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When do feedback, incentive control, and autonomy improve morale? The importance of employee-management relationship closeness

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Abstract:

This paper tests a model proposing that employee-management relationship closeness both directly affects employee morale and moderates the effects of management controls on morale. In 100 manufacturing plants in Japan, the US and Italy, the study found that 3 management controls (feedback, incentive control and autonomy) did not, by themselves, improve employee morale. However, the moderation of each by a close employee-management relationship improved employee morale. Employee-management closeness itself was an even stronger morale booster of plant workers. Employee-management relationship closeness and the morale of employees positively affected perceived harmonious teamwork in the plant.

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[Headnote]

When Do Feedback, Incentive Control, And Autonomy Improve Morale? The Importance Of Employee Management Relationship Closeness*

Managers of one large corporation were expecting the generosity of their annual incentive award to build employee morale. Instead interviewees reported, for example, "It has absolutely no effect on me." "[It's] negative for many. They didn't get what they expected, so they were mad." Managers use various morale-boosting approaches (often called management controls), such as incentives, employee participation, and feedback, that sometimes do more harm than good (Kohn, 1993b; Lawler, 1973).

This article tests a model that explains one reason behind these results: the moderating and direct effect of employee-management relationship closeness. The research questions are: "To what extent does employee-management relationship closeness both affect morale directly and moderate the effects of management controls on morale?" and "To what extent do employee morale and employee-management relationship closeness affect perceived harmonious teamwork in an organization?"

In the theoretical development section that follows, the article introduces the research model and discusses literature supporting the model. Next, the methodology for testing the model is presented. Then the article reports an empirical test of the model in the context of 100 manufacturing plants. Finally, the article discusses the results in light of other research, and outlines several implications for research and managerial practice.

THEORETICAL DEVELOPMENT

This section first discusses how we developed a research model through analysis of qualitative data. The model's concept definitions and hypotheses are then discussed. Finally, the literature related to the model is briefly reviewed.

This study began with seventeen indepth interviews of computer operations professionals in a large corporation in the travel industry whose job was to keep their computer reservation system running. The interviews often turned to what kept the computer professionals highly motivated to do their job of keeping the system running. In turn, discussions about worker motivation or morale frequently gravitated toward the relationship closeness they felt with their boss.

Concept Definitions

By morale, we mean the degree to which an employee feels good about his or her work and work environment. Morale is distinguished from motivation, which refers to readiness to act (Lawler, 1973). Morale is broader than intrinsic motivation or job satisfaction, which typically refer to feelings about one's job (Hackman and Oldham, 1975). We use the broad term morale in the sense it is used in common speech; namely, as a term that encompasses constructs like intrinsic motivation, job satisfaction, experienced work meaningfulness (Hackman and Oldham, 1975), organizational commitment (Mowday et al, 1979), and pride in one's work. By relationship closeness, we mean the extent to which an employee has a sharing, open, familiar relation with management. Thus, relationship closeness is a broad concept that encompasses

several specific constructs like interaction, open communication, and informal relations between employees and management.

We define management controls as attempts to ensure desired outcomes, often by trying to influence people (Anthony, 1965; Lawler and Rhode, 1976). Management controls are frequently used to improve morale, which, in turn, should improve other organizational outcomes. We use the term management controls as a broad set of managerial approaches to encourage employees to move toward desired objectives, including these types of specific controls: accountability (Tetlock, 1985), feedback (Earley, 1986), incentives (Jenkins, 1986), and empowerment/ autonomy (Breugh, 1985).

While we cannot report here, due to space limitations, the full qualitative results, the pattern that emerged from the interviews may be illustrated as follows. One employee was asked to describe his or her feelings when interacting with one liked supervisor and one unliked supervisor. In each case, the employee described the interaction in terms of a management control (e.g., accountability). With the disliked supervisor, the employee described how written accountability for computer outages worked. The employee said the supervisor was distant, cold, and did not try to develop a sharing, open relationship with employees. It was clear that the accountability process hurt the morale of the employee because s/he interpreted the accountability process negatively. With the liked supervisor, the employee described how a former supervisor, using a hands-on approach, would actually take over the job for the operator on occasion. We might call this management control "close supervision," or, in the extreme, "micro-management." Whereas we expected this action to hurt morale, the employee interpreted this supervisor's action as a training/ helping function, and said the behavior was appreciated. Further questioning found that they had had a long, close, familiar relationship.

