# America at Work

## Choices and Challenges

Edited by

Edward E. Lawler III

and

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# Foreword

The chapters in this book were commissioned as resource papers for the 2006 New American Workplace project, an analysis of how jobs and careers in the United States have changed since the publication of the benchmark *Work in America* report in 1973. These chapters were written by outstanding scholars who have prepared overviews of the research in their diverse fields of expertise. The individual chapters stand as authoritative summaries of what is known about organizations, work, and workers and, as a collection, constitute a comprehensive look at how the workplace has evolved over three decades of incredible turbulence and change.[1]

When we commissioned these papers, we hoped simply that they would provide us with the factual background we needed to write our companion book, *The New American Workplace* (Palgrave Macmillan, 2006) We are extremely pleased that the papers have exceeded our expectations. They not only proved to be of invaluable use to us, and in their own right, they make important contributions to research, theory, and practice. Without reservation, we commend them to the attention of business mangers, human resource professionals, government policymakers, scholars, and students. In fact, they are a must read for every American who employs workers, is a worker, plans to work, or is concerned about the future of work in America.

Support for the writing of these papers was provided by the Society for Human Resource Management (SHRM), which gave the authors complete freedom to pursue their research interests and to state their opinions. Thus, the views in this volume do not necessarily represent the views of SHRM. The corporate sponsors of the Center for Effective Organizations also provided financial resources, and their continuing support makes it possible for the center's professional staff to do research and writing that influences both organizational theory and practice.

We owe special thanks to the advisory panel that helped us to select the topics and authors of these papers: John Boudreau, Debra Cohen, Susan Cohen, Jay Conger, David Finegold, Alec Levenson, and Susan Mohrman. And we wish to acknowledge members of our Center's staff who made great contributions to manuscript preparation: Dan Canning, Arienne McCracken, and Anjelica Wright.

Finally, we wish to acknowledge the expert copy editing of Catherine Dain, the noted author of mystery novels, who once again has proved that she is a Renaissance woman.

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May 2006

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Part I

# Quality of Worklife of Americans

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# Working Alone: Whatever Happened to the Idea of Organizations as Communities?

*Jeffrey Pfeffer*

Remember when everyone was talking about organizational culture and the idea of building strong cultures to achieve competitive advantage (e.g., Kotter and Heskett 1992; O'Reilly 1989; Tushman and O'Reilly 1997, chapter 5)? Remember *Theory Z* and Ouchi's (1981) argument that Williamson's (1975) description of possible organizing arrangements was incomplete? Ouchi maintained that in addition to achieving coordination and control through market-like mechanisms such as prices and contracts on the one hand, and hierarchies or bureaucracies on the other, there was yet another way of organizing and managing employees, and that was through clan-like relationships among people (e.g., Ouchi and Jaeger 1978), characterized by high levels of trust and stability. More recently, Gittell's (2003) description of Southwest Airlines is consistent with the idea of achieving coordination through interpersonal trust and mutual adjustment of behavior (Thompson 1967). Gittell argued that Southwest's extraordinary level of productivity and performance has come through high levels of coordination and control achieved through interpersonal relationships rather than simply through relying on either formal mechanisms or incentives.

Remember Japanese management, with its emphasis on the total inclusion of people in the company and long-term, even lifetime, employment, and the corollary idea that employees were important stakeholders in enterprises with claims equivalent in their importance to those of shareholders (e.g., Aoki 1988)? Or to go even farther back, remember the welfare capitalism practiced by some large employers in the first three decades of the twentieth century? Many employers believed then that companies should take care of their employees and therefore offered benefits including company housing, paid vacations, health care, pensions, and, as in the case of Ford Motor Company, help from a "sociological department" in setting up a household, saving and investing money, and keeping employees away from alcohol and hustlers (Lacey 1986, 131–134). Employers provided assistance to their workforce both out of a sense of civic duty and moral obligation—Henry Ford, for instance, claimed to be interested in building men, not just cars—and also as a way of potentially avoiding unionization efforts and more intrusive government intervention in the employment relationship (e.g., Jacoby 1997).

