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**Working Alone: What Ever Happened To The Idea Of
Organizations As Communities**

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**WORKING ALONE:
WHAT EVER HAPPENED TO THE IDEA OF ORGANIZATIONS
AS COMMUNITIES?***

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ABSTRACT

Even as employees are increasingly disengaged and distrustful of their employers, organizations have moved to become less like communities and adopt more arms-length and distant relationships with their people. Organizations that are more communal have arrangements for helping employees in need, offer more generous employee benefits and assistance, eschew anti-nepotism policies, have more company sponsored social events, are better at resolving work-family issues, and foster long-term employment relations. Although there are clearly disadvantages from building a more inclusive relationship with the workforce, some case evidence and theory suggests that there are profound advantages from organizations becoming more communal. This raises the interesting question of how to explain the trend in observed practices.

Remember 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: Ch. 5)? Remember *Theory Z* and William 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. Gittell's (2003) description of Southwest Airlines is consistent with the idea of achieving coordinating 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 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 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). But 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 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 U.S. 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 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 U.S. 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 about 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 don't believe the information they receive from senior management (Katcher, 2004). A survey of the U.S. workforce found that one in six workers said they have withheld a suggestion about improving work efficiency, and fewer than 40% trust their company to keep its promises (Princeton Survey Research Associates, 1994). A 2003 survey by Korn Ferry found that 62% 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% 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 characterizes 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 bullying in workplaces in which social ties and communal obligations are weaker. A study of 800 employees in the U.S. found that ten percent reported witnessing incivility *daily* in their workplaces and one-fifth reported being the target of incivility at work at least once a week (Pearson 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 and 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 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).

The fact that more communal relations among people and between organizations and their employees does seem to provide advantage, but many organizations 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 about companies’ relationships with 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. One 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 deal with 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. The 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 is, given that the company is going to have any employees at all, 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 seem 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, and 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 not and could not 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 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 that country was facing unprecedented levels of economic hardship.

Finally, many of the companies most noted for their communal nature, such as Southwest Airlines and the Men's Wearhouse, as two examples, operate in two industries, airlines and retailing, 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 shouldn't *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 compared to Japanese rice growing,

where the farmers lived in closer proximity to each other. While not denying that there are important differences across countries, particularly along 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 across organizations situated in similar industries within the same country in their management practices. And even in single countries, such as Japan, and even in the same company, the organizations often treated their women and part-time employees quite differently than the portion of the labor force that was considered to be core. It is not clear that 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 U.S. 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 in and out of fashion, and that management practices are at least somewhat driven by fads and fashions (Abrahamson, 1996). The difficulty with this explanation is not only does it leave much contemporaneous variation across companies unexplained, it leaves largely unexplored the causes or sources of what comes in and out of fashion 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 60s and 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 non-founding CEO with less than ten years of service, that 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, Kent was the "mayor," and the ethos was very much one of community that emanated from Kent and his close associates.

There is no question that 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 how these CEO's values get formed and, perhaps as importantly, in the case of CEOs who weren't the founders of their companies, how and why boards of directors selected them in the first place and then subsequently retained them and accepted their cultural values and management approach. Although leaders and their beliefs matter, an exclusively leader-centric account seems to leave out the explanation for how these leaders formed their particular view of what organizations should be and how they come to get selected and are able to remain in power.

An important additional factor, not often addressed in either research or theorizing, that may help explain the variation in the communal nature of organizations over time and across locales are the social values and norms that get embedded in particular theories and perspectives about people and organizations, perspectives that do not simply "arise" but that are promulgated by interest groups with particular agendas and beliefs. So, for instance, when George Zimmer gave a talk to a class of Stanford MBAs, the most frequently asked question was what other retail CEOs said about his unique and different philosophy and approach to running a retail business. Zimmer's response was that he didn't spend much time talking to (nor, one would suspect, listening to or benchmarking) other retail CEOs.

