

Organizational Influences on Performance

Thomas R. Krause, PhD

CEO of BST

Pressure for improved organizational performance has accelerated in recent years. Global competition has resulted in reorganizations, acquisitions, downsizing, and changes in processes and procedures. Employees are being asked to accomplish more with less, to go beyond their traditional job duties and to take more responsibility for their work. In some organizations, employees rise to the challenge and go the extra mile. In others, pressure for change meets resistance and employees are unwilling to extend themselves. What determines the response to change?

Organizational change efforts do not occur in a vacuum. Except in greenfield operations, organizational members have histories with each other that may go back decades. An individual worker may have had thousands of interactions with the immediate supervisor and with co-workers. A series of managers has probably come and gone; each one had areas that particularly drew his or her attention, and other areas that were relatively neglected. From all of these interactions the worker learns what is important to others in the organization, how he or she is likely to be treated in various circumstances, and whether or not others are likely to do what they say they will do.

The individual's experience with the organization is represented in the form of perceptions, or beliefs about the way things are. These beliefs influence how the individual behaves. People inevitably vary in how they perceive some aspect of reality. Partly this is due to the fact that we interpret events in light of our past experience. An old saying captures this well: "We do not see things the way *they* are; we see things the way *we* are." Our perceptions also vary in that we all do not have exactly the same experience with respect to some aspect of organizational life. A worker with 20 years of service at a facility has had a different experience about the value and importance of performance there than a manager who has been at the facility for two years.

Perceptions often shift slowly. Beliefs about the way things are may be incorrect from some objective standpoint. This can be frustrating to a manager whose sincere efforts to improve performance are met with skepticism. Workers may have the belief (perhaps largely accurate historically, but currently inaccurate) that the manager will not follow through on his or her good intentions. Inaccurate perceptions can create self-fulfilling prophecies—workers do not believe that managers will follow through; they do not participate willingly in change efforts; they are alert to the smallest signs of failure to follow through; managers get discouraged and the effort falters; worker perceptions are reinforced.

Perhaps surprisingly, the success of most change efforts depends more on perceptions about some basic aspects of organizational life than on perceptions specific to the area being changed. For instance, improvements are more dependent on workers' perceptions of how they are treated by their supervisor than on perceptions of the importance of the outcome in the organization. Improvement efforts are more successful when perceptions in key areas are well understood. It is then possible to build upon favorable perceptions, and undertake targeted improvement where perceptions are unfavorable.

As an example in the area of safety, in most situations the front-line workers are at greater risk for injury than supervisors, managers and staff. The higher the level of safe behavior by the worker, the lower the chances of injury. An important question then is what perceptions influence worker safety-related actions. Two ways of classifying these key perceptions are who or what the perceptions refer to, and whether the perceptions are specific to safety or more general. There are nine areas that are important to performance outcomes, shown in **Table 1**.

We see that outcomes are influenced by worker perceptions about the supervisor, co-workers, managers, and the organization. Six of these areas are not specific to the targeted outcome. At first thought, it may seem odd that specific outcomes would be strongly influenced by factors that do not appear to have much to do with that outcome as such. Upon reflection, however, this makes sense. Everything in an organization is done in a context, a general environment. If the general environment is favorable, initiatives will be successful; if the environment is less favorable, the initiatives will be less successful.

Table 1. Perceptions that influence targeted outcomes organized by target of the perception and whether the perception is general or outcome-specific.

