with the quality of its decision making. This effect can be especially strong when different departments see themselves as competing with one another or when teams have very strong leaders.
- *Satisficing* – or making minimally acceptable decisions – is another group tendency, and is related to this last point. Observations of group decision-making processes repeatedly show that, rather than generating a range of alternative solutions before selecting the most suitable one, groups tend to identify the first minimally acceptable solution and then search for reasons to accept that decision and reject other possible options (March & Simon, 1958; see chapter 12).
- *Social loafing* is the tendency of individuals to put less effort into achieving quality decisions in meetings than they do when individual contributions can be identified and evaluated, their perception being that their contribution is hidden in overall group performance (Latané, Williams & Harkins, 1979).
- *Diffusion of responsibility* can inhibit individuals from taking responsibility for their actions when they are in a group (e.g. Yinon et al., 1982). In this situation, people seem to assume that the group will shoulder responsibility. For example, if there is a crisis involving the functioning of expensive technology, individuals may hold back from tackling the issue on the assumption that others in their team will take responsibility for making the necessary decisions. This can threaten the overall quality of group decisions.
- *Production-blocking* is when individuals are inhibited from both thinking of new ideas and offering them aloud to the group by the competing verbalizations of others (Diehl & Stroebe, 1987). This effect has been shown in the study of brainstorming groups: quantity and often quality of ideas produced by individuals working separately consistently exceeded those produced by a group working together.
- *The hidden profile* is the powerful but unconscious tendency of team members to focus on information all or most team members already share and ignoring information that only one or two team members have (even though it may be brought to the attention of the group during decision making and may be crucial) (Stasser, Vaughan & Stewart, 2000).

This catalogue of deficiencies indicates that group decision-making within organizations is more complex than is commonly appreciated or understood.

### *Some useful techniques*

Recently researchers have begun to identify ways of overcoming some of these deficiencies. For example, research on groupthink has revealed that the phenomenon is most likely to occur in groups where a supervisor is particularly dominant, and cohesiveness per se is not the crucial factor. Supervisors can therefore be trained to be facilitative, seeking the contributions of individual members before offering their own perceptions (see West, 1996).

Rogelberg, Barnes-Farrell and Lowe (1992) have offered a structured solution called the 'stepladder technique'. Each group member has thinking time before proposing any decisions, and then pairs of group members present their ideas to each other and discuss their respective opinions before making any decisions. The next step involves pairs of pairs presenting their views to



**Figure 20.9**

Groupthink is more likely to occur when there is a dominant supervisor.

each other. The process continues, with each sub-group's presentation being followed by time for the group as a whole to discuss the problem and ideas proposed. A final decision is put off until the entire group has presented.

Initial evidence suggests that the quality of group decisions made using procedures like this is at least as good as that of decisions made by their best individual members. This is consistent with the finding that fostering disagreement in a vigorous but cooperative way in organizations leads to better decisions (Tjosvold, 1998).

Teams can avoid the hidden profile problem by ensuring that members have clearly defined roles so that each is seen as a source of potentially unique and important information, by ensuring that members listen carefully to colleagues' contributions in decision making, and by ensuring that leaders alert the team to information that is uniquely held by only one or two members.

Finally, there is some evidence that work groups that take time out to reflect on and appropriately modify their decision-making processes are more effective than those that do not (Maier, 1970; West, 1996, 2004).

While organizational psychologists have contributed a great deal to our understanding of how individual performance can be improved, it should be apparent from the issues considered in this section that research on techniques for optimizing group decision making is still in its infancy.

Researchers and practitioners in organizational psychology are increasingly exploring how to structure and manage organizations that ensure that team working fulfils its potential (West & Markiewicz, 2003). This requires that organizations devolve decision making to teams, that the various teams work cooperatively across team boundaries, that teams are well led, and that people management processes (sometimes called Human Resource Management systems or HRM) support team working. The challenge is to discover how to transform traditional organizations into team-based organizations (see table 20.2).

**Table 20.2** Characteristics of traditional vs. team-based organizations.

<i>Individual command structures</i>	<i>Collective decision-making structures</i>
Manager controls	Team monitors its performance
Vertical hierarchy	Horizontal integration across teams
Stability and uniformity	Change and innovation
One best way to organize	Team tailors its own ways of working
Managers manage	Self-managing teams

## ORGANIZATIONS AT WORK

Most of the research on work groups has been carried out by psychologists. But the study of organizations has attracted attention from the full range of social and economic sciences. In recent years, psychology has begun to play a relatively larger role, particularly in collaboration with other disciplines.