The question reflects the correct belief that there are socially accepted and valued ways of running a company, that these beliefs influence how leaders behave, and that in current times, such ways of managing do not much include thinking of organizations as communities and as employees as important. One question then becomes how are CEOs and companies with this approach able to withstand the various pressures, including pressures from peers in business and pressures from the capital markets. But another equally important question is how social expectations and norms about appropriate models of organization get established in the first place. As Zimmer also made clear in his talk, there were two ways of thinking about business and society: 1) as places facing the need to allocate scarce resources and compete, or 2) as existing in a world filled with

infinite love, compassion, and expandable resources. He remarked, with a smile, that he could predict which view of the world the MBA program inculcated.

At the societal level, the waxing and waning of ideology that informs management practice is not exogenous but is, instead, driven by the political agendas of groups with money and a point of view to advance (e.g., DeParle, 2005). Therefore, management practices reflect general trends in beliefs about people, their responsibilities, and how they relate to each other, as well as what makes organizations effective. The rise of neoclassical economics with its assumptions of methodological individualism, the pursuit of self-interest (e.g., Miller, 1999), individual choice and responsibility, and the importance of market-mediated exchanges (Kuttner, 1996) is at once inconsistent with a view of organizations as communities of mutual responsibility and shared obligation and also helps to explain why a communal organizing model may be particularly scarce at times such as the present and in places, such as the U.S., where such an ideology has gained ascendance.

Therefore, culture matters, but not just or perhaps even primarily the national culture but more particular social values embedded in people's implicit assumptions about human behavior and organizations and what makes each effective. As extensively documented elsewhere (e.g., Kuttner, 1996), such beliefs and ideologies about human behavior are neither simply subject to empirical proof of their validity nor emergent from society, but instead, are promulgated by foundations and organizations that are active in the political discourse precisely to shape not only specific policies but more importantly, to influence the language and assumptions that shape how people see the world, including the organizational world (Ferraro, Pfeffer, and Sutton, 2005). In that sense, the waxing and waning of an organization as community model is a consequence of more general changes in views of human and organizational behavior that are the result of political action by advocates favoring a particular conception and point of view.

Needless to say, these explanations for variations in the prevalence of a communal model of organizing are not mutually exclusive. Moreover, their

influence on organizing models ought to be studied rather than, as is almost invariably the case, simply asserted (e.g., Ouchi, 1981). Most importantly, the explanations should be considered, to the extent possible, simultaneously in studies of management practices, to assess their joint and separate effects.

SOME DIMENSIONS OF ORGANIZATIONS AS COMMUNITIES

To talk about or to study the idea of organizations as communities, it is essential to develop some dimensions or indicators that might measure the extent to which organizations are, or are not, communal. A reading of the literature and a consideration of some companies that explicitly have adopted communal-like language and management practices suggest at least the following aspects for consideration in such a definition.

Helping Employees in Need. One element of community is that people look out for and take care of one another. At DaVita, formerly Total Renal Care, one of the largest operators of dialysis centers in the U.S., the CEO dresses up as one of the Three Musketeers to reinforce the idea of “one for all and all for one.” Very much like Southwest Airlines, which has a similar arrangement, DaVita collects contributions from employees to help other employees facing unanticipated medical expenses or other family emergencies that strain their financial resources. At SAS Institute, the company provides much the same sort of assistance. There are no sick days at SAS, but employees who fall ill get sympathy, concern, and a paycheck. Employees who violate the company’s trust in them and abuse their perquisites get removed from the organization. When a SAS employee drowned in a boating accident, leaving his two young children no longer eligible to continue in company-subsidized high quality day care, SAS did the humane and concerned thing and let the children remain until they were no longer eligible by reason of age. At the Men’s Wearhouse, because most retail employees are fairly low paid, there are funds available to provide no or low-interest loans to people who need help, for instance, financing automobile repairs so they can have transportation to get to work.

The presence and extensiveness of this sort of mutual aid and company-provided resources to help employees through difficult and unanticipated life events is a hallmark of companies that feel like communities and that connect employees more closely to each other and to the corporation.