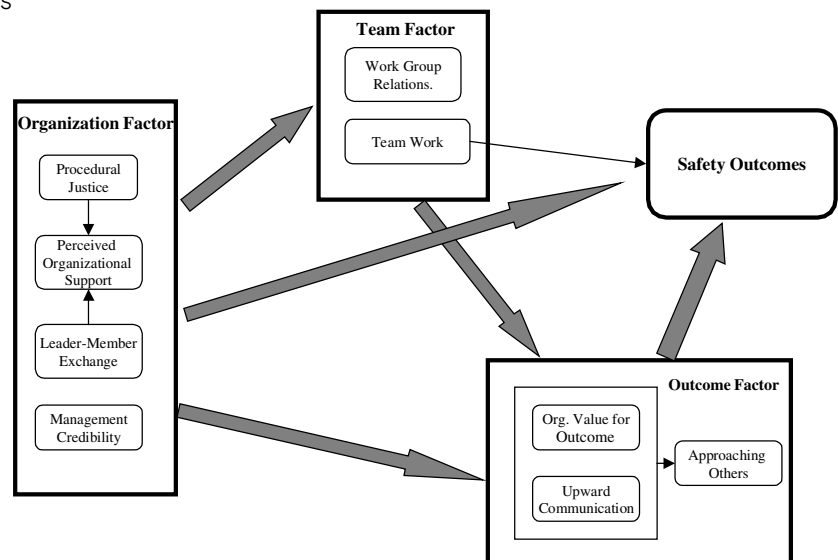
Who or what the perceptions refer to	Focus of the Perceptions	
	General	Outcome Specific
First-line Supervisor	Fairness of decision-making processes (Procedural Justice) Strength of working relationship (Leader-Member Exchange)	Climate around bringing up concerns (Upward Communication)
“Company”/Management	Honesty and consistency of managers (Management Credibility) Organizational concern for employees’ needs and interests (Perceived Organizational Support)	Value of and priority for outcomes (Organizational Value for Outcomes)
Co-workers	Team effectiveness (Teamwork) How well group members get along (Work group relations)	Likelihood that workers will speak to others about concerns (Approaching Others)

These perception dimensions can also be grouped into three sets, or factors, as shown in **Figure 1** and listed below.

- Basic organizational factor:**
 - Procedural Justice
 - Leader-Member Exchange
 - Management Credibility
 - Perceived Organizational Support
- Work-group factor:**
 - Teamwork
 - Work group relations
- Outcome-specific factor:**
 - Organizational value for the targeted outcome
 - Upward communication about the target
 - Approaching Others

The arrows in the figure show the direction of influence. For instance, the dimensions of the Organization Factor are the most fundamental—perceptions about these dimensions influence outcomes directly, as well as indirectly through perceptions about team functioning and dimensions related specifically to the outcome. Notice that the dimensions in the Organization Factor and Team Factor are not related specifically to specific outcomes (such as safety or error-reduction). This suggests two things. First, the Outcome Specific Factor can target a variety of critical business outcomes. We would likely find the same pattern of influences on quality outcomes as in safety. Second, long-term improvement in performance is unlikely without attention to organizational and team variables. An organization

Figure 1. Relationship of Factors and Dimensions



with poor relations between workers and supervisors, and dysfunctional work groups, will not be able to sustain any gains that come from the change efforts.

Long-term high performance is much more likely if perceptions in these key areas are favorable. The first step to improvement is measuring how favorable perceptions are. It is then possible to develop plans to sustain favorable perceptions and improve unfavorable ones. In the rest of this chapter we discuss in more detail each of the dimensions that influence business outcomes. The appendix to this chapter summarizes the outcomes associated with favorable and unfavorable perceptions on these dimensions. In later chapters are presented ideas on what supervisors and managers can do to improve the climate for the outcome.

Organization Factor

Four dimensions make up this factor: Procedural Justice (fairness of decision-making), Leader-Member Exchange (supervisor-worker relationships), Management Credibility (honesty, consistency, and competence), and Perceived Organizational Support (organizational concern for needs and interests of employees). The ideas underlying these dimensions are not specific to any targeted outcome but have to do with organizational functioning considered broadly. These dimensions can be understood from what is called social exchange theory. According to this theory, important aspects of relationships between individuals, or between an individual and a group, can be viewed as a series of exchanges, in which the principle of reciprocity plays a central role. For example, if an employee is treated with dignity and respect and offered support by the supervisor, it creates a sense of obligation in the employee. The employee reciprocates in such ways as job performance, extra-role behavior, and loyalty.

The three dimensions based on exchange theory tap different relationships: with the supervisor, with managers, and with the organization. Of these, the one with the supervisor (Leader-Member Exchange) is probably the most important. The quality of the relationship with the supervisor strongly influences whether the employee believes that the organization cares about his or her needs and interests (Perceived Organizational Support). That is, an employee who has a great relationship with his/her supervisor tends to score high on Perceived Organizational Support. To a large extent, the supervisor is the embodiment of the organization for the employee.

