

University College of Central Queensland

THE EFFECTS OF ORGANISATIONAL
CLIMATE ON THE VERTICAL DYAD LINKAGE
MODEL: AN EMPIRICAL AUSTRALIAN STUDY



Terry Waters-Marsh
Dr Greg Hearn

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THE EFFECTS OF ORGANISATIONAL **CLIMATE ON THE VERTICAL DYAD LINKAGE MODEL: AN EMPIRICAL AUSTRALIAN STUDY**

> by **Terry Waters-Marsh** Dr Greg Hearn

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ABSTRACT

The hypothesis that improvements in organisational climate will have a significant impact upon the vertical dyadic relationship between supervisor and subordinate is examined. Using measures of negotiating latitude, job satisfaction and organisational climate, 46 work-face and first-line supervisory dyads were assessed one month prior to and three months subsequent to an organisational change program. Path analysis was employed to determine that organisational climate did make a significant contribution to the vertical dyadic relationships while job satisfaction did not. Implications of these findings are discussed.

1.0 INTRODUCTION

The Vertical Dyad Linkage (VDL) Model was developed in the mid 1970's by Graen and colleagues to address the difficulties found by researchers in applying the contingency leadership theories (Graen, 1975; Dansereau, Graen, Haga, 1975; Graen, Cashman, 1975). Starting from the assumption that leader behaviours towards subordinates were not homogeneous and that, similarly, subordinate behaviours towards their supervisors were not homogeneous, Graen and his colleagues found that within groups, different vertical dyadic relationships were present. By measuring the perception of the degree of vertical dyad, it was possible to identify two relatively distinct groups of dyadic relationships (Dansereau, Graen, Haga, 1975). These were labelled IN-Group for positive dyadic relationships and OUT-Group for non-positive dyadic relationships (Graen, 1975).

The significant contribution made by the VDL model was the introduction of heterogeneous behaviours in the dyadic relationship between leaders and subordinates. For the first time, researchers were able to identify which subordinates developed poor dyadic relationships with their supervisors and which subordinates developed positive dyadic relationships with their supervisors. New research starting from the basis of the VDL model was able to make predictions with respect to productivity (Vecchio, Gobdel, 1984; Graen, Novak, Sommerkamp, 1982), job turnover (Ferris, 1985; Graen, Ginsburgh, 1977), career progression (Wakabayashi, Graen, 1984; Wakabayashi, Graen, Graen, Graen, 1988), and leadership interventions (Graen, Scandura, Novak, 1986; Graen, Scandura, 1984), to name but a few of the subsequent studies. The basic premise of the studies on the dyadic relationship assumed that the sole determinants as to whether the subordinate and the supervisor formed positive or negative dyadic relationships were contained within the dyadic relationship. Such features of the dyadic relationship as trust, perceptions of competency, negotiating latitude, information sharing, personal skills, attitudes, friendliness, and so on were assumed to contribute variously in the role-making process and lead to the dyadic outcomes identifiable by the behavioural scientist. Other possible sources of influence on the dyadic relationship external to the dyad were assumed to be either insignificant or static.

One such influence on the dyadic relationship which was implicitly assumed to be static or constant was organisational climate. Several reasons may account for this assumption. First, most of the early research studies used sample groups consisting of professionals and/or middle to senior managers (for instance, Dansereau, Graen, Haga (1975) used administrators in a University, while Graen, Schiemann (1978) also used an academic setting). In these environments, organisational climate would have been unlikely to appear in the analysis as either a confounding factor or as a contributing factor.

Second, there are procedural difficulties in identifying the influence of organisational climate. If the assumption that organisational climate is a powerful determinant of individual behaviour and that it forms the link between the individual and the environment around that individual is accepted, how then can it's effects on the dyadic relationship be determined? It would appear that to measure the influence of organisational climate upon the dyadic relationships, the research must incorporate both a longitudinal approach and a setting whereby there are significant changes to the organisational climate over the period of the study. This would allow the researcher to then assess the contributions that the CHANGES in organisational climate made upon the dyadic relationships. In turn, some insight may be possible as to the influence of organisational climate upon the dyadic relationships.

The third procedural difficulty in assessing the influence of organisational climate on the dyadic relationship is the difficulty in separating perceptions of organisational climate from other perceptual attributes held by the individuals under study. The most notable perception which could, or may, confound the study of the effects of organisational climate on the dyadic relationships is perceptions of job satisfaction. Both perceptions of job satisfaction and of organisational climate rely upon self reporting by subjects as to their "feelings" about their job and their environment respectively. The difficulty for the researcher trying to assess the effect of organisational climate is that there is a possibility of a confounding of job satisfaction with perceptions of organisational climate.