Whatever the motivations, there were deeper connections between companies and their workers and more of a sense of communal responsibility than exists today. These ideas and the management practices associated with their implementation seem to have fallen by the wayside, at least in most organizations, and at least in the United States. As Cappelli (1999) has nicely shown, instead of building closer, more communal-like relationships with their workforce, over the past couple of decades most organizations in the United States have moved systematically to more market-like, distant, and transactional relationships with their people. Instead of taking care of and being responsible for their employees, companies have cut medical benefits for full-time employees and cut them even more aggressively for their retirees (Geisel 2002; Hofmann 2003). Meanwhile companies in large numbers have either changed defined-benefit pension plans to defined-contribution plans in which employees are more responsible for their own future economic security (Feinberg 2004) or have abandoned offering pension benefits altogether.

This trend toward more market-like and distant connections has spread throughout the world as other companies in other countries such as Japan and Western Europe seek to emulate U.S. practices in managing the employment relation. The idea that shareholders are preeminent has also taken hold more strongly in other countries, even as some in the United States question the long-term consequences of adopting this shareholder-first perspective (Jacobs 1991).

There are, of course, always important and noteworthy exceptions to these trends among both companies and countries, but the absence of much sense of community in most organizations is quite real and quite important for understanding the evolution of work in America, the relationship between organizations and their people, and the attitudes and beliefs of the workforce.

One consequence of the trend away from communal and caring relationships toward more arms-length, market-like transactions between organizations and their employees has been less trust and psychological attachment between employees and their employers. The evidence of job dissatisfaction, distrust, and disengagement is pervasive, as many surveys and studies from a number of industrialized countries tell the same tale: job satisfaction, employee engagement, and trust in management are all low and declining.

One survey by The Discovery Group reported that 52 percent of employees do not believe the information they receive from senior management (Katcher 2004). A survey of the U.S. workforce found that one in six workers say they have withheld a suggestion for improving work efficiency, and fewer than 40 percent trust their company to keep its promises (Princeton Survey Research Associates 1994). A 2003 survey by Korn Ferry found that 62 percent of global executives are unhappy with their current position of employment (Korn Ferry 2003). A Conference Board survey of 5,000 U.S. households conducted in August 2004 found that 67 percent of workers do not identify with or feel motivated to drive their employer's business goals, one quarter are just showing up to collect a paycheck, and almost half feel disconnected from their employers (Conference Board 2005). That study concluded that "Americans are growing increasingly unhappy with their jobs, with the decrease in job satisfaction pervasive across all age groups and income levels" (Conference Board 2005). Cappelli (1999, 122–123) summarized numerous surveys of employee attitudes and commitment, noting that since the 1980s the measures were "in a virtual free fall." Nor is this phenomenon confined to the United States. For instance, the Gallup organization "found that 80 percent of British workers lack commitment to their job, with a quarter of those being 'actively disengaged' " (Deloitte Research 2004, 4).

The logic linking the less communal aspect of companies and the rise of distrust, disengagement, and diminished satisfaction, although not extensively empirically demonstrated, seems clear. Trust is enhanced through longer-term interactions and by believing that the other party is taking your interests into account. Both longer-term employment and time horizons and the belief that senior leadership is concerned about employee welfare characterize more community-like companies. Because people value workplace friendships and working with people they like and respect and are more willing to expend extra effort when they feel psychologically connected to their organizations—again the link between the extent to which companies are more community-like and outcomes such as job attitudes and willingness to invest more effort at work seems clear.

Another consequence of the diminished sense of community inside organizations has been more incivility, defined as displaying a lack of regard for others in violation of norms of mutual respect (Pearson and Porath 2005, 8), and an increase in bullying in workplaces in which social ties and communal obligations are weaker. A study of 800 employees in the United States found that 10 percent reported witnessing incivility *daily* in their workplaces and one-fifth reported being the target of incivility at work at least once a week (Pearon and Porath 2005, 7). Furthermore, one-fourth of respondents who felt they were treated uncivilly intentionally cut back their work efforts, and one in eight left their job to escape the situation (Pearson and Porath 2005, 9–10).

The connection between community and workplace bullying and incivility seems evident. A sense of community and shared, mutual obligations and closer social ties among people would act to inhibit rude or nasty behavior. These inhibitions disappear in places characterized by more market-like and distant relationships among people and between people and their employers. Ironically and unfortunately, all of these changes in employee attitudes and behavior are occurring at the very moment when people's skills and discretionary effort are more important than ever for organizational success.