The dimensions underlying the Organizational Factor are important drivers of most of the other dimensions. For instance, team functioning is strongly influenced by the aspects of organizational life represented by the Organizational Factor. This makes sense—if a supervisor treats people fairly and has good relationships with them, the team overall should function more effectively. Employee beliefs with respect to the Organizational Factor dimensions also influence perceptions around targeted outcomes, the Outcome Specific Factor. This also makes sense. For instance, one of the dimensions in the Outcome Factor is Upward Communication (employees raising concerns with the supervisor). Good relationships and fair treatment are likely to create a favorable climate for bringing up these concerns. The Organizational Factor also influences the outcomes (desired behavior, exposure and incidents, and report-

ing) directly. For instance, Injury Reporting is most strongly influenced by Management Credibility. If managers are seen as fair, consistent, and competent, employees are more likely to report injuries.

Procedural Justice

There has been considerable research in the last 20 years on what is called organizational justice, or fairness. Initially the focus was on fair outcomes—perceptions by employees as to whether they are compensated fairly, get what they deserve in the way of job assignments and promotions, and the like. The idea is that if employees think they are getting a fair shake, they will be satisfied, but if they don't get what they think they deserve, they will be unhappy and the unhappiness will lead to outcomes undesirable for the organization. It turns out that people are not necessarily dissatisfied if they think they have not received their fair share—there are two other considerations.

The first is the interpersonal treatment of the employee by the supervisor. Good treatment includes actions displaying social sensitivity, such as treating the employee with dignity and respect, listening to the employee's concerns, and providing adequate explanations for decisions. Good treatment can counteract bad outcomes and flawed processes.

“Procedural justice,” which refers to decision-making processes, is the other consideration. An employee may accept a decision that gives him or her less than a desired share if the procedures used to make the decision are considered fair. A fair procedure can compensate for bad outcomes. Employees are less concerned about procedural fairness when they are happy with outcomes, although perceptions of procedural justice are powerful influences in an organization. Fair procedures are characterized by:

- Consistency — across persons and time
- Lack of bias — avoidance of personal self-interest by decision maker(s)
- Accuracy — decisions are based on good information and informed opinion
- Correctability — one can appeal decisions made at various points of the process
- Representativeness (or “voice”) — the procedure reflects the basic concerns, values, and outlook of those affected
- Ethicality — the procedure is compatible with the fundamental moral and ethical values of those affected

If supervisors (and managers) seem to be making decisions in fair ways, workers assume that they can obey and follow rules without worrying too much about exploitation or rejection. One specific safety-related situation might be the way employee safety concerns are handled. If the procedures are considered fair, employees are likely to be more accepting of unfavorable outcomes. The manner in which safety rules and procedures are developed might be another example. Procedural justice also affects organizational effectiveness in indirect ways. Employees interpret fair procedures as them being treated with dignity and respect.

Leader-Member Exchange

The leader-member exchange concept developed from attempts to understand exactly how leaders influence members (or followers, or subordinates). That is, what can leaders do to get desired performance from members? One way of

influence is clear: positive consequences for meeting or exceeding expectations, and negative consequences for failing to do so. This kind of arrangement is called transactional leadership (or sometimes “management”). Supervisors, formally or informally, strike a deal (have a transaction) with workers: “You do ‘x,’ and ‘y’ will happen to you.” Another influence approach altogether is called transformational leadership (or sometimes just “leadership”). The member exerts effort to achieve a goal not because of an explicit reward or punishment, but because achieving the goal is seen as fulfilling an organizational purpose important to the leader and the member.

Transformational leadership exerts influence principally through relationships with members. In a work group, the supervisor develops relationships with each of the workers, and the quality of the relationship varies across members. The relationships develop as exchanges: the supervisor takes a risk and gives a member an assignment. If performance is good, the supervisor develops trust in the worker, and over time gives him or her more latitude for decision-making (delegation). The member also tests the relationship by seeing if the supervisor follows through on commitments made, backs up the worker, and is willing to accommodate to the worker’s needs. Similarity in personality between the leader and the member facilitates the development of high-quality exchanges early in the relationship, perhaps because similarity leads to liking.

Management Credibility (or Trust in Management)

Trust can be viewed as an attitude held by one person towards another, based on the first person’s observations of the other’s behavior. Most research in this area has focused on the subordinate’s trust in the manager. Manager trust in subordinates has been studied less.