### ORGANIZATIONAL DESIGN

The choice of structures and associated managerial processes that enable an organization to operate effectively are described as organizational design. These structures and processes will largely determine how we experience an organization (Pugh, 1998a, b, c).

An army is large, highly structured, very formalized and hierarchical, with clear status and rankings that determine authority structures. Army rules and regulations provide strict decision-making guidelines as well as restrictions on activities. On the other hand, a small firm of consultants, which offers advice to companies on how to select people for job openings, may have an entirely different form. All consultants may have equal say in how the business is run; they may operate as independent practitioners; and there may be few rules and regulations determining their behaviour.

There are five interrelated concepts within the overarching theme of organizational design: (i) organization, (ii) how they design themselves, (iii) structure, (iv) effectiveness and (v) choice.

**1. Organization** The concept of organization can refer to a range of types, including businesses, governmental organizations, hospitals, universities, schools, not-for-profit organizations, churches and so on.

**2. Design** Design as a concept implies a deliberate effort to find an appropriate and effective organizational form (Daft, 1992). Having the army run like a small consultancy business, with few rules, no hierarchy and lots of independent action, would render it ineffective in a crisis, unable to orchestrate appropriate action. So design also implies a managerial authority to put organizational structure into effect, i.e. to ensure that particular groups of people work together on tasks specified by management.



## Pioneer

**Derek Pugh** (1930– ) inaugurated and led the Aston Research programme, a major series of studies on the structure, functioning and performance of organizations, and the effects on the attitudes and behaviour of groups and individuals within them (Pugh, 1998a, b, c). This programme began at the University of Aston and later continued at the London Business School and other centres throughout the world. Pugh contributed to the development of the new discipline of Organizational Behaviour in business schools, and he was appointed the first British Professor of the subject at the London Business School in 1970.

**formalization** written rules and regulations governing activities in an organization

**centralization** the degree to which decisions can only be taken by senior management, as against being devolved to people throughout the organization

**3. Structure** An organization's structure consists in its rules and regulations (degree of *formalization*) and the organizational elements that determine procedures for making decisions (degree of *centralization*).

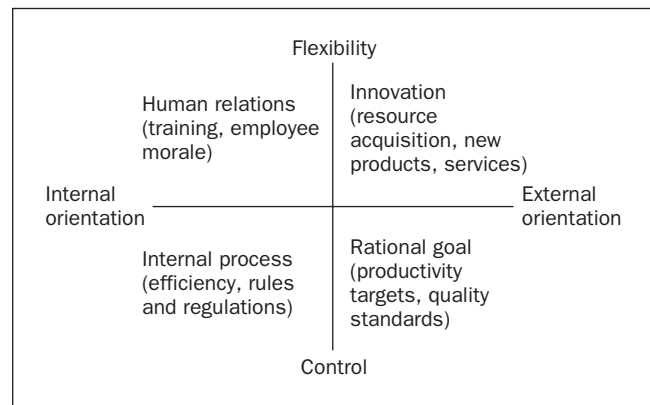
The military and government departments are examples of highly centralized

organizations, whereas decentralized organizations include voluntary organizations and partnerships (Hall, 1992). The trend today is to decentralize decisions as much as possible (though in practice this turns out to be very difficult to achieve), in order to 'empower' employees and derive maximum benefit from their knowledge, skills and abilities (Spreitzer, 1995).

Structure also includes the degree of specialization – that is, how particular and unique each person's job is. In some organizations, there is a low degree of specialization and one person may be expected to fill many roles. In a small rural health care team, for example, a nurse may act as receptionist, record keeper, telephonist, computer operator, diagnostician, treatment provider, counsellor and even cleaner. In another organization, people might have highly specialized roles, such as the telesales manager for one specific product line for one particular geographical area.

**4. Effectiveness** Organizations are designed to be effective, but defining 'effectiveness' is not easy (Cameron, 1986). For a car manufacturer, being effective might mean maximizing productivity and profitability. But there may be other dimensions of effectiveness that serve these ends, too, such as a high level of innovation and creativity in product design, a satisfied workforce strongly committed to learning new skills, reducing waste to improve operating efficiency, and ensuring high quality standards for the product or service that is offered.