This study started with the assumption that organisational climate was a significant influence upon the dyadic relationship between supervisors and subordinates and that its effects must be assessed in any studies associated with the VDL model. Further, that in order to assess the influence of organisational climate on dyadic relationships, it is necessary to employ a longitudinal study to identify the salient features of the changes in climate and the resultant (if any) changes in the dyadic relationships. It is also necessary to develop a method by which the perceptions of other similar personal attitudes can be either isolated or taken into account when assessing the possible influence of organisational climate on the dyads.

The following hypotheses were derived from the preceding discussion of the VDL model and organisational climate:

- 1. An improvement in organisational climate will improve negotiating latitude.
- 2. An improvement in organisational climate will improve job satisfaction.

2.0 METHOD

2.1 Sample

The sample group were lower-level clerical and administrative employees of a large insurance organisation.

Overall the sample size was 54 at time one (T1) and 52 at time two (T2). There were 8 first and second level supervisors at T1 and 6 at T2 forming 46 dyads at both T1 and T2. Between T1 and T2 (approximately four months), there were significant organisational change programs instituted targeting the processes by which the clerical and administrative duties were accomplished by the employees. These changes to the organisational climate provided the researcher with the opportunity to study the possible effects of changes in organisational climate on the dyadic relationships.

2.2 Procedures and Measures

Respondents were asked to complete a questionnaire at both T1 and T2 which was designed to obtain data on the respondents' attitudes towards their supervisors and their perceptions of organisational climate and job satisfaction.

The questionnaires were distributed to the sample group by the researcher and when the respondents had completed their answers, were sealed in individual envelopes and collected by the researcher. 92% response was achieved at T1 and 100% at T2.

The questionnaire contained a two-item measure of negotiating latitude, a four-item measure of job satisfaction, and a twenty-one-item measure of organisational climate. The negotiating latitude measure employed was developed and used by Dansereau, Graen, Haga (1975) and consisted of two items with a multiple-choice response format. Responses ranged from 1 to 4 with a low score indicating no negotiating latitude and a high score indicating very high negotiating latitude. The two scores for the two items were summed to give an overall negotiating latitude score for each respondent.

Job satisfaction was measured using the four-item measure developed by Hoppock (1935). Respondents selected one of seven responses for each multiple-choice item which in turn were summed into a single satisfaction scale with scores ranging from 4 to 28. High scores indicated high levels of job satisfaction with low scores suggesting low job satisfaction. Cook, Hepworth, Wall, Warr (1981) report a Spearman-Brown reliability coefficient of 0.93 for this measure as well as numerous studies which appear to provide substantial validation of the measure.

Organisational climate was measured employing the twenty-one item measure developed by Taylor and Bowers (1972). The measure was further divided into six subscales based upon the smallest-square analysis by Taylor and Bowers (1972). These subscales, referred to as indices, were labelled by Taylor and Bowers (1972) as follows: human resource primacy, technological readiness, communication flow, motivational conditions, decision-making practises, and lower level influence. Taylor and Bowers (1972) reported internal consistency scores of 0.79 to 0.90 in the original study and 0.58 to 0.80 in a subsequent replication study.

All measures were modified to remove any gender bias. This was done to eliminate the possibility of results being contaminated by items or responses which had previously been written in the masculine form. The measures, in non-sexist terminology, are reproduced in Appendix 1.

Discriminant analysis was employed on the measure of organisational climate to determine which of the twenty-one factors showed significant variation between T1 and T2.

The factors found to be significant at the p < 0.05 level from T1 to T2 were summed to provide an overall scale of Organisational Climate Change (OCC) (refer to Appendix 2 for results of the Discriminant analysis).

3.0 RESULTS

In order to test the first hypothesis, it was necessary to look at two results. The first was the change in group centroids for the discriminant analysis of organisational climate at both T1 and T2. These are shown in Table 1.

TABLE 1

Group Centroids for Organisational Climate (T1 to T2)

	T1	T2
Group 1	-0.8674	-0.50829
Group 2	0.90080	0.52784

The group centroids indicate that there was a significant shift in organisational climate from T1 to T2. Having established that a change in organisational climate did take place over the period of the study, it should now be possible to determine whether this change was accompanied by any changes in the dyadic relationship between supervisors and subordinates.

Table 2 lists the key statistics for negotiating latitude from T1 to T2.