Much of the research has been on manager behaviors that lead to perceptions of trustworthiness. There are various perspectives that have been used to understand the development of trust. One of these is social exchange theory. From this point of view, managers initiate trust development by acting in certain ways (described below) that provide benefits to followers (e.g. reducing uncertainty). Over time, this increases the odds that followers will trust the manager, and behave in ways that provide benefits to the manager (e.g., cooperation). The reciprocation is not necessarily equal—the level of the manager’s trust in the subordinate may very well be different than the subordinate’s trust in the manager.

Perceptions that a manager is competent seem to be a necessary but not sufficient basis for development of trust. That is, workers are unlikely to trust a manager who seen as incompetent, but competence alone does not necessarily lead to trustworthiness.

Manager behaviors that influence perceptions of trustworthiness include:

1. **Consistency** Reliability or predictability over time and situations.
2. **Integrity** Consistency between word and deed, including
 - Telling the truth
 - Keeping promises

3. **Sharing control** Participation in decision-making and delegation

4. **Communication**

- Accurate, forthcoming information
- Explanations for decisions, and timely feedback on them
- Open exchange of thoughts and ideas

5. **Demonstration of concern (benevolence)**

- Consideration and sensitivity for employees' needs and interests
- Acting in a way that protects employees' interests
- Refraining from exploiting others for one's own benefit

Individuals seem to differ in their likelihood to trust others. This would work both ways. Employees will vary, and thus not all employees will see the same manager behavior as trustworthy. Likewise, managers will vary in the extent to which they expect employees to be trustworthy, and will behave accordingly. Initially, trust is influenced by perceptions of shared values. If the values of the other person are seen as reasonably similar, conditional trust will exist. If with further experience the other party behaves in a trustworthy way, unconditional trust may develop fostered by positive attitudes and moods.

There is some evidence that trust can be lost, perhaps irrevocably, by major incidents (such as a manager lying). There appears to be a threshold effect—trust may survive one or two such incidents, but above the threshold, trust is lost.

Perceived Organizational Support

The basic idea underlying perceptions that the organization is concerned with the needs and interests of the employee (Perceived Organizational Support—POS) is social exchange theory, as with Leader-Member Exchange (LMX). In the case of LMX, the exchange is between the employee and supervisor; with POS, it is between the employee and the organization. The central notion in social exchange is reciprocity, responding positively to favorable treatment. With respect to POS, the key is the perception that the favorable treatment is discretionary on the part of the organization. That is, if a certain benefit or procedure is required by law or contract, it is generally not seen by employees as evidence of caring and concern by the organization.

POS is not the same as job satisfaction, although the two often have strong positive relationships. POS is a global perception by the employee of organizational commitment to him/her, whereas job satisfaction is an affective (positive/negative) response to specific aspects of the work situation (e.g., pay, physical working conditions, work schedules). Employees distinguish between aspects of the work situation that they believe are under the control of the organization, and those that are not. The more favorable the discretionary aspects, the higher the level of POS. The idea is that if the organization has control over some discretionary aspect of the work situation, and makes that aspect favorable to employees, then employees take that as meaning that the organization cares about them.

Levels of POS tend to be higher for longer-tenured employees, which may mean that those who don't feel that the organization cares about them leave over time. The level of POS is also related to developmental experiences such as special training and job assignments.

The strength of the relationship with the immediate supervisor (LMX) affects worker perceptions of POS. One might say that an employee takes the relationship between him/her and the supervisor as representing the organization's concern for him or her. More generally, employee perceptions of the extent to which managers, supervisors, and (to a lesser extent) co-workers are trustworthy and supportive affect POS.

Team Factor

There are two aspects to team functioning—how effective the team is in getting work done (Teamwork) and how well co-workers get along (Work Group Relations).

Perceptions of these aspects are highly related. That is, favorable (unfavorable) perceptions of one dimension usually accompany favorable (unfavorable) perceptions of the other.

Perceptions of team functioning (Team Factor) are affected by perceptions of more fundamental issues in the organization (Organization Factor). An organization that has fair procedures, good relations between workers and supervisors, trustworthy managers, and concern for employees will tend to have well-functioning teams. Not surprisingly, fundamental aspects of how employees are treated set the stage for team effectiveness and cohesion.

The team dimensions have direct effects on outcomes: level of desired behavior, incidents, and reporting. Team functioning also affects dimensions specific to the outcome (Outcome Specific Factor), and thereby indirectly influences those outcomes. That is, team functioning affects perceptions about the organization's value for the outcome, the climate around raising issues, and the likelihood of workers talking to one another about outcome-related behavior. The Outcome Specific Factor in turn affects the targeted outcomes.

