3 OCB in the Context of Organization Theory

The construct that we introduced in the preceding chapters as organizational citizenship behavior (OCB), as well as related frameworks such as contextual performance (CP), are of recent vintage. Attempts to measure these constructs and relate them empirically to other variables date from about 1980. However, this does not mean that OCB was discovered in recent years. Indeed, for 70 years or more, the most important and influential theories of organization have made reference in some form to what we now call OCB.

Our task in this chapter is twofold: (a)To document the precedent set by early theorists for treating OCB (or something similar) as an important form of contribution by organizational participants, noting the continuity of ideas about OCB across eras of manifestly different fashions of managing and organizing; and (b) to sketch linkages between OCB and current perspectives on formal organizations, with particular reference to the contrasting forms of organizing represented by markets, hierarchies, and clans. We begin this task by reviewing some of the concepts articulated by Chester Barnard, author of a classic statement on the nature of organizations and perhaps the first architect of a general theory of collective action. We take note as well of Roethlisberger and Dickson's accounts of the celebrated Hawthorne studies that were conducted in the Western Electric company in the 1920s, because the interpretation of those studies borrowed substantially from the work of Barnard.

Katz and Kahn's *The Social Psychology of Organizations* (1966) provides us with a more contemporary point of departure for thinking about OCB within the context of open systems as a model for organization theory. We then turn to sociologist Peter Blau's masterful analysis of different dynamics of exchange as they occur within groups and organizations. Blau's work quite naturally leads us into the contemplation of the exchange that occurs between managers—that is, leaders—and members of their work group. Dansereau, Graen, and Haga's theory about leader-member exchange is quite instructive regarding the implications of economic and social exchange between supervisors and subordinates. Concepts of exchange further lead us to inquire into the nature of *transactions,* a topic eloquently addressed in more contemporary works by economists (notably Oliver Williamson) and organization theorists (such as William Ouchi).

We have several reasons for including these particular figures—Barnard, Roethlisberger and Dickson, Katz and Kahn, Blau, Dansereau et al., Williamson, and Ouchi. First, they have made signal contributions to the larger field of organization theory. Second, these theorists all articulated concepts, propositions, and assumptions about something that we would now translate as OCB. Finally, they represent diverse backgrounds and perspectives—managerial experience, industrial psychology, sociology, social psychology, and economics, as well as more general organization theory.

Barnard

Nearly 70 years ago, Chester Barnard (1938) undertook what was probably the first thorough analysis of the very nature of the organization as what he called a "cooperative system." He posed some startling, fundamental questions, such as: Why do organizations exist? What sustains their existence? What creates the need for authority (i.e., "the executive")?

Barnard's perspective on organizations was quite different from the views of his contemporaries. The latter put strong emphasis on the importance of formal structure and controls as the essence of organization. Massie (1965) has summarized the basic assumptions of such an approach:

> Members in a cooperative endeavor are unable to work out the relationships of their positions without detailed guidance from their superiors . . . unless clear limits are defined and enforced, members will tend to be confused and to trespass on the domains of others . . . will not cooperate unless a pattern is planned formally for them . . . coordination will not be achieved unless it is planned and directed from above . . . it is possible to predict and establish clear-cut patterns of future activities and the relationships among activities. . . . (Massie, 1965, p. 405)

Barnard realized that although formal structure and controls have their place, they do not define the essential nature of cooperative systems. He argued that "it is clear that the *willingness* of persons to contribute efforts to the cooperative system is indispensable" (Barnard, 1938, p. 84). To Barnard, "willingness" was more than grudging compliance, more than the ability to carry out specific functions in exchange for contractual compensation, more than possession of skills for performing tasks. His "willingness to contribute" went beyond such things to refer to qualities that "are commonly understood to refer to something different from effectiveness, ability or value of personal contributions" but are collectively "vaguely recognized as an essential condition of organization" (p. 84). In other words, collective endeavors require from participants some generalized attitude that we might refer to as "commitment"—a sense of being bound with the larger collective. A necessary condition is the inclination to think in terms of something larger than one's immediate task, a consciousness of the interconnectedness of individuals and their tasks, and an understanding that the quality of that interconnectedness determines the benefits for all.

An accurate rendering of Barnard's work must hew closely to his concept of organizations as "associations of cooperative efforts" (Barnard, 1938, p. 4). Consistent with this notion, Barnard stressed the indispensability of the "*willingness* of persons to contribute efforts to the cooperative system" (p. 83, italics his). Barnard here referred not to the mere willingness to join an organization in a contractual sense; nor did he intend his concept of "willingness" to mean anything like performance in a neatly defined role. He aimed rather at describing that aspect of people that prompts a cooperative stream of endeavors among a group of people. Barnard notes that this quality of "willingness" . . . means self-abnegation. . . ." (p. 84). Furthermore, it is a quality noted by "the indefinitely large range of variation in its intensity among individuals" (p. 84) and, within individuals, it "cannot be constant in degree. It is necessarily intermittent and fluctuating" (p. 85).