Employee Benefits and Assistance. Another element of community is that the community, society, or organization takes care of people and their needs throughout the life course and not just in emergency situations. So, in cities there are schools for children and, presumably, social services and health care for the ill and the aged. In a similar fashion, more communal organizations typically offer a wider and more generous range of assistance and benefits to employees. SAS Institute is famous for its on-site subsidized daycare, on-site medical and recreational facilities, and the elder care and adoption advice services it provides for its people and their dependents. SAS offers access to its cafeterias to families of employees so, for instance, children in the on-site daycare can eat lunch with their parents. DaVita also offers medical benefits that are generous considering its industry and workforce, and provides ongoing training and education so that people can develop their skills and progress in their careers. The Men's Wearhouse uses a relatively small number of part-time employees so a higher proportion of its workforce is eligible for its relatively generous benefits, including profit sharing.

Unlike the assumptions of neoclassical economic model in which people receive money and benefits for their labor and are expected to optimize the associated trade-offs between the various components of pay as well as among the different employment opportunities they could choose, organizations operating under a more communal approach seek to provide for employees' anticipated needs such as health care and retirement. There are obviously tax advantages to providing assistance in this way, but the primary motivating factor seems to be a sense of obligation to provide benefits to help employees in significant aspects of their lives. Companies with a communal orientation do not abandon these programs at the first sign of financial stringency or when others in their industries do.

Nepotism and Dating Policies. In communities, people meet each other and form close interpersonal ties. In communities, neighborhoods, and ethnic enclaves, people become close friends and sometimes fall in love. Although only a small minority of employers have formal policies forbidding workplace dating, most discourage intimate relationships in the workplace in order to avoid “conflicts of interest, ethical trespasses and leaks of proprietary information,” as well as time spent flirting rather than working and sexual harassment suits (Feeney, 2004: 37).

Not so Southwest Airlines, where of the company’s 35,000 employees, about 2,000 are married to each other (Feeney, 2004). Nor SAS Institute, where both the current and the past head of human resources were married to other SAS employees, where people often meet at work, fall in love, get married, have children that they then send to SAS daycare, while both continue to work for the company. When I wrote a case on SAS, I interviewed a male programmer who responded to the question as to why he didn’t leave SAS at the height of the internet frenzy to make more money elsewhere with the comment, “my wife [a fellow SAS employee] would have left me.”

Company-Sponsored Social Events. Communities have community activities—fairs, parades, holiday displays—things that bring people together to celebrate accomplishments, mark the passage of time, and share significant milestones. One element of strong culture organizations is company-sponsored and encouraged social events and other activities that bring people together (e.g., Deal and Kennedy, 1982), and organizations that seek to build a more community-like atmosphere therefore do things to create opportunities for informal social interaction.

The Men’s Wearhouse, the \$1.4 billion retailer of tailored off-price men’s clothing, has about 30 Christmas parties around the country where employees and their significant others come to celebrate with music, good food, and an awards ceremony. The company encourages its store managers to organize social outings and basketball or baseball games throughout the year so that employees enjoy recreation with each other. DaVita sponsors DaVita academies

which entail not only learning and training but also games and socializing. SAS Institute encourages employees and their families to use the company's facilities and has numerous celebrations, for instance, for new product releases. In the on-site recreational facilities such as basketball and tennis courts, employees not only get their exercise but also literally "play" with each other. Southwest Airlines, too, is famous for its fun atmosphere and for the many celebrations and ways in which people get to informally interact with each other and with senior management.

The purpose of all of this is to encourage people to build deeper ties to each other and to create relationships fostered on mutual liking and interaction, not just on work-related interdependence. The idea is that by building a community feeling through informal social interaction, the company creates social capital that can be relied upon to build trust and to encourage people to work together to accomplish common goals.

Resolving Work-Family Issues. Inter-role conflict—the inconsistent demands of both being a family member and an employee—are pervasive in the U.S. workplace. Galinsky, Bond, and Friedman (1993) reported that 40% of employed parents experienced problems in combining work and family demands, and Frone, Russell, and Cooper (1992) found work interferes with home life three times as frequently as home or family responsibilities interferes with work. Bakker and Geurts (2004: 360) noted that "Employees particularly experience negative interference between work and family life when they are exposed to a high workload and demanding interactions with clients."