In addition, the quality of relations within a team influences the climate in the team for change. Higher functioning teams are more open to change.

Teamwork

Team functioning is affected by many factors, including design of the work and the team (socio-technical considerations), team composition, the general organizational context in which the team operates, and internal group processes. The Teamwork dimension represents an overall assessment of group cohesiveness and functioning, the result of the various influences.

Teamwork is affected by fair treatment, both by the supervisor and by peers. If both the supervisor and the group itself make decisions by processes that are considered fair, then group members will have positive attitudes towards the supervisor (trust) and the group (commitment). This leads to better team functioning.

Work Group Relations

This dimension is based on the notion that social relationships within the work group influence important goal-related variables. This is fairly easy to picture. In a group where people do not get along well together, individuals are less likely to go out of their way to speak up to co-workers about the outcomes. Speaking up can be risky—one cannot be certain how the other person will react. Likewise, raising a concern in a safety meeting, for example, is risky—other group members might ridicule the concern. When there are low levels of trust, workers are less willing to take these risks. On the other hand, if relations between group members are good, people will feel more comfortable interacting around issues and raising concerns.

Trust is related to how well the team functions (Teamwork). In high-performing teams, members are more likely to identify with the team. Identification leads to trust among team members, which results in cooperation. Dysfunctional groups with a low sense of team identity will have low levels of trust.

Social relationships among group members is a strong predictor of worker compliance with safety or production rules and procedures.

Work Group Relations are affected by the leader of the group. Supportive and trustworthy behavior by the leader is likely to lead to trust among members of the group.

Outcome Specific Factor

Basic aspects of organizational functioning (Organizational Factor) and team functioning (Team Factor) affect many important organizational outcomes, including safety or error reduction. One important question is the link between the basic factors and targeted outcomes. For instance, how does the relationship between the supervisor and the work group affect injury rate?

The dimensions in this factor represent three different links. One link is through workers raising concerns (Upward Communication). Another link is through workers speaking up to one another about undesired situations (Approaching Others). A third link is individuals taking responsibility for their own performance or exposure. This sense of responsibility is strongly influenced by perceptions of the Organization Value for the Outcome, which also influences Upward Communication and Approaching Others. Relations with the supervisor and co-workers, a sense of fair treatment by the organization and the supervisor affect whether workers will raise concerns to the supervisor or to co-workers.

Organizational Value for the Outcome

The idea underlying this dimension is often called the “climate,” or something similar. Climate is an idea that gained attention starting about 1980. The distinction between climate and organizational culture has not always been clear. Generally, culture is seen as the background and climate as the foreground. That is, culture is a more fundamen-

tal concept, and climate is influenced by culture, rather than vice versa. Culture has been variously defined as “the way we do things around here,” and “the right way to think, feel, and act.” Climate is generally considered to be the climate for something: safety, quality, service, etc. It is employee “perceptions of the events, practices, and procedures and the kinds of behaviors that get rewarded, supported, and expected in a setting.” One can talk about the culture of an organization, but not the climate of an organization; rather, it would be the climate for (x) in the organization. Climate is more readily changed than is culture.

People have tried to find a single organizational indicator that is predictive of outcomes in organizations. Specific measures of climate have varied greatly, but a common underlying theme is management commitment to the outcome. Across a number of research studies, scores on this dimension have been related to outcomes (e.g. injury or error reduction rates). The underlying logic is that a high level of commitment to goal would result in visible support in the form of resources, programs, and so on. This support would result in positive perceptions of organizational commitment, which would influence how people work on a day to day basis. The various safety or quality programs would also reduce exposure, leading to improved downstream rates.

Perceptions about Organizational Value for the targeted outcome are influenced by perceptions of the dimensions represented by the Organizational Factor. In particular, there is a strong relationship between Perceived Organizational Support and Organizational Value for the Outcome. Workers who believe that the organization cares about them in general are also likely to believe that management is committed to the goal. Commitment to safety, for example, is one specific area in which organizational support can be demonstrated.

Upward Communication

This is one of the dimensions that addresses the link between organizational and team variables, and the targeted outcomes. It has been shown, for instance, that work groups characterized by supervisor fairness and support report fewer injuries. The question is, what is the mechanism by which fairness and support result in better safety outcomes? One mechanism is workers speaking up about safety concerns. A supervisor who is fair and supportive is more likely to listen to concerns, and respond appropriately. Over time, the willingness of workers to identify opportunities for improvement, and the supervisor’s commitment to get action, will reduce exposure, and thus reduce injuries.