Barnard, one must remember, does not equate the term "organization" with a formally designated entity, such as Acme, Inc. or the customer service department. Such designations simply summarize the numerous interlacing informal organizations that occur and endure at a smaller level. For Barnard, organizing is a "bottoms up" process; there are many "spontaneous organizations" (Barnard, 1938, p. 102), and "all large formal organizations are constituted of numbers of small organizations" (p. 104). He argues persuasively that conventional thinking is fallacious in imagining that a large corporation or bureau is first conceived into existence and then subdivided into successively smaller spheres; in fact, he states, the process works the other way around, except for the allocation of labels and official charters and descriptions. Cooperative systems begin at a low level and successively accumulate.

Thus, for Barnard, authority is also a "bubble up" process. It arises from, rather than initiates, the process of organizing, or the adjoining of individual actions in a cooperative endeavor. Authority follows a lagged, not a leading, relationship to the actions of individuals. Authority cannot create by fiat a stream of cooperative gestures that do not naturally arise from customs, habits, and routines that define a "willingness to cooperate" by individual actors.

For Barnard, then, the "informal organization" is of vast importance. The informal organization legitimates and stabilizes the emergent system of formal authority. Barnard's discussion (Barnard, 1938, p. 225) goes one step further by arguing that the authority system is best maintained by not overloading it. That is, the greater the extent to which necessary contributions are secured spontaneously from "willingness," the less strain is placed on formal authority, and—perhaps ironically—the more people will accept the authority system as within the bounds of what is reasonable and appropriate.

From various passages in *The Functions of the Executive* (Barnard, 1938), we may piece together some of Barnard's ideas about the determinants of OCB, or, in his terms, the "willingness to cooperate." In one instance, Barnard asserts, without elaboration, that "willingness to cooperate, positive or negative, is the expression of the net satisfactions or dissatisfactions experienced or anticipated through alternative opportunities" (p. 85). We must be careful, however, in interpreting this statement, for elsewhere (p. 140, footnote) Barnard notes that "only occasionally is the determination of satisfactions and dissatisfactions a matter of logical thought." In this regard, Barnard was decades ahead of his time in recognizing, at least implicitly, that satisfaction or dissatisfaction is a function of some uncertain, variable weighting of conscious assessments and nonrational or affective responses.

Discussing the various forms of specialization, Barnard perceptively notes that "every relatively stable or enduring unit organization is an associational specialization in itself" (Barnard, 1938, p. 131). In other words, some combinations of individuals yield a synergistic contribution because of the way their actions uniquely complement each other. Again, we note that the resultant contribution is not borne of authoritative edict; rather, it is emergent. Such contributions vary with every potential combination of individuals. For our purposes, then, it seems that Barnard is speaking, at least obliquely, of the cohesion of the various informal organizations as a determinant of much of OCB. Barnard, not surprisingly, goes on to note the importance of "associational attractiveness" as a key inducement of cooperative efforts.

Because of the importance of "associational attractiveness" and "associational specialization," Barnard contends that effective organizations practice a "rejection of some of those best able to contribute the material production and acceptance of some less able" (Barnard, 1938, p.155). A premium is placed on compatibility of personnel; people must fit, and "this question of 'fitness' involves such matters as education, experience, age, sex, personal distinctions, prestige, race, nationality, faith, politics, sectional antecedents; and such very specific personal traits as manners, speech, personal appearance, etc." (p. 224). Instinctively, we recoil at Barnard's apparent approval of localized discrimination on the basis of race, sex, age, faith, but in fairness to him he recognized (p. 225) that "excessive compatibility or harmony is deleterious." Also, he was not writing as a moralist—he simply was compelled by intellectual honesty to observe that cohesiveness, even when maintained by exclusions we might consider repugnant, has its advantage in promoting the willingness for spontaneous, cooperative efforts. Aside from the ethical question, there is the additional trade-off that "excessive compatibility" breeds rigidity in thinking and impedes the group's capacity for adapting to sudden changes in its environment.

Barnard was vehement in his contention that "it appears utterly contrary to the nature of men to be sufficiently induced by material or monetary considerations to contribute enough effort to a cooperative system to enable it to be productively efficient to the degree necessary for persistence over an extended period" (Barnard, 1938, p. 93). In other words, the full extent of what he termed "willingness to cooperate" is not purchased in a purely contractual exchange. "Associational attractiveness," sense of purpose, and many other "satisfactions" that, consciously or otherwise, accrue incidentally to the process of cooperative endeavor are vital to the maintenance of the willingness to cooperate.

Remember that the word "executive" in the title of Barnard's book does not refer merely to a single person acting in a formally defined role, and "the functions are not, as so frequently stated, to manage a group of persons" (Barnard, 1938, p. 216). Executive functions, rather, "serve to maintain a system of cooperative effort," and Barnard devotes considerable space to noting how the informal organization renders executive functions.

In sum, then, much in the tone and spirit of Barnard's exposition suggests the importance of spontaneous contributions by individuals that go beyond the content of contractual obligations, obedience to legitimate authority, or calculated striving for remuneration as mediated by the formal organization. In his analysis, the requirement of a generalized "willingness to cooperate" is presented as a fundamental basis of organized activity.