Communal organizations try to resolve these issues in numerous ways, but most importantly by creating a culture and environment in which the activity of employees taking care of those outside of work for whom they are responsible is accepted and expected. The evidence is clear that the mere existence of formal policies permitting flexibility are insufficient, because employees are reluctant to take advantage of programs such as flexible work hours, maternity or paternity leave, the opportunity to work from home, or the opportunity to work part-time or job share (e.g., Evans, Kunda, and Barley, 2004: 3). That's because "managers

and peers interpret the use of flexibility programs as evidence of a lack of commitment, motivation, and productivity” and supervisors frequently deny requests for more flexible and family-friendly work schedules (Evans, et al., 2004: 3). What matters are not formal policies but the organization’s culture and its orientation and values about work-family issues.

SAS Institute is frequently on the list of the best places to work and has won many plaudits for its family-friendly environment. SAS employees can adjust their work hours to accommodate family needs, and more importantly, the company has a work week of 35 to 40 hours, not the long days and weeks more typical for the software industry. The company recognizes that the people most important to its employees are those that they care for and are responsible for, such as their husbands and wives, children, domestic partners, and parents, and makes available both benefits and work arrangements that make it feasible to both have a job and a life. As a consequence, SAS has been able to attract a large number of talented women employees into professional and managerial role as well as people from families with children, much greater than average for companies in the software industry. Accessing talented women gives SAS a competitive advantage in the challenging task of recruiting and retaining talent in an industry, software, that is in the end all about intellectual capital.

Long-Term Employment. One is presumably a member of a community for a long and indefinite period. Similarly, the idea of long-term employment is fundamental for those organizations that operate in a more communal fashion. Southwest Airlines laid off no one immediately following September 11, 2001, even as all of its industry competitors reduced their schedules and their workforces immediately. SAS Institute tells its employees that it expects they will have numerous careers and pursue various professional interests during the course of their work life, but it hopes that these will all occur at SAS. EADS, the large European defense and space agency that owns 80% of Airbus, also laid off no one following September 11, even though orders for new aircraft plummeted. Their head of human resources maintains that the good will engendered through that action has been instrumental in their overtaking Boeing and avoiding the

union conflicts and various production and quality programs that have plagued Boeing.

One reason this idea of long term employment is so fundamental is that many of the other dimensions of community make sense only in the context of long-term mutual commitments. It is difficult and probably not very sensible, for example, to provide for employees over the life course through pensions, medical benefits, and adoption and long-term care if the employees aren't going to be in the company very long. But another reason for the emphasis on long-term employment is that it is fundamental to building the sense of permanence and attachment that communal-like organizations seek.

The irony is that although there is a pervasive sense of instability, fear of job loss, and increasing impermanence in the workplace, as Jacoby (1999) has argued, there is actually less evidence than one might expect that job tenures have actually declined very much for most of the adult work force or that career jobs are disappearing. In some sense, then, many companies have obtained the worst of both worlds—the costs and presumed disadvantages of long-tenured work forces such as higher benefits costs even as people fear for their jobs and do not take a long-term perspective on their commitment and attachment to the company.

Table 1 summarizes the dimensions and management practices that could form the basis for characterizing organizations in terms of their community-like nature.

TABLE 1 ABOUT HERE

THE ADVANTAGES AND DISADVANTAGES OF MANAGING ORGANIZATIONS AS COMMUNITIES

Understanding the logics behind managing organizations as communities or, instead, managing the employment relationship in a more market-like fashion can help us understand how these models vary over time, organizations, and cultures, as well as the factors to consider working on should one or the other model come to be perceived as desirable.

The Argument for Managing Organizations as Communities

The problem with the market-oriented, free agency-like model described by Cappelli as growing in prominence can be nicely seen by considering professional sports or investment banking, two labor markets that are probably the closest to this model in their operation. In each instance, the arrangement works well for the free agents, particularly those favored in the competition by their performance, but the employers tend not to do so well. When Warren Buffett stepped in to run Salomon Brothers after a bond trading scandal, one of the things he talked about was how the individual investment bankers were getting rich even though the returns to shareholders, measured by indicators such as return on shareholder equity, were quite poor for the firm. Most baseball teams lose money, at least in the absence of collusion to restrict players' salaries (e.g., Helyar, 1991).