Perceptions of Upward Communication are related to scores on Perceived Organizational Support and Leader-Member Exchange. Higher levels of POS and LMX are associated with more Upward Communication. Team functioning and relations affect the willingness of workers to raise outcome issues. In a dysfunctional team, workers will be more reluctant to bring up issues for concern about negative reactions from co-workers. Supervisor openness to upward communication about issues sends a strong signal to workers that the organization values goal.

Approaching Others

This dimension addresses a link between organizational and team characteristics and targeted outcomes. The Upward

Communication dimension deals with workers raising issues with the supervisor—typically these issues involve facility or equipment items, and perhaps procedures. Another opportunity for improvement lies with behavior. In a healthy climate, workers will speak up to one another about at-risk or undesirable situations. The more that co-workers look out for each other, the higher one would expect desired behavior to be. This scale gets at what is sometimes called the “brothers’ keeper” atmosphere in the work group.

Approach behavior is related to both Leader-Member Exchange (LMX) and the commitment of the team leader (supervisor) to the outcome. The quality of the relationship with the supervisor is related to the willingness of team members to help each other out. If the leader values the targeted outcome, the subordinate can reciprocate high-quality LMX by speaking to others about the goal.

Team functioning also influences approach behavior. In a high-functioning team with good relationships among members, members will take risks and speak up to one another. They will be confident of getting a reasonable reaction from the co-worker. By contrast, in dysfunctional groups, reactions from co-workers will be unpredictable, or predictably negative. In the extreme, the attitude in the group may be “every person for himself/herself.” Workers may rationalize the situation by thinking, “we are all adults here, who I am to tell someone else how to work?”



Appendix

Summary of implications of favorable and unfavorable perceptions on the dimensions measured by the Organizational Functioning Survey.

Organizational Factor Dimensions: Procedural Justice, Leader-Member Exchange, Management Credibility, and Perceived Organizational Support

Unfavorable Perceptions

Retaliation against the organization
(e.g., theft, malingering, bad-mouthing)

Taking hostile actions against co-workers

Formal relations between supervisor and worker

Few opportunities for worker input

Low alignment between supervisor and worker goals

Unwillingness by workers to go beyond formal
job requirements

Worker intentions to leave the organization

Disengagement—low commitment to the organization

Low levels of initiative and risk-taking

Absenteeism

Favorable Perceptions

Organizational citizenship behavior (going above
and beyond the call of duty, such as volunteering
for safety roles)

Positive perceptions of organization's value
for the outcome

Commitment to the organization

Less resistance to change

Work group working well as a team

Worker willingness to raise safety concerns

Mutual trust, respect, influence and obligation
between supervisor and worker

Empowerment of workers by supervisor

Supervisor encouragement of initiative by workers

Higher levels of performance by work group

Willingness of workers to expend extra effort

Overall job satisfaction

Satisfaction with supervisor

Quality of communication between managers
and reports

Free exchange of information and knowledge
within the organization

Organizational performance

Cooperation and teamwork

Willingness of individuals to seek help when needed

Trust

Appendix Continued

Team Factor Dimensions: Teamwork and Work Group Relations

Unfavorable Perceptions

Hostile actions between group members
Reluctance to take risks interpersonally
Higher turnover
Resistance to authority

Favorable Perceptions

Talking to one another about undesired behavior
Raising concerns with the supervisor
Higher levels of desired behavior
Team member satisfaction with co-workers, the work,
and supervisor
Higher team performance
Greater likelihood of helping out co-workers
Higher commitment to the group
Fewer incidents

Outcome Specific Factor Dimensions: Organization Value for the Outcome, Upward Communication, and Approaching Others

Unfavorable Perceptions

Workers are more likely to attribute the cause of
an incident to situational factors even when
worker behavior was a major factor

Favorable Perceptions

Lower levels of undesired behavior
Lower incident rates
Higher levels of reporting
Individuals feeling more responsible for their own
performance and that of others
Higher individual commitment to the outcome
Greater likelihood that workers will raise concerns
Workers are more willing to attribute the cause of
an incident to worker behavior when in fact worker
behavior was a major factor