We found the same thing regarding supervisory feedback, another management control. One employee with an impersonal relationship with the supervisor reported that receiving supervisory feedback hurt her/his morale. S/he didn't like such feedback.

Conceptual Model

The common theme of these instances is that the effect of a management control mechanism (e.g., accountability, close supervision, feedback) on employee morale depended on whether or not the employee/ manager relationship was close. If the relationship was close, the control lifted morale. If the relationship was not close, the control lowered morale. Therefore, from an analysis of our interviews, we proposed the left section of the model shown in Figure 1:

Hypothesis 1: Employee-management relationship closeness will moderate the linkage between management controls and employee morale.

It was also clear from the interviews that employee/supervisor relationship closeness directly affected employee morale. When an interviewee felt good about his or her supervisor, he or she tended to feel good about the workplace. Hence, we hypothesized,

Hypothesis 2: Employee-management relationship closeness will be positively related to employee morale.

Because relationship closeness relates to morale, it is a quasi moderator, not a pure moderator. A pure moderator does not relate directly to the criterion variable. If a variable that relates to the criterion interacts

with the antecedent variable, it is a 11 quasi moderator variable" (Sharma et al., 1981). For simplicity, we shall describe these with the term "moderator."

From the interviews, we speculated that employee morale would affect perceptions of harmonious teamwork, by which we mean the degree to which employees or work groups are perceived to work together smoothly. Perceived harmonious teamwork is a second-order concept that has indicators like: cooperation, conflict resolution, and coordination/integration among units. In our interviews, the morale of workers seemed to relate to how positively they perceived teamwork to be functioning in their group. This was important because harmonious teamwork was an oft-mentioned key to keeping the computer operation running. On this basis, we speculated that relationship closeness would positively relate to perceptions about the harmony of the teamwork. Harmonious teamwork will have other antecedents as well (e.g., team member homogeneity). However, these are not included in this study.

Literature Related to the Model

Before testing the conceptual model, we reviewed findings in several literatures for assurance that the model was not inappropriate. In the leader-member exchange literature (e.g., Schriesheim et al., 1998), we found that leader consideration toward followers reflects a positive relationship, which makes the directive (management control-related) behavior of a leader more effective. Kohn (1993b) pointed to evidence that contingent rewards tend to lower intrinsic motivation. Lawler and Rhode (1976) said that tight budgetary controls had negative impacts on employee behavior. Simons (1995) referred to negative effects of incentives. Perhaps, this indicates that something moderates the effects of controls on morale.

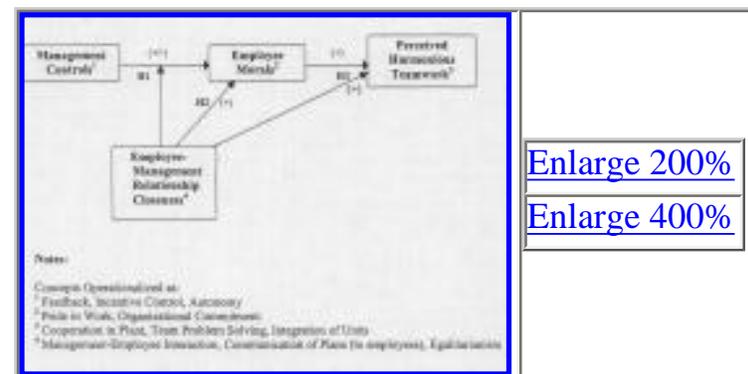


Figure 1

Some research studies posit that relationship closeness matters to morale, either directly or through controls. A review of incentive control research found that incentives do not consistently improve morale (Jenkins, 1986). Rather, Lawler (1971) argued that pay systems (including incentives) work best in an environment of trust. Earley (1986) found that the effects of feedback on performance were mediated by trust and perceived importance of the feedback. Tetlock (1985) pointed out that the superior/subordinate relationship could improve the effectiveness of accountability controls by decreasing fear of reproof. In the context of budget controls, Hofstede said that "the interpersonal relation and communication between superior and subordinate is of much greater importance for the functioning of the organization than the power relationship" (1967: 58). These anecdotes suggest that relationship closeness is important both to employee morale itself and to the effect of management controls on morale. Hence, the literature search increased our confidence in the model.