Roethlisberger and Dickson

Historically, Roethlisberger and Dickson's (1939) *Management and the Worker* is regarded as the major chronicle of the Hawthorne studies (conducted at the Hawthorne Western Electric plant outside Chicago), which in turn are thought to have inaugurated the human relations school of management and organization theory. As most readers are aware, the Hawthorne studies began with some inconclusive experiments in 1924 intended to establish the relationship between illumination and productivity. In 1927, at the Western Electric plant in Chicago, a different series of experiments began that investigated the effects of rest pauses and schedules of work. Hoping to avoid some of the distractions and complications attendant to the earlier illumination experiments, researchers separated the experimental group of five female operators from the rest of the plant by setting up a special Relay Assembly Test Room. As the experiments proceeded, the researcher took over more of the supervisory functions of the group. The experimental group showed a general trend toward increased productivity over the next 2 years, and researchers felt that the productivity increases could not be fully explained by the rest pauses, hours of work, or even the special job design and pay system that were in effect for this group. The emergent hypothesis was that such factors interacted with the change in supervisory treatment and the unforeseen development of the operators into a cohesive group with its own structure and its own rules of conduct. To pursue the implications of this form of analysis of work behavior, subsequent studies—including a massive interviewing program and extended observation of one particular work group in action—were undertaken.

Preliminary accounts of findings from the Hawthorne studies soon became available to outsiders through unofficial correspondence and presentations to trade groups, even while the experiments were still going on. However, the reports were generally fragmented in nature and, even in their totality, did not provide an adequate account of the full extent of the studies. *Management and the Worker* was Roethlisberger and Dickson's effort to provide a coherent, chronological account of the various studies and, more importantly, to undergird the findings with serious interpretive commentary. Because Roethlisberger and Dickson repeatedly use concepts from the behavioral sciences (anthropology, sociology, clinical psychology) to interpret the data, their work is regarded by many as adumbrating a "behavioral" or "human relations" perspective on organization.

A voluminous body of literature has developed, and continues to grow, from the interest in reanalyzing the Hawthorne data, ascertaining what really went on, and challenging the motives as well as the intellectual rigor of Hawthorne chroniclers. Let us put aside the issue of what the studies proved. (Actually, it is not clear that Roethlisberger and Dickson thought they had proved anything, other than the difficulty of understanding work behavior within the context of conventional management concepts.) Instead, let us examine the overarching framework by which the authors proposed to better comprehend organizational functioning.

Like Barnard—indeed, borrowing from Barnard, whose book is cited twice in footnotes—Roethlisberger and Dickson (1939) drew a distinction between the formal and the informal organization. The formal organization "includes the systems, policies, rules, and regulations of the plant which express what the relations of one person to another are supposed to be in order to achieve effectively the task of technical production" (p. 558). It includes all the "explicitly stated systems of control introduced by the company in order to achieve the economic purposes of the total enterprise and the effective contribution of the members of the organization to those ends" (p. 558).

However, as demonstrated in the various phases of the Hawthorne studies,

> There is something more to the social organization than what is formally recognized . . . the formal organization cannot take account of the sentiments and values residing in the social organization by means of which individuals or groups of individuals are informally differentiated, ordered, and integrated. (Roethlisberger & Dickson, 1939, p. 559)

In other words, patterns of informal organization develop incidental to the explicit relationships and transactions governed by the formal system.

One often reads or hears of credit given to the Hawthorne group for "discovering" the informal organization. This attribution is of doubtful validity for, as we have seen, Barnard made a thorough analysis of informal organization. However, an even more serious misattribution by some present-day writers is the distortion of Roethlisberger and Dickson's view of the function of the informal organization. The researchers did not construe an informal organization as a social device created for the purpose of protecting the interests of workers against the exploitative encroachment by management, nor solely as a means of satisfying powerful social needs neglected by the system. To be sure, "sometimes the informal organization develops in opposition to the formal organization" (Roethlisberger & Dickson, 1939, p. 559). The larger point is that "informal social organization exists in every plant, and can be said to be a necessary prerequisite for effective collaboration. Much collaboration exists at an informal level, and it sometimes facilitates the functioning of the formal organization" (p. 559). Furthermore,

> Informal organization appears at all levels, from the very bottom to the very top of the organization. Informal organization at the executive level, just as at the work level, may either facilitate or impede purposive cooperation and communication. In either case, at all levels of the organization informal organizations exist as a necessary condition for collaboration. (Roethlisberger & Dickson, p. 562)

The key words in the foregoing passages, for our purposes, are "collaboration" and "informal." Together, they contain the essence of what OCB is all about.

But there is another key word in Roethlisberger and Dickson's discussion: "sentiments." Sentiments are the underlying dimensions of attitudes, values, and feelings that shape the informal organization. As the Hawthorne researchers realized in the course of interviewing more than 20,000 plant employees, sentiments may be expressed in what ostensibly are statements of fact, but sentiments have their own logic, which is entirely different from the logic of objective fact. Individually and collectively, the sharing and social validation of sentiments determine both the structure and the consequences of informal organization.

Because the term "sentiments" seems so close to what we think of as attitudes, and because it is commonplace to use the terms "job attitudes" and "job satisfaction" interchangeably, perhaps it is understandable that Roethlisberger and Dickson have been interpreted as suggesting that "job satisfaction determines job performance" or, as it is more baldly put, "a happy worker is a productive worker." Such a rendering does not, however, do justice to the subtlety of their analysis.

They were not addressing the matter of individual productivity as such, but the quality of collaboration that goes beyond such performance. And although they may be rightly criticized for not precisely specifying what is encompassed by the notion of "sentiments," their conception probably could not be adequately contained within the instruments typically used today to measure job satisfaction.