Figure 20.10 shows a model for analysing effectiveness based on two core but complementary dimensions – (i) internal vs. external orientation and (ii) flexibility vs. control.



**Figure 20.10**

What is organizational effectiveness? In the competing values model, the effective organization combines emphases across all four domains, but there are constant tensions between the values of internal control, external flexibility and internal flexibility and external control. Managing these tensions is part of the function of management. Source: Adapted from Quinn and Rohrbaugh (1983).

To be effective, organizations must focus on the internal environment (safety, rules and regulations) as well as on the external environment (customers, the actions of competitors, government regulations), but they will do so with different degrees of relative emphasis.

Organizations will also tend to be predominantly either controlling or flexible in relation to the internal and external environment. Internal control means bureaucracy and rules and regulations. Internal flexibility means developing staff and giving them autonomy to work their own way. External control involves focusing on meeting customer requirements and productivity goals. External flexibility implies a concern with innovation, and adapting the organization to the outside world.

The model, developed by Quinn and Rohrbaugh (1983), suggests that organizational effectiveness must be achieved in four domains:

- human relations (internal flexibility)
- goals (external control)
- internal processes (internal control)
- innovation (external flexibility)

Yet these four domains represent underlying conflict (Woodman & Pasmore, 1991) between internal and external orientations of organizational activity, and between control and flexibility (e.g. tightly defining employees' roles as against encouraging them to develop or 'grow' their jobs).

How organizations resolve these dilemmas determines both organizational strategies and effectiveness. It is an interesting exercise to apply the analysis to organizations you are personally familiar with, and to then decide whether you consider that the predominant orientation of the organization is external or internal, and whether the emphasis is on flexibility or control.

**5. Choice** Finally, there is the concept of choice. Structures and processes do not simply evolve. They are a consequence of managerial choices, external factors (e.g. safety issues, or government legislation on equal opportunities) and stakeholder pressures (such as shareholders demanding bigger returns on their investments, or employees pressuring for better working conditions).

### *The downsizing trend*

A critical element of organization design is size, or number of employees (Hall, 1977). The experience of working in large organizations (for example a major oil company such as BP) is very different from working in a smaller organization (such as a research institute which employs about 40 people).

Until the 1980s, the general trend was for organizations to grow, but now reductions in size are more common. This is partly because the spread of information technology, the development of networked computers and the evolution of the personal computer have all enabled networks of smaller organizations to collaborate. So nowadays call centres are replacing bank tellers and airlines reservation staff.

Organizations are also creating flatter, team-based and less centralized structures with fewer levels of management. And there is a trend towards outsourcing (or contracting out) certain core organizational services, such as catering, cleaning or computer maintenance, thereby reducing the need for a large labour force within an organization.

## ORGANIZATIONAL CULTURE

As organization designs change, psychologists have investigated new ways to analyse those organizations. One approach that has caught the attention of many social scientists is to view organizations as 'cultures'.

### *Manifestations of culture*

Imagine describing to your friends the experience of visiting a distant foreign country. You might talk about the dress, laws, religious beliefs, cultural values and traditions, physical environment, social attitudes, buildings, night life, recreational activities, language, humour, food, values and rituals of that country.

Organizations can also be described in terms of their cultures, including their values, attitudes and beliefs. Manifestations of culture include:

*Hierarchy* – e.g. the number of levels of command or management, from the head of the organization to the lowest level employee.

*Pay levels* – high or low, whether there is performance-related pay, and what the differentials are between people at different grades.

*Job descriptions* – how detailed or restrictive they are, and what aspects they emphasize (e.g. safety, productivity, cost saving or quality).

*Informal practices* – e.g. norms such as management and non-management employees sitting at separate tables in the canteen; strictly formal dress, uniforms or casual dress.

*Espoused values and rituals* – e.g. an emphasis on cooperation and support vs. cut-and-thrust competition between teams; cards, gifts and parties for those leaving the organization; celebrations at certain times of the calendar or financial year.

*Stories, jokes and jargon* – e.g. commonly told stories about a particular personal success or the failings of management; jokes about the sales department; jargon or acronyms (most government departments have a lexicon of acronyms and jargon, which is often impenetrable to outsiders).