In this chapter, we briefly describe the evolution away from the conception of organizations as communities, what may have produced this change, as well as the opportunity provided to organizations that take a different approach and take the idea of the workplace as community more seriously. Putnam's (2000) description of the decline in many aspects of community in U.S. society more generally has been mirrored in work organizations, and few companies now embrace Theory Z or the many other books that recommend more inclusion of people in organizations and the creation of stronger social ties. We are not only "bowling alone," we are increasingly "working alone," even though there is important research that shows the importance of social capital for organizational success as well as individual success inside work organizations (e.g., Leana and Rousseau 2000; Coff and Rousseau 2000).

More communal relations among people and between organizations and their employees does seem to provide an advantage, but that many organizations nevertheless do not make decisions about managing their people consistent with this fact belies the common assumption that organizational leaders are rational, profit-maximizing decision-makers always choosing the best course of action. Instead, this discussion of the communal aspect of work in America makes clear, once again, the importance of values and beliefs in decisions that concern the relationships between companies and their employees. The importance of values has, in turn, implications for the education of managers both in school and inside companies as well as for the role of public policy in helping to shape the covenant between employers and their employees.

## The Choices Companies Make

Organizations and their leaders make two fundamental and important decisions about their workforce, from which many other decisions and management practices naturally follow. The first basic decision is where to draw the organization's boundaries—which activities and people to include in an employment relationship and which activities and people to leave outside the company, to treat in more market-like and impersonal ways (e.g., Williamson 1975). At the limit, of course, are virtual or almost-virtual companies with few or no actual employees. Thus, evidence suggests that more "externalized" work such as part-time employment and temporary and contract work is growing in importance and prevalence (e.g., Belous 1989; Segal and Sullivan 1997).

The second crucial decision, given that a company is going to have any employees at all, is what sort of relationship to forge with those employees, the people living inside the organization's boundaries, and, as a consequence, what kind of organizational culture to create. There are a number of interrelated dimensions that could be productively used to characterize this relationship between organizations and their people, including: (1) the expected duration of the relationship; (2) the degree of legalism and formalism that characterizes the employment relation; (3) related to the first and second dimensions, the extent to which the employment relation inside the firm is characterized by a market-like character (Cappelli 1999) in which outcomes from the external labor market such as wage rates and benefit arrangements are directly imported into the company; and (4) related to the preceding three dimensions, how organizations treat the degree of inclusion of people in the company. Do organizations adopt a more community-like role, being concerned with nonwork aspects of people's lives, or do they adopt a more transactional and limited approach, essentially buying labor for money in an exchange that can be terminated by either side for any, or no, reason?

### *Forces Affecting the Community-Like Nature of Organizations*

A number of explanations have been offered to account for the variation in the communal nature of companies both over time and across cultures, but none seems to be completely adequate or convincing, leaving an important topic for further research. The first and most obvious explanation for the decline in the degree and forms of attachment between companies and their employees is the greater competition and/or increased financial stringency faced by organizations. So, for instance, Jacoby (1997) argued that welfare capitalism was a casualty of the Great Depression, Cappelli (1999) maintained that the more market-like interactions between companies and their employees were a natural and logical response to increased competitive pressure and the consequent requirement for lower costs, including labor costs; explanations for changes in Japanese and European organizations toward a more American-like model often point to increasing global competition and economic integration as a cause.

But the data are not completely consistent with an explanation stressing more competition as a cause of declining community-like ties in work organizations, nor does this account make logical sense. Barley and Kunda's (1992) study of the rise and fall of regimes of normative and rational control in organizations provides some relevant evidence, if we assume that normative control is related to more communal relationships inside companies. Their study found that variations in economic conditions explained variation in control regimes over time. But as Barley and Kunda noted, neither the extent of competition nor the munificence or scarcity of the environment did or could explain the rise or fall of normative control. That's because both normative and rational control approaches promise enhanced efficiency and effectiveness. In other words, since communal-like relations presumably *increase* employee motivation and organizational performance, there is no logic to arguing that such organizing principles should decline in use just because companies face more competition.

Furthermore, welfare capitalism emerged in the late 1800s and early 1900s when economic competition was, if anything, fiercer than at any other time including the present. Griffin, Wallace, and Rubin (1986, 149) noted that the average business failure rate during the period 1890–1928 was more than twice that of the post–World War II average. And so-called Japanese management practices such as single company unions and long-term employment relations actually emerged in full flower after World War II, when Japan was facing unprecedented levels of economic hardship.