These results are scarcely surprising. In the absence of any form of attachment other than money, people will continually be assessing their alternative market opportunities, will always be at risk of leaving, and because of the social comparison aspect to the salary determination process, the upward pressure on salaries will often be relentless. Salaries are invariably set with respect to some market level, but almost everyone believes they are above average in their skill and performance (e.g., Brown, 1986). Consequently, there will be a tendency for average salaries to trend upwards, unless there are severe downturns in the economy or enough foreign competition to fundamentally change the salary structure. This process accounts for the upward pressure on salaries in professional sports as well as the CEO labor market.

Moreover, turnover will be higher than it might otherwise be—again baseball and for that matter other sports in the era of free agency and investment banking provide good examples of this—and turnover also imposes extra costs on the organization. These costs include the direct costs entailed in replacing the people leaving, costs in customer retention and satisfaction that come from having clients dealing with a perpetually inexperienced workforce, and the coordination failures or increased investment in coordination and control required

when people are working interdependently with others who are strangers. Consequently, some companies seek to transform the employment relationship from one based strictly on money or other extrinsic incentives to one based on other things such as social relationships, purpose, and cultural fit as well.

So, for instance, Apple Computer in its heyday early in its history recruited people, including former CEO John Sculley, by talking about its mission to change the world of computing. Yet another way of deemphasizing the solely economic aspects of the employment relationship is to create a more communal-like feeling in the company, increasing the strength and importance of social bonds among people as well as the emotional connection between employees and the company. This is precisely the human resource strategy pursued by the MTW Corporation (now the Innovation Group), a Kansas City-based information technology contractor and developer of software for the insurance industry. By taking care of its people--providing more benefits and a culture that signaled people were valued and expected to be part of the company and contribute to the decisions that were made--turnover fell to about seven percent even in the height of the labor market frenzy and the company was consistently profitable and growing.

Because of the norm of reciprocity, commitment is mutual. To expect employees to be loyal to the company, the company needs to be loyal to them. To expect employees to see themselves as citizens or members of a community that they find attractive enough to work for, exert discretionary effort on its behalf, and remain in the company, organizations must do the various things already discussed to create a sense of community that would warrant such attitudes and actions.

There are some additional important advantages of building organizations as communities. In the market-like arrangements characteristic of many contemporary employers, negotiation over everything is frequent. These negotiations take time and effort and divert attention from developing products and services and serving customers. Trust, as it turns out, is much more efficient as a coordinating mechanism than to have to specify and haggle over every

detail of work and the employment contract. Moreover, by incorporating more of the employee's life, including the parts outside of work, into the organization, employees are freed from external distractions and can focus on doing their work and making the company successful. One of the reasons SAS Institute claims it can operate effectively with a shorter work week is that when its people are at work, they face no distractions. They don't have to worry about their benefits or the children in day care, nor whether the company is exploiting them and they need to be out looking at employment alternatives. Frictions and wasted energy are reduced, albeit never eliminated, in organizations that are more communal-like and are thereby able to build deeper and more trusting relationships with their people.

The Arguments Against Managing Organizations as Communities

There are, of course, many reasons why companies are reluctant to embrace, or at least fully embrace, a community-oriented perspective. One explanation comes from many executives' reactions when my colleagues and I teach cases such as Southwest Airlines or SAS Institute—the executives feel the organizations are too “cult-like” and are uncomfortable with their strong cultures, even though those strong cultures have contributed in important ways to their success. The norm of individualism runs strong in the U.S. in particular, and in the West in general (e.g., Morris and Peng, 1994), and community, at least in some of its aspects and implications, is almost by definition group oriented and group centered. The clash with general social values looms large in explaining companies' reluctance to adopt this management approach.

Another aspect of the same phenomenon of managerial discomfort with community can be seen in a *Fortune* television interview with James Goodnight, co-founder and CEO of SAS. The interviewer accused Goodnight of being “paternalistic,” which both the interviewer and, at least initially, Goodnight took to be a pejorative term. Upon reflection, however, Goodnight responded that if paternalism meant that he cared about his employees and their well-being, then he just might be.