Katz and Kahn

Katz and Kahn's *The Social Psychology of Organizations,* first published in 1966 (a revised edition appeared in 1978), is perhaps the best known and most comprehensive behavioral analysis of organizations based on the open system model. The book represents an approach that incorporated the legitimate contributions of both the classical and human relations schools without the oversimplifications of either of those perspectives.

Katz and Kahn (1966) argued that effective organizations must evoke three different forms of contributions from participants: They must (a) attract and hold people within the system, (b) ensure that members exhibit dependable role performance, meeting and preferably exceeding certain minimal qualitative and quantitative criteria, and (c) evoke "innovative and spontaneous behavior: performance beyond role requirements for accomplishments of organizational functions" (p. 337). The third category includes cooperative activities with fellow members, actions protective of the system, original ideas for improvement of the system, self-training for additional contributions, and gestures that promote a favorable climate for the organization in the external environment.

Commenting at further length on spontaneous, or extra-role, behavior, Katz and Kahn noted that "the patterned activity which makes up an organization is so intrinsically cooperative and interrelated that it tends to resemble habitual behavior of which we are unaware" (Katz & Kahn, 1939, p. 339). In other words, this type of behavior is so mundane and undramatic that we almost never feel compelled to account for it. In fact, we generally take it for granted:

> Within every work group in a factory, within any division in a government bureau, or within any department of a university are countless acts of cooperation without which the system would break down. We take these everyday acts for granted, and few of them are included in the formal role prescriptions for any job. (p. 339)

What is particularly edifying about Katz and Kahn's discussion is the recognition that three types of required behaviors arise from different motivational patterns. System rewards—those that accrue to individuals by virtue of membership in the formal system—aid in the recruitment and attachment of potential contributors but offer no incentive for in-role performance above the minimal standards. Individual instrumental rewards (e.g., merit pay) provide an incentive for in-role performance above the minimally accepted levels but do not create a motivational basis for extra-role behaviors. Intrinsic rewards from task operations may sustain high-quality output but do not necessarily bind an individual to the system nor stimulate actions supportive of others. In other words, although all three classes of behavior are important, they are not evoked by the same conditions, and organizational devices that enhance the level of one form of contribution may even decrease one of the other forms.

Although they argue that system rewards fail to motivate incremental performance within the system, Katz and Kahn do acknowledge that such rewards, to the extent that they foster a generalized attraction to the organization, can lead to a higher incidence of cooperative relations among members. For this outcome to be brought about, the administration of system rewards must be perceived as equitable and creating no invidious distinctions among persons or groups: "In our culture we accept individual differences in income but we do not readily accept differences in classes of citizenship" (p. 357). Here, and especially in the elaborations upon this theme in their 1978 revision, Katz and Kahn seem to imply that something like "sense of citizenship" mediates the effect of system rewards upon OCB. A sense of citizenship translates into a readiness to contribute beyond the literal contractual obligations, just as a good citizen in the civic sense does more than simply not violate the law. A good citizen does not rest upon mere compliance; he or she does something more to promote the community. But to feel like a citizen, one must feel that one is treated like a citizen and accorded rights, privileges, and respect.

In the 1978 edition, Katz and Kahn note a dilemma that often proves agonizing for administrators: Differentials in rewards within the system motivate higher in-role performance by those who have the ability to exceed minimal criteria, but varying rewards run the risk of violating the sense of equity, and thus the sense of citizenship, experienced by those receiving lesser remuneration. Increasingly, "in bureaucratic structures equity has replaced respect for tradition as a guiding principle . . . the morale problem for years to come for organizations in Western countries will be one of equity" (1978, p. 391).

This observation proved prophetic. In the 1990s, the effect of increasingly globalized markets ushered in an era of vastly increased differentials in pay and other perquisites in industry, sports, entertainment, even universities. To meet the market price for attracting and holding outstanding talent in management, the professions, artisans, athletes, the organizations employing them skewed their compensation schemes ever more dramatically in favor of "the best and the brightest." Some evidence suggests that this phenomenon in at least some instances took its toll on some dimensions of organizational effectiveness. In a study of more than 100 manufacturing firms, Cowherd and Levine (1992) found that a higher level of inequality of pay was associated with a diminished level of product quality as perceived by customers. The researchers did not measure OCB, but they speculated that lower levels of spontaneous cooperation constituted the link between steep pay differentials and lower product quality. Pfeffer and Langton (1993) studied salary dispersion in 600 academic departments within 300 institutions and found that increased variance of pay within academic units was negatively related to research productivity, satisfaction, and desire to work collaboratively. Of course, a necessary caveat to interpreting these findings is that the studies were cross-sectional. One can imagine reverse causal relationships at work—for example, it is conceivable that high-priced talent was necessary to improve conditions where product quality was already low, or that premiums were necessary to attract productive scholars to institutions not noted for their productivity.

In short, Katz and Kahn's analysis recognizes a trade-off that is unavoidable in organizations. At one extreme stands pure egalitarianism, with all contributors sharing alike as a condition of membership. Such an arrangement perhaps intensifies among the rank and file the sense of citizenship, thereby evoking a broadly distributed pattern of acts of OCB—but blunting the incentive for higher individual task productivity and making it difficult to attract and retain the highest levels of technical and innovative talent. At the other extreme is a structure maximally geared toward the recognition and differential rewarding of individual productivity, thus encouraging technical excellence but curbing the disposition of the less excellent to contribute in the more humble vein of citizenship. In between, of course, lie the mixes of varying emphases on differential treatment versus equal treatment.