METHODOLOGY

Because every employee has a boss and a level of morale, we felt the model would be applicable outside the computer operation. So we decided to test the model in another operational setting: the international manufacturing plant. Although it is more common to create one's own measures, this article tested the model using data that had already been gathered as part of the world class manufacturing (WCM) studies (e. g., Flynn et al., 1995). Data were collected from manufacturing plants in Japan (41 plants), Italy (33), and the United States (26) in the automotive, electronics, and machinery industries. Stratified random sampling was done to select about the same number of plants in each country and each industry. Plant managers were contacted for their voluntary participation in the study. Of those successfully contacted, sixty-six percent returned the questionnaires. The questionnaires were collected in sealed envelopes to maintain anonymity of responses. The questionnaires were pilot tested at several plants to obtain feedback from managers, superintendents, engineers, and workers. Based on this feedback, a few items were added or deleted in some scales. Before administering the questionnaires in Italy and Japan, the questionnaires were first translated into their respective languages and then translated back into English and compared with the original to remove inconsistencies. Because these countries presumably have cultural differences, we added two country covariates (control variables) to each hypothesis test.

We selected items by searching the WCM study for constructs that would properly represent the high level concepts of the model (see Figure I; the specific items used are available from the first author upon request). Ideally, we could have used more or different constructs, but the constructs we used were limited to those available in the WCM study. For example, leader-member exchange (LMX) scales could have been used for the relationship closeness concept, as the two concepts are very similar. However, they were not available in the WCM study. Also, LMX differs somewhat from relationship closeness in that LMX is explicitly manager-subordinate dyadic (Sparrowe and Liden, 1997) and uses specific subdimensions like loyalty, perceived contribution, and affect (Schriesheim et al., 1998).

The following discusses the face validity of these constructs as subtypes of the high-level concepts in Figure I. Feedback and incentive control fit within the management control category because they are actions managers take to influence employees to meet organizational goals. Autonomy is a management control somewhat similar to feedback and incentives in that it is granted by managers to establish a participative environment that encourages employees to take ownership of their jobs without constant supervisory control. Management/employee interaction and communication of plans reflect relationship closeness in that they each indicate the extent to which management is willing to interact and share information with workers. Egalitarianism reflects relationship closeness in that it indicates the social distance between employees and management. Pride in work and organizational commitment fit the definition of employee morale in that they reflect employee feelings about the job and the company, respectively. Cooperation, team problem solving, and integration of units reflect harmony within and among teams in a plant, matching the definition of perceived harmonious teamwork.

Recognizing that the subjective nature of categorization could lead to researcher bias, we empirically tested our categorizations. Forty-two trained upperclass undergraduate raters categorized the items into constructs and the constructs into high-level concepts. This was done instead of factor analysis because the issue in the conceptual stage is proper categorization of concepts rather than the atheoretical, mathematical separation of factor analysis, which could produce conceptually artificial results.

On average, we found 80% rater agreement with specific researcher item categorizations (Table 1). Each categorization made by the researchers was supported by at least a plurality of the forty-two raters. For the categorization of the constructs into high-level concepts, raters agreed with the researchers an average of

83% of the time, again, with a plurality on each item (Table 2). This analysis supports our conceptual categorization of items and constructs.

The level of analysis for each construct (e.g., pride in work) is the manufacturing plant. Hence, each data point was formed by aggregating the responses of plant supervisors, managerial specialists, and direct laborers. This diversity of respondents eliminates the single-source bias to which many studies are subject.

The researchers next tested reliability and convergent validity of the constructs used for this study. In general, we wished to use constructs that met a Cronbach's alpha hurdle of about .70, relaxed to about .60 for constructs with fewer than three items, in accordance with Anderson and Coughlan (1987). Table 3A shows the reliability results. We also did a factor analysis for each construct and found the constructs to be unidimensional (only one factor with an eigenvalue of 1.0 or above) and the factor loadings acceptable (all above 0.6).