The point is that paternalism, or caring about the total person throughout his or her life course, is something expected of family members and friends, but somehow we have gotten the idea that business is, and should be, different from the rest of life, operating using different norms, values, mores of interaction, and rules. Ethics and honest behavior, for example, are important in interacting with family, friends, neighbors, and in religious and civic organizations, but ethical behavior has to be defended on occasion at work, with special workshops and training to inculcate behavior that is more completely natural in other settings. As another example, internal competition and forced curve ranking is often lauded in business, but sibling rivalry, although a reality, is seldom held out to be a desirable state of affairs, and few child rearing experts argue that pitting family members against each other in a competition for status leads to good outcomes. This attempt to keep work and business separate and distinct from other domains creates problems and is, in the end, impossible. As Libby Sartain, former head of HR at Southwest and now running HR at Yahoo noted, how can work be separate from the rest of life when, with cell phones, e-mail, PDAs, and so forth, one can hardly escape from work?

A second reason for avoiding more communal and inclusive relationships with employees is potential legal issues. For instance, to offer a pension plan makes the employer responsible for ensuring the integrity of the plan and its administration, and in the case of defined benefit plans, financially responsible for ensuring that promised benefits are, in fact, paid. Offering on-site day care may make the employer responsible for what goes on in the day care center, even if it is operated by a contractor, and legally liable for problems caused by the day care employees. Talking about organizations as communities and continued association or membership may create an implied promise of long-term employment and get the employer into trouble for violating implicit contracts if layoffs occur. All benefit plans impose reporting requirements. In an increasingly litigious world, labor lawyers basically tell employers to promise as little as possible, to expressly limit and to put in writing any obligations they do incur and,

in general, to delimit the implicit and broad promises implied by the idea of organizations as communities.

Interestingly, there is little evidence that all of this legal maneuvering actually curtails the amount of employment litigation. In fact, by creating formalistic, legalistic, and distant relations between employers and their people it is likely that legal action on the part of employees who feel they are wronged is actually encouraged, because there are no positive sentiments they hold toward the company to cause them to hold back. Anecdotally, companies such as SAS Institute or the Innovation Group (formerly MTW Corporation) that have deeper and less formal relationships with their people actually face fewer employee suits than comparable organizations. Nonetheless, the advice of labor lawyers looms large as an explanation for why a more communal model of organizations has not diffused.

Separate from, but ideologically related to, the legal issues, many organizations seek to delimit their obligations to their employees and, to the extent possible, devolve responsibility for non-work aspects of employees' lives back to the employees. That's because organizations do not want to open the Pandora's box of beginning to be responsible for more than they absolutely need to get the work accomplished. As part of the move to a market-like employment relationship, organizations seek to delimit their sphere of involvement in the life and well being of their workforce—by the way, at the same time feeling free to monitor people's behavior at work, including their internet and e-mail behavior, and also feeling free to make demands on people even during their off hours. Nonetheless, the idea of a limited transaction carries over and limits what companies feel they are responsible for.

So the advantages of greater involvement and inclusion are balanced with social expectations and norms of separateness and transactional relationships and concerns about legal liability and assumption of responsibility. Different companies at different times and in different countries balance these conflicting pressures to reach different decisions about what kind of organization to construct.

THE ROLE OF PUBLIC POLICY, VALUES, AND MANAGEMENT EDUCATION

What should be clear from the forgoing is that there is some degree of equifinality in employment models—different ways of organizing can be economically effective for organizations as long as they are implemented in an internally consistent fashion and fit the organization’s business model and strategy (e.g., Cappelli and Crocker-Hefter, 1996). In other words, to use a contemporary example, one can be either Wal-Mart or Costco and be economically successful (Maier, 2005). However, different organizational models have different costs for employees and the broader society. After all, many of the functions assumed by organizations operating more as communities must be performed by other institutions such as government or private charities, or else go undone for employees who work in more market-like organizations. To take just two examples, if employers do not provide medical coverage or pensions for their employees, those employees must somehow either acquire health insurance and retirement income on their own or, as is often the case, rely on the government to provide at least a limited safety net. And with respect to job satisfaction and commitment, employees who can rely on and trust their employers to look after more of their welfare are more likely to be satisfied with their employment—witness the difference in turnover levels, for instance, between Costco with its greater wages and benefits and Wal-Mart, which pays as little as possible given the local labor market, uses a higher percentage of part-time employees, and therefore provides benefits to fewer of its people (Shuit, 2004).