Undoubtedly, we have defined the trade-off in unnecessarily stark terms. We can imagine some threshold of differential rewards below which no basic sense of citizenship is violated for the less rewarded. And maybe there is ample room within that threshold to activate the striving for excellence among the most able. However, the extension of Katz and Kahn's logic suggests that we have here two fundamentally different motivational bases of organizational effectiveness.

Blau

One perspective on social and interpersonal relationships is to think of them as the product of a history of exchange. This is the tack that Peter Blau takes in *Exchange and Power in Social Life* (1964). Exchange can be economic or social. *Economic exchange,* according to Blau, has a marketplace character. Each partner to the exchange specifies in advance exactly what will be exchanged and when the exchanges will occur. Each commodity or service that is exchanged has a value that is independent of the person or group offering that commodity or service. The exchange relationship has a finite duration, and trust between the principals is not important (because if either party reneges on contractual obligations, the other party can seek recourse in enforcement mechanisms, such as the courts or some higher authority or referee).

In contrast, *social exchange* does not make explicit what will be exchanged. A party initiates social exchange by spontaneously giving another party something of value—a tangible product or a service, or a favor or gesture of respect, admiration, or support. The value of what is given is subjective and depends on the identity of the person giving it. For example, praise from a high-status or respected person is valued more than praise from a less-respected source, and the support of politically powerful people is prized more than the support of those with little clout.

Someone who receives such a gift is likely to feel some obligation to reciprocate, or to repay the "debt.". However, at the time of receipt of the gift, neither party makes reference to what, when, or how the reciprocation will occur, nor does either party entertain any thoughts about "enforcement" of the reciprocation. If reciprocation is indeed forthcoming, and if both parties place value on what they have exchanged, they are likely to increase their rate of interaction with each other, which in turn will present occasions for more frequent—and probably more significant—social exchanges with each other. At some point, they will no longer think in terms of reciprocating each specific gesture, but instead will harbor a more general feeling that the relationship proves rewarding to both. What matters is not some exact "balancing of the books"; rather, because the relationship is open-ended in terms of duration, both parties simply anticipate that they will continue to give and receive from each other elements of social value.

Of course, some of the exchange that occurs between the organization (or its agents) and a participant is of an economic or transactional character. In the employment relationship, individuals contract to perform certain duties, for specified intervals of time, for an agreed-upon package of basic pay, benefits, and privileges. However, when a participant begins to interact with others, patterns of social exchange develop as well. Interactions with coworkers and customers, and with supervisors and other managers in particular, develop in such a way that the relationship often becomes a mix of economic and social exchange. A participant realizes that certain contributions are mandated in exchange for contractually specified inducements. If the individual assesses some of those inducements as going beyond what was contractually promised, he might also feel bound to "pay back" with contributions in some form beyond those obligated by the employment contract. This could happen if, for example, the supervisor is viewed as the most visible agent of the organization and the one who mediates not only the provision of material benefits from the organization but also the larger sense of supportiveness enacted by organizational policy, practices, and culture.

Alternatively, managers or coworkers who see that an individual, group, or indeed the bulk of the workforce go well beyond what was contractually required also experience some personal or corporate sentiment of indebtedness, and seek to reciprocate with forms of supportiveness beyond those committed to in the employment contract. That is, the initiative for social exchange might come from either direction—agents of the organization or the workforce—and thereafter continue as long as the respective parties anticipate such exchanges of valued elements.

Leader-Member Exchange (LMX) Theory

During most of the 20th century, the theoretical and empirical literature on leadership focused on the leader's *style,* which encompasses how supportive the leader is, to what extent the leader provides structure and clarity to the roles and expected behaviors by group members, and how much participation the leader provides for subordinate input. The assumption in leadership theory and research was that a leader actually has a specific style vis-à-vis the group as a whole and that leader effectiveness could be explained in terms of that style.

In a major departure from traditional thinking about leadership, Dansereau, Graen, and Haga (1975) challenged the validity of thinking in terms of a general leadership style. Previously, Lowin and Craig (1968) and Greene (1975) had demonstrated that leader behavior is, in fact, a function of subordinate behavior. For example, Lowin and Craig, in a field experiment, systematically manipulated the behavior of a subordinate (who was actually a confederate of the researchers) such that the subordinate ("Charlie") was either competent, organized, and conscientious, or incompetent, sloppy, and lackadaisical. The supervisor (the unwitting subject in the experiment) who dealt with the competent Charlie responded with a friendly, participative style of behavior, whereas the supervisor confronted with the incompetent Charlie remained interpersonally aloof and insisted that Charlie strictly adhere to the supervisor's instructions.