TABLE 2

Negotiating Latitude

	T1	Т2
Mean	6.037	6.615
S.D.	1.671	1.345

The negotiating latitude measure was found to be reliable and consistent from T1 to T2 with Spearman-Brown reliability coefficients of 0.68 and 0.61 respectively.

Dichotomising the distribution of scores for negotiating latitude about the nearest whole number for the mean provides an IN-Group/OUT-Group split of 23/31 at T1 and 29/23 at T2 respectively. Thus, an increase in the number of IN-Group members by six seems to indicate an increase in the degree of negotiating latitude by dyad members.

A two-tailed Pearson Correlation test was then applied to ascertain the degree of correlation between the two variables and is shown in Table 3.

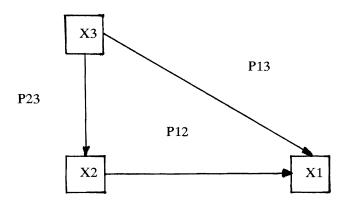
TABLE 3

Negotiating Latitude with Organisational Climate

	T1	T2
Coefficient	0.1462	0.5441**
	** p < 0.001	

Hypothesis two indicated that there should be an increase in job satisfaction from T1 and T2 subsequent to the change in the organisational climate established above. The difficulty in assessing whether there is any change in job satisfaction is that it is possible that the measure of satisfaction may be measuring the same perceptions as the measure of organisational climate. Therefore, it is necessary to employ a method of analysis which can help separate the possible effects of the two variables. Path analysis offers the researcher a method by which to test the causal relationships of two or more variables.

A model (shown in Figure 1) was constructed using the three variables, negotiating latitude, job satisfaction, and OCC which satisfied the two assumptions of path analysis, that is, the assumptions of causal order and causal closure (Nie, Hull, Jenkins, Steinhenner, Bent, 1975).



X1 = Job Satisfaction X2 = Negotiating Latitude X3 = OCC

FIGURE 1
Causal Model (T1)

P_{ij} represented the path coefficients which were obtained by solving two multiple regression equations, that is, X2 as the dependent variable with X3, and X1 as the dependent variable with X2 and X3. In other words, negotiating latitude as the dependent variable was regressed with organisational climate, and job satisfaction as the dependent variable was regressed with negotiating latitude and OCC.

Solving these two multiple regressions at T1 provided the intercorrelation matrix as shown in Table 4. This also revealed the indirect effect of variables through other variables in the model.

TABLE 4
Intercorrelation Matrix (Time One)

	Job Satisfaction	Negotiating Latitude	OCC		
Job Satisfaction	1.000				
Negotiating Latitude	0.40571*	1.000			
OCC	0.46511*	0.14618	1.000		
(*p < 0.05)					

In this model, the indirect effect of OCC on job satisfaction was determined by the following equation:

where
$$\begin{aligned} C_{13} + (P_{23})(P_{12}) + P_{13} \\ P_{13} &= 0.41467 \\ P_{12} &= 0.34510 \\ P_{23} &= 0.14618 \end{aligned}$$

Solving the equation revealed an indirect causal effect of 0.05056 and an insignificant non-causal effect $(r_{ij} - C_{ij})$ of 0.00012. Similarly, while at T1 there was no indirect causal effect in the regression of job satisfaction with negotiating latitude, a non-causal effect of 0.06061 was detected. These results are summarised in Table 5.

TABLE 5

Path Analysis at Time One

Bivariate X2 X3 X1 X3 X1 X2 Relationship Original Covariation 0.14618 0.46511 0.40571 (r_{ij}) Causal-Direct (P_{ij}) 0.14618 0.41467 0.34510 Causal-Indirect 0.000000.000000.05056 **Total Causal** 0.14618 0.46523 0.34510

0.00000

Gilmour (1978) refers to the non-causal effect as being the

Total Non-Causal

 $(r_{ii}-C_{ii})$

"...spurious indirect effect due to the mutual correlation of both variables with other variables in the system". (p.381)

0.00012

0.06061

Its presence was noted but unless it was a significant amount which, in turn, depended upon the set of assumptions which were being tested, it was not analysed further.

The same procedure was adopted for the same variables at T2 in order to observe if any differences occurred. The intercorrelation matrix for T2 is shown in Table 6.