Throughout the history of the modern industrial age, there has always been choice in how companies structured their relationship with their employees, from the time of welfare capitalism at the beginning of the twentieth century, to the era of the “organizational man” (Whyte, 1956) in the 1950s to the time of Theory Z and Japanese-style management in the 1980s to the present day emphasis on markets and labor market flexibility. As already noted, these choices are affected by values and beliefs, and also by public policy with its

direct effect on management practices through law and regulation and its indirect effect through shaping norms about appropriate management behavior. Recent trends in values and beliefs and public policy regimes make the idea of organizations as communities less likely, regardless of the virtues of such an approach.

Management practice is affected by what is taught in business schools (Ghoshal, 2005), in part because schools in the United States now turn out more than 100,000 MBAs per year, business education is based in large measure on the U.S. model and U.S. literature and is expanding rapidly around the world, and in addition to the people enrolled in formal degree programs, many other executives come into contact with business school through executive programs. As documented by Ghoshal (2005) and others (e.g., Ferraro, Pfeffer, and Sutton, 2005), business school curricula are heavily influenced by economics and the assumptions and language of economics, including assumptions of self-interest, agency problems, and the virtues of markets as ways of allocating resources (see also Kuttner, 1996). Although there are obviously other points of view—and one can find human resource management courses that offer organizational models emphasizing commitment, strong culture, and community (e.g., O'Reilly and Pfeffer, 2000)--economics remains the mother discipline and an important influence on managerial thought, language and practice.

The consequences of this economic orientation need not just be logically inferred but can be empirically seen in studies that explore how business school students' values and behavior change while in school. The Aspen Institute's (2001) study of values shows that over the course of their education, students come to place less emphasis on customers and employees and more emphasis on shareholders and creating shareholder value. McCabe and his colleagues (e.g., McCabe and Trevino, 1995) have shown in numerous studies that business school students are more likely to report having cheated than students from other majors. And a study of corporate malfeasance found that senior management having MBA degrees interacted with organizational size to positively affect the likelihood of a company being caught and sanctioned. Ghoshal (2005) has

argued that these consequences mean that business education and its language and theoretical foundations need to be fundamentally rethought and redesigned. Until this task is accomplished, however, business education and the dominant economic logic make building organizations as communities less likely.

Government, under the banner of an “ownership society” and making the economy more efficient by reducing regulation, has also invoked economic language, assumptions, and practices, thereby serving as a model to other organizations. Public employees such as nurses and teachers feel under attack and are called “special interests” as various states and cities try to introduce more variation in pay, less job security, and less generous staffing ratios. Ironically, government’s relaxation of regulations that might constrain the choices of companies often does not encourage companies to behave responsibly toward their people.

So, there are no proscriptions on abandoning health care insurance for either employees or retirees, and competitive dynamics will virtually force companies to do so when enough others in their industry do, leaving those who want to maintain more generous communal benefits at a competitive disadvantage. The result is that 45 million Americans now have no health insurance, an increase of more than 5 million in the last five years, and the National Academy of Sciences estimates that 18,000 people die each year because they have no insurance and reduced access to care (Pear, 2005). Companies are also free to change or abandon pension plans, again putting pressure on competitors to do likewise. This dynamic is currently playing out in the airline industry where companies in bankruptcy can renegotiate the terms of employment and can jettison pension obligations, almost forcing other companies not yet in bankruptcy to match these actions for competitive survival.

The irony comes because government regulation, or its absence, lets companies off the hook for promises, but then government itself, through guarantees of minimum pension benefits and by having to provide health care to those who otherwise can’t afford it, winds up shouldering the costs offloaded by private sector employers. In fact, faced with their own pension obligations which

strain their budgets, city and state governments have begun to contemplate changing their own retirement practices, to move away from defined benefit plans that guarantee a certain percentage of income based on years of service, and instead to have their employees assume more responsibility for their own retirement income through defined contribution plans. Thus, it is questionable whether public policy and public organization examples encourage the development of a more communal orientation toward the workforce.