*Physical environment* – office space, canteens, rest rooms. Are all spaces clean, tidy and comfortable or only the areas on public display? Are there decorations, such as plants and paintings, and adequate employee facilities, such as water fountains?

The meanings of all these aspects of the organization taken together tell us about its underlying culture (Schein, 1992). There has been particular interest in how to 'manage' *organizational culture*, and considerable resources have been spent trying to create 'a service culture' or 'an open culture' or 'a people culture', to name but three examples.

**organizational culture** the shared meanings, values, attitudes and beliefs held by organizational members

### *Understanding culture*

Organizational psychologists have adopted three approaches to understanding culture (Martin, 1992): integration, differentiation and fragmentation. These differing dimensions suggest that organizational culture is complex and that we can best understand it by adopting a multidimensional perspective.

**1. The integration perspective** Those who adopt this view believe that a 'strong culture' will lead to more effective organizational performance. A strong culture is consistent throughout the organization, and there is organization-wide consensus and clarity. Senior management set the values and develop a mission statement. When this is effectively communicated and implemented via managerial practices, organization-wide consensus is shaped. So employees know what they are supposed to do and agree on the value of doing it.

McDonald (1991) described such a culture in the Los Angeles Olympic Organizing Committee. The employees wore attractive uniforms, developed elaborate rituals, introduced brightly coloured stadium decorations, adopted an intense working pace and told many stories about their charismatic leader, which all reinforced an organization-wide commitment around a shared set of values.

However, organizational psychologists now believe that culture is more complicated than the integration perspective alone implies.

**2. The differentiation perspective** This view recognizes that employees or members have differing interests, task responsibilities, backgrounds, experiences and expertise, which means that work attitudes and values, as well as pay and working conditions, will vary throughout the organization. Add the differing social identities due to gender, class and ethnic background, and, according to this perspective, the concept of a unifying culture seems inappropriate. Instead, it is proposed that within the organization there are overlapping and nested sub-cultures, which co-exist in relationships of harmony, conflict or indifference.

Van Maanen (1991) found just this differentiation even in the 'strong culture' of Disneyland. Food vendors and street cleaners were at the bottom of the status rankings whereas, among ride operators, those responsible for 'yellow submarines' and 'jungle boats' had high status. Some tension was noted between operators, supervisors and even customers as the different groups interacted. At the same time, supervisors were engaged in an endless struggle to catch operators breaking the rules.

According to Van Maanen, the conflict or differentiation perspective offers a more realistic account of organizational culture than the integration perspective.

**3. The fragmentation perspective** Ambiguity is a defining feature of many organizations. According to the fragmentation perspective, this ambiguity occurs because there simply is no consensus about meanings, attitudes and values of the organization.

Meyerson (1991) demonstrated this approach in a study of a social work organization. Where goals were unclear, there was no consensus about appropriate ways to achieve them, and success was hard to define and to assess. In this organization, ambiguity was the salient feature of working life. As one social worker reported: 'It just seems to me like social workers are always a little bit on the fringe; they're part of the institution, but they're not. You know they have to be part of the institution in order to really get what they need for their clients, but basically they're usually at odds with the institution' (p. 140).

There is considerable debate about the types of cultures that are associated with organizational effectiveness but some researchers have gathered data from the employees of successful companies on which characteristics they associate with their companies' success. These include emphases on customer service, quality of goods and services, involvement of employees in decision making, training for employees, teamwork and employee satisfaction (see figure 20.11).

## POWER AND POLITICS

Why do people get up out of their warm beds to get to work on time on a cold winter morning? Why do they conform to the office dress code? Why do they allow the boss to talk to them in a way they would not permit from others? The explanation goes beyond the simple need for pay – it relates to issues of *power* and control.