TABLE 6
Intercorrelation Matrix (Time Two)

	Job Satisfaction	Negotiating Latitude	OCC
Job Satisfaction	1.000		
Negotiating Latitude	0.67221**	1.0000	
OCC	0.66489**	0.54405**	1.000
	(** p < 0.001)		

The indirect effect of OCC on job satisfaction was determined as follows:-

where
$$\begin{aligned} C_{13} &= (P_{23})(P_{12}) + P_{13} \\ P_{13} &= 0.42496 \\ P_{12} &= 0.44102 \\ P_{23} &= 0.54405 \end{aligned}$$

Solving the equation revealed an indirect causal effect of 0.23994 and again an insignificant non-causal effect $(r_{ij} - C_{xij})$ of 0.00001. At T2, the regression of job satisfaction revealed a non-causal effect of 0.23119 (Refer Table 7).

TABLE 7

Path Analysis at Time Two

Bivariate Relationship	X2 X3	X1 X3	X1 X2
Original Covariation (r_{ij})	0.5405	0.66489	0.67221
Causal- Direct (P _{ij})	0.54405	0.42496	0.44102
Causal-Indirect	0.0000	0.23994	0.00000
Total Causal	0.54405	0.66490	0.44102
Total Non-Causal (r _{ij} -C _{ij})	0.00000	0.00001	0.23119

The path analysis at Time Two revealed that 23% of job satisfaction was not accounted for in the relationship where negotiating latitude was the direct causal independent variable, and OCC was the indirect casual independent variable. Correcting for the indirect causal covariation revealed that the increase in job satisfaction was less than 0.011 from T1 to T2. Accordingly, the second hypothesis that an improvement in organisational climate will improve job satisfaction was rejected.

4.0 DISCUSSION

The findings of this study suggest that there is a significant influence exerted by organisational climate on the dyadic relationship between supervisors and subordinates. The integration of organisational climate into the VDL model poses both challenges and opportunities.

The difficulty will be in devising a measure which will take account of not only the internal forces which shape the role-making process and therefore the dyadic outcomes, but which will also identify the external forces which exert significant influence over the dyadic outcomes. This exploratory study suggests that there is a significant relationship between the vertical dyadic relationships and the organisational climate. That this was shown in this study is not so surprising when it is reflected upon that the organisational climate reflects the perceptions of all the vertical dyad members within an organisation.

The rejection of the second hypothesis is also significant in that there is clear indication that although there is the possibility of organisational climate and job satisfaction measuring the same perceptions, the use of path analysis allows the segregation of these two similar variables. Thus, it should be possible to devise a model which would allow the integration of organisational climate with the VDL model while at the same time avoiding a distortion or confounding effect from job satisfaction.

The findings of this study provide potential for some groups for practical applications in the area of organisational change and development. It suggests that if the organisation under study has less than satisfactory levels of dyadic relationships (as measured by the degree of negotiating latitude present in all the dyads), that organisational change programs could be aimed at improving organisational climate. The changes in dyadic relationships would, it is suggested by the findings of this study, improve as a consequence of the improvements in organisational climate. Further, it would appear possible to assess the effectiveness of organisational change programs by measuring the changes in negotiating latitude over the period of the change programs. This would be particularly appealing where the change programs span long periods of time and also where conventionial methods of assessing the effects of the change program are less than reliable.

The finding in this study that there is a significant influence exerted by organisational climate on the vertical dyads indicates the need for more research in this emerging area. It further suggests that those researchers and academics who have in the past dismissed the VDL model as a passing phenomena need to reassess the potential for the VDL model to open new and valuable avenues of research and understanding in the areas of dyadic relationships, individual and group behaviour, and in leadership theory.

Lastly, this study suggests that the study of the vertical dyadic relationships, both intragroup and intra-organisation, could provide the Organisational Development practitioner with a further valuable diagnostic and program tool.

APPENDIX 1

1.1 ORGANISATIONAL CLIMATE

You are now asked to respond to some questions on the organization itself. This section is to be answered by both supervisors/managers and subordination.