Although the current zeitgeist is very much contrary to the idea of organizations as communities of shared fate, and much more consistent with an ethos of every person for him-or herself (get what you can when you can and how you can), this actually leaves an amazing competitive opportunity for the companies that operate differently. Just as in product markets, competitive advantage in labor markets comes from offering a better—and different—value proposition. Doing what everyone else does basically produces the same results as everyone else. Variation in performance, either positive or negative, comes from being different. So, the competitive advantage in attracting employees enjoyed by SAS Institute, Southwest Airlines, and DaVita, for example, only grows to the extent their cultures and communal orientation are increasingly unique.

MISSED OPPORTUNITIES

Work in American continues to be problematic in many dimensions, and maybe even more so than when the original volume was published (Special Task Force, 1973). My reading of that original work is that in the 1970s, people were largely concerned about whether or not work itself had sufficient variety and autonomy—whether jobs were sufficiently enriched to motivate and engage the workforce (e.g., Hackman and Oldham, 1980), the effects of alienating jobs on physical and mental health, and the need for worker training. Alienation from and boredom with work—often routine and deskilled work—was an important focus of attention.

The good news is that work that requires no skill and that can be outsourced or offshored has been, or soon will be. The work that remains in advanced industrial economies is increasingly intellectual or knowledge work, requiring innovation and skill, except, of course, for personal services that can not be provided at a distance. The bad news is that what seems to be more problematic is not just people's work, although autonomy and control over work remains a critical issue, but employees' connections to their employers and each other.

People are now spending more time at work than ever before:

The Japanese do not feel rich, Imada (1997) argued, because an over-emphasis on work and long hours has made it difficult for many Japanese to enjoy family life....U.S. workers now work more hours per year than do workers in any other industrialized country.... Middle-class parents in dual-earner households worked a total of 3,932 hours in 2000, equivalent to more than two full-time jobs in most European countries (Berg, et al., 2004: 332-333).

Not only are people spending lots of time at work, work roles remain central to social identity and status, and the conflict between work and nonwork time and responsibilities remains pervasive (e.g., Barnett, 1994; Bolger, DeLongis, and Kessler, 1989; Gareis and Barnett, 2000). So the fundamental question is what sort of relationship is forged at work, the place where people spend so much time, between people and their employers? There is certainly evidence that people want to do meaningful work, work that has purpose and that they find fulfilling in the sense of accomplishing something they believe contributes to achieving some important goal (Ashmos and Duchon, 2000), as well as work that permits them to realize their full potential as a person (Mitroff and Denton, 1999). But people also desire a sense of belonging and community at work. People are social creatures and social interaction at work is important. For people spending more time and making more personal sacrifices for their work, not only what they do but the relationship with their employer is psychologically important.

For a number of reasons briefly reviewed here, most organizations are not providing the sense of community and psychological attachment that most people seek. This leaves many people dissatisfied and reasonably uncommitted

to their employers, and results in less discretionary effort and providing fewer ideas and innovation than might otherwise be the case. In sum, the story of work in America today, with respect to the communal nature of organizations, is a story of missed opportunities. There are many factors and forces at play in creating this situation, ranging from public policy to what we teach in business schools to general social norms, values, and expectations about the appropriate relationship between people and organizations. For work in America to change, each and all of these factors and forces will need to be both better understood and a target for intervention.

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TABLE 1.

**Dimensions That Might be Used for Characterizing the
Degree to Which Organizations are Communities**

Helping employees in need

“Rainy day” fund

Low interest or no interest loans to employees having financial difficulties

Maintaining salary and/or benefits when not required to do so

Employee Benefits and Assistance

Pensions, including defined benefit pensions

Health insurance and/or health care

Adoption and elder care assistance

Tuition reimbursement and educational assistance

Recreational facilities or health club membership

Nepotism and Dating Policies

Are employees married to each other allowed to work in the company?

Are there formal or informal policies precluding dating?

Company Sponsored Social Events

Holiday parties

Travel and trips for recreation

Games and sports teams and leagues

Celebrations of accomplishments and milestones

Resolving Work-Family Issues

Use of parental leave

Maternity policies

Flexible work hours

Part-time work as an employee option, including job sharing

On-site child care

Long-term employment

Voluntary turnover

Layoffs