**power** the probability of carrying out one's own will in an organization, despite resistance from other organizational members

### Customer service

Strong emphasis on customer service  
Company provides quality service  
Customer problems corrected quickly  
Delivers products/services in a timely fashion

### Quality

Senior management committed to quality service  
Senior management demonstrates quality is a top priority  
Supervisors provide service guidance  
Supervisors set good examples in relation to quality  
Work group quality is rated  
Continuous improvement  
Clear service standards are set  
Quality is a priority vs. meeting deadlines  
Quality is a priority vs. cost containment

### Involvement

Front line staff have the authority necessary to meet customers' needs  
Encouragement to be innovative  
Encouragement to participate in decisions  
Sufficient effort to get opinions of staff  
Management use employees' good ideas

### Training

Plans for training and development  
Opportunities for staff to attend training  
Staff given opportunities to improve skills  
Staff are satisfied with training opportunities  
Staff have the right training to help them improve  
New employees get necessary training

### Information/Knowledge

Management gives clear vision/direction  
Staff have a clear understanding of goals  
Staff are informed about issues  
Departments keep each other informed  
Enough warning about changes  
Satisfaction with organizational information

### Teamwork/Cooperation

Cooperation to get the job done  
Management encourages teamwork  
Workload divided fairly  
Enough people to do the work  
Problems in teams corrected quickly

### Overall satisfaction

High job satisfaction  
Jobs use skills and abilities  
Work gives a feeling of accomplishment  
Satisfaction with organization  
Rate the organization as a place to work  
Proud to work for the organization  
Would recommend working at the organization  
High job security  
Not seriously considering leaving the organization

**Figure 20.11**

Key dimensions of climate/culture linked to high-performing organizations. Source: Adapted from Wiley and Brooks (2000).

## *The pursuit of power*

'Power' can be defined as the probability of someone carrying out their own will, despite resistance (Weber, 1947). It is not usually wielded nakedly in organizations because it creates resentment and resistance. Instead, those in power tend to use influence and



**Figure 20.12**

The pursuit of power for its own ends can be very destructive, as the history books show.

persuasion, which is generally effective because we know that they have the power to achieve their ends ultimately.

The pursuit of power for its own ends can be very destructive. McClelland (1975) conducted an analysis of people's needs for power and showed how those with a strong power motive may present themselves well at interview but be a disaster at work, alienating others and reducing the capacity of the organization to achieve cooperative, collaborative, concerted action. This is because they tend to interpret most situations in power terms and act in Machiavellian or manipulative ways to assert or gain power.

Power, according to French and Raven (1959), derives from five sources:

- Legitimate power comes from position in the hierarchy and is imposed by authority.
- Expert power results from access to knowledge and information, so the computer wizard often gains considerable power in an organization.
- Reward power is illustrated by the person who allocates offices, parking spaces, pay rises, equipment or stationery – such people may have considerable power without being in a senior position in the hierarchy.
- Coercive power is the power to force others into action or inaction by the threat of punishment, such as delaying the payment of expenses claims.
- Referent power is wielded by someone whose persuasiveness, popularity or charisma lead others to accede to his/her wishes or suggestions.

### *A pluralist view*

The power and politics perspective (Pfeffer, 1981) examines the way individuals and groups within organizations compete for resources and other desired ends (e.g. office space, visibility, recognition, promotion).

This 'pluralist' view regards organizations as made up of a variety of interests and beliefs that should all be heard. It contrasts

with the notion that organizations can (with appropriate management) be one 'happy family' with everyone in the organization believing in the same ideals as the strong leader. This latter perspective is the 'unitarist' view (Burrell & Morgan, 1979).

The pluralist perspective is particularly relevant as businesses become more global and our societies become more multi-ethnic. Organizations must reflect their societies if they are to be sensitive to the needs and desires of their customers, quite apart from the moral issues of equal opportunities. Organizational psychologists are therefore becoming increasingly concerned with managing a workforce that is diverse in terms of ethnicity, disability, age, culture and gender.

### *Women at work*

A major area of research on power in organizations examines the experiences of women at work. The list of potentially relevant themes (some of which also apply to men) is long, including: bias in selection, placement, performance appraisal and promotion; sexual harassment; obstacles to achievement and advancement; conflict between work and family responsibilities. Other concerns relate to being in a non-traditional (i.e. 'male') job and being in the minority (worse still, a 'token') as a female manager (Guttek, 1993).