Dansereau et al. (1975) reasoned that if leader behavior is some function of the subordinate's abilities and attitudes, *and* if subordinates vary demonstrably in such abilities and attitudes, then the leader will not really enact one style, but different styles with different subordinates (see Graen & Uhl-Bien, 1995, for a review of theory and research on LMX theory). Furthermore, leaders have good reason to vary those styles with different group members. Leaders can seldom fulfill their responsibilities if all group members do only what is minimally required and enforceable. Leaders need that extra margin of contribution that some members are able and willing to provide. To induce such contributions, the leader has to provide to such members more than he or she is bound by formalities to offer. Therefore, the leader makes a distinction between "hired hands" and "cadres." With hired hands, the leader maintains a contractual relationship: The leader gets the minimum required input from the workers and provides them with what he or she is required as a supervisor to give. On the other hand, with cadres, the leader essentially "negotiates" (perhaps implicitly) what he or she is willing to offer (more discretion in task assignments, more input in workplace decisions, access to additional organizational resources, such as training or sponsorship to conferences) in exchange for the subordinate's contribution beyond the strictest definition of the job.

We call attention here to some straightforward implications of LMX theory. The "extra" contributions by the cadres would likely include much of what we have defined as OCB (although it is clear from LMX theory that those extra contributions also include levels of task performance beyond the norm). In addition, the relationship between the leader and a cadre goes beyond the formal or transactional specifications of the job descriptions to include social exchange that is fluid, subjective, and ambiguous as to precisely what is exchanged for what. Therefore, the exchange depends on trust—trust of the supervisor in the cadre and, especially, trust of the cadre in the supervisor. Indeed, in more recent developments of LMX theory and research, trust looms as a critical variable in the maintenance of the social exchange relationship. Note also that research (e.g., Settoon, Bennett, & Liden, 1996) empirically confirms the view that the quality of LMX is strongly associated with subordinate perceptions of organizational supportiveness and with independent ratings of the subordinate's OCB. Moreover, the correlations of LMX with OCB were somewhat higher than the correlations with task or in-role performance.

Williamson and Transaction Cost Economics

In his classic work, *Markets and Hierarchies* (1975), Oliver Williamson sought to explain why market failures occur under certain conditions and why bureaucracy arises as a substitute for markets when those adverse conditions occur. Central to Williamson's analysis is the idea of the transaction costs of market exchanges, which are prohibitive under certain conditions. Although Williamson's approach allows him to address a stunning variety of economic phenomena (e.g., vertical integration, the multidivisional form of organizational structure, oligopoly and monopoly), his perspective on the employment relation is what pertains to our agenda here.

The essence of market exchange is the contract. Two (or potentially more than two, but always "small numbers" (Williamson, 1975)) enter into a contract specifying a quid pro quo for each principal. ("Small numbers" means too small for an impersonal market to determine price; it is small enough that at least one principal can affect market price by making a bid or withdrawing.) Transaction costs are trivial if the exchange involves a commodity for one-time use or consumption and if a market consisting of many buyers and sellers determines the price for the commodity. Contracts can be extended to cover longer periods of repeated exchanges if both principals can be confident that they can foresee the relevant states of nature that will exist during the period of the contract. If potential disruption of these states of nature can be imagined, the principals can include in the contract some statements of "contingent claims"—that is, how the terms of the contract would be altered by specific changes in the relevant states of nature.

Obviously, the more that one has to think about changes in the state of nature and how those changes would alter the rights and obligations of the principals, the greater the costs of such transactions. Another complicating factor includes the specificity of the assets to be exchanged; the more specific they are to the uses and desires of one of the principals, the more strenuous the process of contracting. In addition, under some conditions, one principal will have more knowledge about the benefits of one of the assets exchanged and/or alternative sources or buyers of that asset. The fact that the other principal has to reckon with the disadvantage of less knowledge will also complicate the formulation of a contract.

When applied to the employment relation, the proprietor (supervisor or manager) finds that transaction costs become intractable. The proprietor cannot foresee all contributions that will be desired of an employee. Even many of those that can be foreseen cannot be assessed in terms of their benefits—that is, what they would be worth to the proprietor. Nor can the proprietor, when hiring an employee, determine in advance how specific the prospective employee's skills (knowledge, aptitude, even aspects of temperament) might prove in terms of matching the contributions needed or desired. Thus, rather than forging a contract with complex contingent claims—because doing so exceeds human-bounded rationality for both the proprietor and the employee—the proprietor offers a wage rate with a premium, something well above the most narrowly defined and immediately foreseeable value of the employee's duties. In exchange, the employee agrees to some degree of ambiguity about what he or she might be asked to do. The idea is much like Barnard's (1938) notion of "zone of indifference"—that is, that the manager's authority over an employee lies within an area in which the employee would otherwise be indifferent about accommodating some direction from the manager.

You might well ask, "Why not agree to pay the employee on something like a piece rate system, such that the employee is paid according to the value of contributions rendered over some finite time period?" Of course, in some instances the employee and manager do agree on such an arrangement. However, what if the proprietor cannot foresee all the contributions the employee will make? Moreover, how would the proprietor (who has other things to do) ascertain the actual occurrence and value of contributions claimed by the employee? How would employee and proprietor come to an agreement on what contributions were made and how they should be evaluated? What if the employee, by virtue of practice and experience in the employ of the proprietor, comes to possess skills specific to the tasks carried for this particular proprietor, making his or her contributions more frequent or of higher quality?

Perhaps most of the contributions to be rendered by the employee can be ascertained by monitoring—or, in Williamson's term, "metering." Some oversight or some form of technology might serve this purpose. However, as Williamson notes, "metering" has side effects on sentiments and attitudes, and such effects could adversely influence other important contributions that cannot be feasibly metered.