First-Order versus Second-Order Concept Formation

Once the reliability and validity of the constructs were established empirically, the items were averaged to create their respective constructs. To determine whether to test the model at the second-order concept level (e.g., management controls) or the first-order construct level (e.g., feedback, autonomy), an analysis was performed similar to that done to analyze second-order factor models (e.g., Hunter and Gerbing, 1982; Kumar and Dillon, 1990). It was decided a priori that those concepts (e.g., management controls) whose construct components (e.g., feedback, autonomy, incentive control) were internally consistent and had acceptable convergent validity as a set would be tested at the second-order level by averaging scores of the related constructs.

[Table]	Enlarge 200%
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Table 1

This was judged by performing reliability and factor analysis on the constructs within each concept. For the internal consistency test, each construct was treated like an item and a reliability analysis was done for the concept. The second requirement was for the concepts to display convergent validity, as Table 3A demonstrated for the items. The reliability analysis (see Table 3B) demonstrated adequate support for treating relationship closeness, morale and perceived harmonious teamwork as unitary concepts. Management controls, with an alpha of .42 (3 items), is not a unitary concept. The factor loadings confirm that relationship closeness, morale and perceived harmonious teamwork are much more internally cohesive concepts than is management controls. Hence, the researchers chose to test hypotheses using relationship closeness, morale and perceived harmonious teamwork as second-order concepts. Management control was employed as three separate constructs-feedback, incentive control, and autonomy.

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Table 2

Table 3

The hypotheses were tested with regression techniques instead of structural equation modeling (SEM) because our model was new and tentative (Baldwin, 1989). Initial theory building initiatives often entail case studies in which researchers collect qualitative information and simple quantitative data to understand the underlying phenomenon (Eisenhardt, 1989). Later, tentative theories are tested with correlation and regression analysis. We believe our attempt to develop theory in the present study falls in the tentative stage. Hence, we chose to use regression analysis for this study. A natural progression of this stream of research would be to test the full research framework with SEM techniques. Before testing, the scores were put into standard form. Moderation terms were created by multiplying standardized terms together in order to minimize multicollinearity (Aiken and West, 1991).

Incentive Control Operationalization

The more controlling incentives are, the less likely they are to lift morale, because researchers have found that controlling feedback hurts morale-like constructs such as intrinsic motivation (Harackiewicz and Larson, 1986; Ryan, 1982). This effect is likely to be exacerbated if the employee-management relationship is poor. "For example, if a financial reward is perceived as a bonus for good work rather than as an inducement to keep people on the job, it may not have a deleterious effect on the valence of intrinsic outcomes" (Calder and Staw, 1975, quoted in Campbell and Pritchard, 1976: 104). Hence, we used an incentive measure that captures how controlling a set of incentives is on the individual. In general, incentives that are less frequent and less contingent on individual performance are perceived to be less controlling. Assuming intrinsic motivation theory is correct (Deci, 1972; Ryan, 1982), the less controlling the incentive is perceived to be, the greater the increase in morale it will engender.

The WCM data included the types of incentives available to plant workers: piece rate, individual merit pay, group incentives, and profit sharing. Table 4 shows how the scale of incentive control was formed from the four types of incentives in place at the plants. No incentives at all is the least controlling (Table 4, row 14), while using only a piece rate is the most controlling incentive (row 1), followed by individual merit pay (row 2). Having group incentives or companywide profit sharing (rows 12, 13) is much less controlling. In between these measures, the authors theorized that a mix of incentives would "dilute" the controlling nature of an individual incentive like piece rate or individual merit pay. The more incentives, the more the controlling nature would be diluted. Further, a group or company-based incentive would more strongly dilute the controlling nature of the individual incentive than would another individual incentive.

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Because management controls separated into three constructs, we have three opportunities to test Hypothesis 1-with feedback (1A), incentive control (1B), and autonomy (1C). This should improve our overall understanding of the moderating effect of relationship closeness. The direct effects of relationship closeness on morale (H2) may be examined using the same regression model. The specific regression equations modeled were:

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Table 4

[Footnote]

* The authors wish to thank the editor in chief and two reviewers for their helpful suggestions.

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