A significant problem is stereotyping. The effects reach deep into adult employment, where 52 per cent of employed women work in occupational groups in which more than 60 per cent of their co-workers are women, such as clerical and secretarial work, service work and sales. Similarly, 54 per cent of men work in occupational groups where more than 60 per cent of their co-workers are men, including occupational groups such as managers and administrators, craft and related occupations, plant and machine operatives (Equal Opportunities Commission, 1998). Women are also vastly over-represented in part-time work and pregnancy is still (illegally) treated by some employers as a cause for dismissal. In 1998, the UK Equal Opportunities Commission reported that 34 per cent of complainants had been dismissed or threatened with dismissal when they first announced their pregnancy; 28 per cent were told so before going on maternity leave, 18 per cent while on leave, and 3 per cent on their return to the workplace (Equal Opportunities Commission, 1998).

Perhaps most revealing of the pervasive discrimination against women in the workplace is the data on pay. The gender gap in average hourly pay of full-time employees, excluding overtime, narrowed between 1998 and 2003 to its lowest value since records began. However, women's average hourly pay was still only 82 per cent of men's. Average gross hourly earnings, excluding overtime, of full-time women were 82 per cent of the equivalent average for men.

Although women have increased their representation somewhat in the ranks of executives (from 8.9 per cent in 1991 to 18 per cent in 1998), they still account for less than 5 per cent of company directors (Equal Opportunities Commission, 2004) in the UK. In the US in 2004, only 8 of the top 500 companies were headed by a woman.

One issue, which is much debated, is whether women have different managerial or leadership styles from men. The bulk of the



**Figure 20.13**

The experiences of women at work are subject to major research, which considers, for example, the 'token woman' in the workplace.

research suggests there are large differences within genders as well as between them, but that women adopt a consistently more democratic and participative style of management than men do (Eagly & Johnson, 1990; Powell, 1993). Some researchers argue that women also have a more 'transformational' style, inspiring and encouraging their employees, whereas men tend to use a 'transactional' style, punishing and rewarding selectively to achieve the desired task-related behaviours (e.g. Rosener, 1990).

## REDUNDANCY AND UNEMPLOYMENT

The fierce competition of globalization has led organizations to outsource parts of their operations that other companies can do less expensively. This has led to more insecurity within organizations, and to waves of *downsizing* as organizations cut jobs that seem to add cost but little value. Our concern here is with the effects of redundancy and unemployment on those who experience these events.

**downsizing** when organizations reduce their workforce to save on labour costs

## REDUNDANCY – A KIND OF BEREAVEMENT

While the beginning of an individual's experience in an organization is a process of learning new behaviours, the end may be a process of letting go as a result of redundancy. Redundancy can come about because of downsizing. It can also be a result of skills obsolescence, as when e-mail networks reduce the need for an internal post system and the traditional mail coordinator is no longer required. Or it can be a result of outsourcing. For example, school meal services may be contracted out to private catering firms, making 'dinner assistants' redundant.

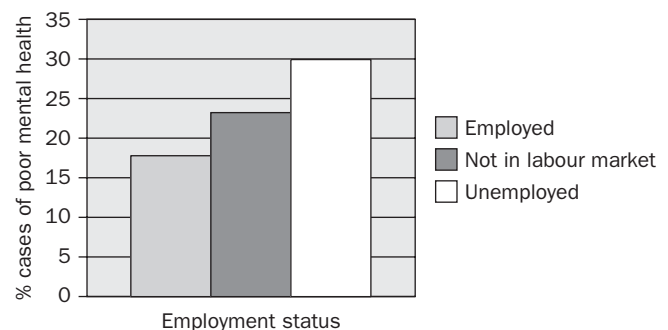
Some employees volunteer for redundancy, and are happy to leave the organization with some financial package as compensation. Often, though, redundancy is perceived in terms of loss – loss of income, prestige, status and social identity. Those who are left behind in the organization often experience guilt, and, although they may be willing to work harder, they generally feel more insecure having witnessed the dismissal of colleagues (Daniel, 1972; Hartley et al., 1991). Redundancy has even been compared to bereavement, with associated psychological stages of shock, denial, disbelief and, later, acceptance.

## PSYCHOLOGICAL EFFECTS OF UNEMPLOYMENT

Unemployment usually has very negative psychological consequences. Research from the 1930s to the present day has consistently shown that the unemployed have poorer mental health than comparable groups of employed people. Figure 20.14 shows that only 18 per cent of the employed population are so severely stressed that they would benefit from professional help, whereas this figure lies at 30 per cent for the unemployed. Unemployed people have worse profiles on measures of anxiety, depression, life dissatisfaction, experienced stress, negative self-esteem and hopelessness about the future. They are also more likely to report social isolation and low levels of daily activity. Their physical health is poorer, and they are more likely to attempt and commit suicide (Fryer, 1992; Warr, 1987).