Thus, metering has its costs. Once again, the preferred arrangement is to offer compensation, which need not refer strictly to salary or wages, but might include other benefits, perquisites, or conveniences. This compensation would include a premium in excess of the value of immediately realizable contributions from the employee, with the understanding that some unspecified tasks might later arise that the proprietor, because of the premium in the compensation, could reasonably instruct the employee to perform.

Williamson's discussion does not make clear whether he thought the employee would make some of these unspecified contributions without the proprietor's knowledge or awareness that such contributions were needed—that is, contributions that the employee would spontaneously perform because he or she might find it appropriate to perform a task not specified in either the original agreement or even ad hoc by the employer. Nonetheless, it is not too much of a stretch to extend Williamson's thinking to the sorts of things we have now placed under the rubric of OCB. So we can reasonably think in terms of an employee's contributions consisting of, first, the originally agreed upon job definition and obligatory tasks; second, some other contributions not originally specified but well within the tacit bounds of what the proprietor might in the future ask of the employee; and third, contributions made spontaneously by the employee that were neither originally specified nor explicitly ordered by the proprietor. Moreover, we can readily see not only how the employment relation explicitly described by Williamson vastly reduces transaction costs, but we realize as well that spontaneous contributions by the employee virtually eliminate certain transaction costs altogether. The proprietor does not have to monitor the work process to know what ad hoc instructions or orders are necessary, nor does he or she have to engage in any implicit negotiations pertaining to the appropriateness of the order within the employment relation.

Williamson's larger point is that the employment relation is an arrangement intended to circumvent the inordinate transaction costs that a "pure market" approach would present. Ironically, organizations sometimes seem to go to great lengths to "bring the market back in." A graphic example of such efforts occurred at BankAmerica ("Many Companies…" 1985). A program initiated there by Mr. Frank Schultz, a senior vice president, "universally and rigorously" assessed each of the 3,500 employees in the credit-card division on 200 specific criteria of performance. "I measure everything that moves," Mr. Schultz reported. Staff officials listened in on telephone calls made by customer-service representatives, and outsiders were hired to place bogus customer calls. The program required 20 full-time staff people and cost about $1 million a year. Schultz obviously believed that management could foresee and specify any employee action that represented a contribution and that his office could accurately monitor and assess those contributions.

Ouchi

The polar opposite of the employment arrangement at BankAmerica is what William Ouchi (1980) has described as the "clan." Ouchi's analysis extends Williamson's work on markets and hierarchies, beginning, as Williamson does, with consideration of the necessary and sufficient conditions for markets—but also hierarchies (bureaucracies)—to function effectively as mechanisms for mediating transactions. Markets resolve the divergent interests of various parties by competitive bidding, which establishes unequivocal quids for particular quos in the contractual relationships among participants. The bureaucratic mechanism of hierarchy replaces the market when the exact nature of certain contributions cannot be spelled out in advance but can be enacted by employee response to directives based on legitimate authority and, ultimately, fairly and reliably compensated by authoritative assessment. In other words, when the conditions requisite to an efficient market no longer obtain, the hierarchy becomes the alternative mechanism of control.

However, conditions may arise such that even the hierarchy does not suffice to mediate efficiently the transactions among parties. In particular, when the value of the contribution of individual members cannot—even after the fact—be reliably assessed, and when contributors cannot assume commonality of interests, the motivational basis of cooperative endeavors is rent asunder.

The clan becomes the viable form of collective action when individual contributions can neither be specified a priori contractually nor computed after the fact. A *clan* is an association of persons bound together by relationships analogous to those defined by kinship or blood relations. The parties construe their individual interests as similar to each other and concordant with those of the collective as a whole. To promote each other's interests is to promote that of the community and vice versa. In the long run, both types of interests promote the individual's own interest, because each member has faith that ultimately the family looks after its own.

In describing Japanese firms, Ouchi (1980, p. 132) notes that it is not necessary for these organizations to measure performance to control or direct their employees, because the employees' natural (socialized) inclination is to do what is best for the firm. In addition, the organizations do not need to derive explicit, verifiable measures of value added, because rewards are distributed according to criteria that are not related to performance (e.g., seniority, age), which are relatively inexpensive to determine.

This study shows the reference here is not to a particular "study," but to a general or theoretical alternative organizational form that has been approximated in some cultures (such as many Japanese firms at the time of Ouchi's writing) in the clan, affective bonds among members are sufficiently strong, and their interests are sufficiently concordant, that participants can be presumed to act as needed to render contributions to the collective. With markets, we must specify outcomes, their value, and means of measurement. In hierarchies, we pay a premium above the "spot price" to be able to specify "efforts" (the behavioral means to those outcomes) now and on some *ad hoc* basis in the future, but some degree of monitoring or surveillance is required to ensure that such efforts are made. At some level, the costs of surveillance can approach the transaction costs of markets, and, as Williamson noted, such "metering" has potentially negative fallout upon member sentiments. The clan, by virtue of its cohesion and consensus, obviates concern about "free riders" or opportunism and does not require close monitoring. The clan does not require rigorous assessment of outcomes other than a rudimentary understanding of the kinds of outcomes that further the interest of the collective group.