Finally, many of the companies most noted for their communal nature (e.g., Southwest Airlines and the Men's Wearhouse) operate in industries (airlines and retailing) that are beset with competition and financial stringency. To the extent that stronger attachments and a less transactional relationship promote discretionary effort, reduced turnover, and, as a consequence, higher levels of productivity, it is far from logically clear why increased competitive pressure should not *increase* rather than decrease the communal nature of companies.

A second explanation for variation is national culture. Ouchi (1981), for instance, emphasized the difference between American agriculture with its dispersed (and presumably larger) farms and Japanese rice growing, where the farmers lived in closer proximity to each other. While not denying that there are important differences across countries, particularly in the extent to which nations seem to embrace individualistic competition or more collective and communal ways of interrelating (e.g., Hofstede 1980), this explanation also has some problems. In the first place, there is a great deal of variation in management practices across organizations situated in similar industries within the same country. And even in single countries, such as Japan, and even in the same company, organizations often treat their women and part-time employees quite differently from the portion of the labor force that is considered to be core.

It is not clear whether national cultural values about how people ought to be treated and the communal nature of companies can readily account for this differential treatment of people inside the same organization. Moreover, the relatively rapid change in management practices experienced, for instance, in the United States, which went from the organization man of the 1950s to the free agents of the 1980s and 1990s, makes lodging an explanation in something as stable as national values and culture problematic.

A third explanation is institutionalization and imitation. There is no doubt that companies play "follow-the-leader," and consulting organizations and benchmarking practices are among the forces that encourage imitation and the spread of management ideas. Even a study of downsizing, which one might think is one of the most economically driven decisions, found strong evidence of mimicry (Budros 1997). There is also no doubt that management approaches such as welfare capitalism and more inclusion or more market-like relationships with employees come into and go out of fashion, and that management practices are at least to an extent driven by fads and fashions (Abrahamson 1996). The difficulty with this explanation is that not only does it leave much contemporaneous variation across companies unexplained, but it also leaves largely unexplored the causes or sources that determine what comes into fashion and what goes out, and which ideas are in vogue.

Yet another explanation lodges the source of variation in the values and experiences of the CEO. Southwest Airlines will be forever identified with its long-term CEO, Herb Kelleher, and the company's culture and style, as well as the management practices and associated values that reflected Kelleher's philosophy, including putting employees first, customers second, and shareholders third. The sense of the company as a community or even a family is part and parcel of the company's way of operating, as Colleen Barrett, president and chief operating officer, explained:

> We've talked to our employees from day one about being one big family. If you stop and think about it for even 20 seconds, the things we do are things that you would do with your own family. We try to acknowledge and react to any significant event in our brothers' or sisters' lives, whether it's work-related or personal. We do the traditional things, like sending birthday cards and cards on the anniversary of their date of hire. But if employees have a child who's sick or a death in the family, we do our best to acknowledge it. We celebrate with our employees when good things happen, and we grieve with them when they experience something devastating. (Shin 2003, 19)

George Zimmer, founder and CEO of the Men's Wearhouse, was very much a child of the 1960s, and he talked about doing things to ensure he remained spiritual enough. Again, the humanistic values that emanated from Zimmer permeated the company and infused its specific management practices such as offering loans to employees having financial difficulties and giving employees second and third chances even when they had stolen a pair of socks or put a customer's deposit in their pocket for several days.

DaVita, a large operator of kidney dialysis centers, reborn under CEO Kent Thiry, reflected Thiry's values and orientation toward community. It is not every CEO, particularly a nonfounding CEO with fewer than 10 years of service, who would set up a family foundation to provide educational benefits to company employees' children, something that Thiry did. The company was referred to as a village, Thiry was the "mayor," and the ethos was very much one of community that emanated from Thiry and his close associates.

There is no question, particularly in America, at a time of strong, even dominant, CEOs, that the tone set at and by the top permeates much of the organization, and this is true whether that tone consists of the ethical lapses of Ken Lay at Enron and the abusive, take-no-prisoners ethos of "Chainsaw" Al Dunlap (e.g., McLean and Elkind 2003; Byrne 1999) or the humanistic, community-oriented tone of Thiry, Zimmer, and Kelleher. But what this explanation lacks, of course, is an account of precisely