The average psychological wellbeing of school leavers who become unemployed diverges from those who get satisfactory jobs, even when their wellbeing before leaving school is similar. And people who move out of unemployment into satisfactory jobs show sharp improvements in mental health. These findings are striking in their consistency. The same picture emerges across studies, samples, different research groups, countries and over time.

Striking, too, is the fact that the psychological effects of unemployment extend to the whole family. In a classic study of a whole village affected by unemployment, the effects were shown to spread across the whole community, lowering its spirit and functioning (Jahoda, Lazarsfeld & Zeisel, 1972).



**Figure 20.14**

Percentage of cases of poor mental health by employment status. Source: Based on British Household Panel Survey, 3rd wave data (1993–94).

## FINAL THOUGHTS

Work is a part of everyone's life, whether it is domestic work, voluntary work, assisting in a shoe shop, or nursing in or managing a large hospital. Our work contributes to the meaning we create about ourselves as we build a sense of identity. Our experience of work also determines our psychological and physical health. But more than this, work organizations have a profound effect on society and on the sense of community created within it. Our experience of work spills over into family life – those whose work is rewarding and fulfilling take the benefits back into their families and communities. Moreover, organizations can be productive and enhancing players in society or can behave in exploitative and unethical ways. So understanding work and organizations is of huge importance in human society. To give just one example, one study has shown a strong link between the management of staff in hospitals and patient mortality (West et al., 2002).

The challenge is to create work organizations that enhance human well-being, learning and creativity, contribute to society and its development, and provide models of communities based on justice, ethics, innovation and economic effectiveness. There is much still to discover, but psychological theory and research are proving to offer the most profound insights into the world of work as our understanding of this field develops.

### Summary

- Organizational psychology is an important and vibrant field of inquiry which has been enjoying considerable growth in recent decades throughout the industrialized world.
- It provides valuable insights that help us understand people's actions, thoughts and feelings in relation to work, and consequently how to improve the management of people at work.
- Organizational psychology has made significant contributions to improving many areas of people management, including personnel selection, training, employee morale and motivation, working conditions, and organizational design and development.
- Although many companies continue to seek success through, for example, technology or cost reduction, rather than through effectively managing their workforce, there is increasing evidence that people management is a crucial source of organizational success.
- As a result, those individuals responsible for commercial organizations, as well as policy makers in government, are looking to psychologists and other organizational scientists to help create organizations that are effective and efficient but are also experienced as nurturing and supportive environments by the people who work within them.
- Recent research has demonstrated strong relationships between employee job satisfaction and organizational performance.

## REVISION QUESTIONS

1. What are the main devices organizations use to ensure a 'fit' between employees and the organization?
2. What methods of selecting people for jobs are most effective?
3. How can managers ensure that the training they provide for employees influences how they perform in their jobs?
4. Is there a link between employees' attitudes and their performance at work?
5. Why should we be concerned about whether people are 'stressed' by their work and how can we make work less stressful for people?
6. What factors hinder and help team effectiveness at work?
7. How can decision making by groups be made more effective?
8. Why is feeling 'safe' in a work team important for team performance?
9. What is organizational culture, and what dimensions could you use to describe the culture of organizations that you have experienced (e.g. voluntary work, school, paid work)?
10. What are the main sources of power that people have at work – and what do we mean by 'power' in organizations?
11. To what extent is discrimination against women at work a thing of the past?
12. What are the psychological effects of becoming unemployed?

**FURTHER READING**

Brief, A.P. (1998). *Attitudes in and around Organizations*. London: Sage.

A critical overview of research on organizational attitudes.

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Easily readable introduction to organizational design and effectiveness, drawing together many themes.

Goldstein, I.L. (1993). *Training in Organizations: Needs Assessment, Development, and Evaluation*. 3rd edn. Pacific Grove, CA: Brooks/Cole.

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One of the most original and stimulating frameworks for understanding the nature of organizational life.

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A comprehensive text on personnel selection issues.

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An introduction to the relevant research and the practice of teamwork.

Contributing authors:  
Michael West & Malcolm Patterson