Because he observed actual employment practices in Japanese organizations in the 1970s, Ouchi seems to have regarded the clan as not just a "pure type" or an abstraction, but rather a viable form of organization that can and does exist. Nonetheless, one would certainly imagine that, at least in the United States and other cultures that have strong individualistic values, the requisite conditions seldom exist except in rather small family-owned firms or in nonprofit organizations. At times in American history, we have seen the proliferation of collectives that Graham and Organ (1993) call "covenantal" organizations, which they describe in terms reminiscent of Ouchi's clan. In such collectives, one might argue that OCB as we have construed it was defined away, because participants were not bound to performing just some finite duties, but rather to contributing in any form possible to the welfare of the larger collective.

With few exceptions, the business organizations that came closest to some "pure" clan or covenantal organization were short-lived, lasting perhaps a generation or two. However, a few contemporary business firms have been described in terms that certainly suggest some degree of clan-like properties. Ouchi (1980) characterized a number of American organizations (such as the U.S. Army and Eli Lilly) as "Theory Z" organizations that adapt some clan-like attributes within the constraints of an individualistic societal culture and public policy framework. Others have noted a covenantal character to features of companies such as Herman Miller, Inc. and Cummins Engine (Graham and Organ, 1993).

What we come down to, then, are contrasting prototypes of collective frameworks in terms of their faith in, and dependence upon, what we call OCB. The heuristic value of such prototypes does not depend upon the existence of any organizations that perfectly embody their attributes. As Ouchi (1980) notes, "markets, bureaucracies and clans are therefore three distinct mechanisms which may be present in differing degrees in any real organization."

We are consistent with the main themes of contemporary theorizing about organizations when we choose to array organizations according to the implicit significance that is accorded OCB. At one extreme, organizations might choose to emulate the properties of markets, and in so doing define away the need for OCB. At the other extreme, the clan or covenantal organization also essentially defines away OCB, because it is already understood that members are bound by the commitment to do whatever furthers collective interests. Between those extremes lie organizations with varying explicit duties and efforts for precise compensation. If we assume that in most contemporary Western organizations—especially those of substantial size in the private sector—neither pure markets nor clans are viable (at least, not for very long), we must conclude that OCB in some form must be accorded some importance.

Conclusions

As the foregoing citations show, the concept of OCB has been incorporated in varied paradigms dating back well over half a century, and a careful parsing of even more ancient writings about organization would almost certainly show evidence of concern about its nurturance. Thus, our intent is not to offer a new theory of organizations, nor to do battle with any particular school of thought. Rather, our aim is to establish a clearinghouse of sorts to consolidate and test the insights of different schools concerning the generally recognized aspects of organizations. We would also like to explore OCB as phenomenon in its own right, to discover the determinants of its occurrence, to speculate about what conditions would evoke it, and to investigate what the countervailing costs of such conditions might be.

Implications for Future Research

How Does the Phenomenon of "Idiosyncratic Deals" Fit Within the Framework of OCB?

To date, the implications of Williamson's transaction cost economics for thinking about OCB have received scant attention. In particular, we know little about the prevalence of "idiosyncratic deals" (Rousseau, 2001), arrangements by which employees explicitly negotiate with their superiors specific resources or opportunities in exchange for taking on tasks or responsibilities not within the purview of their formal job descriptions. Williamson's framework would suggest that the greater the prevalence of such individualized deal making, the greater the transaction costs associated with the internal labor market of the hierarchy compared to traditional market mechanisms. Rousseau (2001) suggests that idiosyncratic deals provide a measure of flexibility by which a firm can retain valued, knowledge workers who are hard to replace. On the other hand, because these deals are ad hoc arrangements, suspicions will arise among employees that some workers are getting better deals than others. Therefore, we would predict that the employees would develop beliefs that the system is not fair. Will idiosyncratic deals actually lead to less OCB on the part of those not inclined toward explicit deal-making? Conversely, does idiosyncratic deal-making arise because of a perception that the organization already has indicated that it is moving toward a more transactional style of managing?

Do the Dynamics of Leader-Member Exchange Present a Threat to the Validity of Managerial Ratings of Subordinate OCB?

We have noted the affinity between OCB concepts and the leader-member exchange (LMX) model. In research on OCB, more often than not, the leader (i.e., supervisor or superior) is the one who provides rates the OCB of subordinates. Conceivably, the favorable rating that the leader gives one subordinate as compared to another is part and parcel of the exchange itself, and the exchange might have more to do with how well the leader and subordinate get along rather than with more substantive contributions to the effectiveness of the workplace. This, in turn, raises the question of whether much of the OCB that is actually rated consists of highly selective, even contrived, gestures that basically amount to a form of ingratiation. Research addressing this issue—for example, studies using both leader and coworker ratings and looking at variables that might correlate with larger discrepancies between leader and peer OCB ratings—could prove instructive.

Would "360-Degree" Performance Appraisals Offer a Promising Approach to Measuring OCB?

One of the hottest new trends in performance appraisal during the 1990s was the practice of "360-degree" appraisal. In practice, this meant performance appraisal from the perspectives of supervisor, coworkers, internal or external customer/client, and even subordinates (for managers being appraised). Some potentially enlightening findings could come from studies on OCB that make use of these 360-degree appraisals. Which raters appear to emphasize OCB the most? Does implementation of this form of appraisal increase the frequency and prevalence of OCB and, if so, of which forms of OCB?