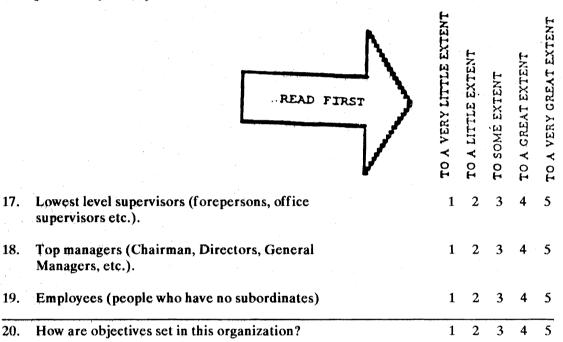
	READ FIRST	TO A VERY LITTLE EXTENT	TO A LITTLE EXTENT	to somé extent	TO A GREAT EXTENT	TO A VERY GREAT EXTENT
1.	To what extent is this organization generally quick to use improved work methods?	1	2	3	4	5
2.	To what extent does this organization have a real interest in the welfare and happiness of those who work here?	1	2	3	4	5
3.	How much does this organization try to improve working conditions?	1	2	3	4	5
4.	To what extent does this organization have clear-cut, reasonable goals and objectives?	1	2	3	4	5
5.	To what extent are work activities sensibly organized in this organization?	1	2	3	4	5
6.	How adequate for your needs is the amount of information you get about what is going on in other departments and offices?	1	2	3	4	5
7.	How receptive are those above you to your ideas and suggestions?	1	2	3	4	5
8.	To what extent are you told what you need to know to do your job in the best possible way?	1	2	3	4	5
9.	To what extent are there things about working here (people, policies, or conditions) that encourage you to work hard?	1	2	3	4	5
10.	In this organization, to what extent are decisions made at those levels where the most adequate and accurate information is available?	1	2	3	4	5
11.	When decisions are being made, to what extent are the persons affected asked for their ideas?	1	2	3	4	5

	READ FIRST	to a very little extent	TO A LITTLE EXTENT	TO SOMÉ EXTENT	TO A GREAT EXTENT	TO A VERY GREAT EXTENT
12.	People at all levels of an organization usually have know-how that could be of use to decision-makers. To what extent is information widely shared in this organization so that those who make decisions have access to all available know-how?	1	2	3	4	5
13.	To what extent do different units or departments plan together and coordinate their efforts?	1	2	3	4	5
14.	To what extent are the equipment and the resources you have to do with adequate, efficient, and well-maintained?	1	2	3	4	5
15.	How are differences and disagreements between units or departments handled in this organization?	1	2	3	4	5
	(Choose from following responses)					
	1. Disagreements are always avoided, denied or suppressed					
	2. Disagreements are often avoided, denied or suppressed					
	3. Sometimes disagreements are accepted and worked through; sometimes they are avoided or suppressed.	1	2	3	4	5
	4. Disagreements are usually accepted as necessary and desirable, and are worked through.					
	5. Disagreements are almost always accepted as necessary and desirable and are worked through.					
16.	Why do people work hard in this organization? (Choose from the following responses)	1	. 2	3	4	5
	1. Just to keep their job and avoid being chewed out.					

2. To keep their jobs and to make money.

- 3. To keep their jobs, make money, and to seek promotion.
- 4. To keep their jobs, make money, seek promotion, and for the satisfaction of a job well done,
- 5. To keep their jobs, make money, seek promotion, do a satisfying job, and because other people in their work group expect it.

In General, how much say or influence does each of the following groups of people have on what goes on in your department?



(Choose from the following)

- 1. Goals are announced with no chance to raise questions or give comments.
- 2. Goals are announced and explained, and chance is given to ask questions.
- 3. Goals are made up, but are discussed with workers and sometimes changed before being used.
- 4. Different alternative goals are made up by the supervisor, and the employees are asked to discuss them and say which they think is best.
- 5. Problems are presented to those workers who are involved, and the goals felt to be best are then set by the workers and supervisor together.

21.	Which of the following best describes the manner in which problems between units or departments are generally resolved?	1	2	3	4	5
	(Choose from the following)					
	1. Little is done about these problems - they continue to exist.					
	2. Little is done about these problems - they work themselves out with time.					
	3. The problems are appealed to a higher level in the organization - but often are still not resolved.					
	4. The problems are appealed to a higher level in the organization - and are usually resolved there.					
	5. The problems are worked out at the level where they appear through mutual effort and understanding.					
	1.2 NEGOTIATING LATITUDE ITEMS					
1.	How flexible do you believe your supervisor is about evolving activity structure? (Tick one only)	g cha	nges	in y	our	job
	He/She sees no need for change			1		
	He/She sees little need for change			2		_
	He/She is lukewarm about change		,	3		
	He/She is enthusiastic about change			4		
2.	Regardless of how much formal authority your supervisor hat position, what are the chances that he or she would be personal his or her power to help you to solve problems in your work? (nally	inc	line	d to	
	No chance			1		
	He/She might or might not			2	_	
	He/She probably would			3		

He/She certainly would

1.3 JOB SATISFACTION ITEMS

1. Please indicate ONE of the following statements which bestike your job.	st tells how you
I hate it	1
I dislike it	2
I don't like it	3
I am indifferent to it	4
I like it	5
I am enthusiastic about it	6
I love it	7
Please indicate ONE of the following to show HOW MUC satisfied with your job.	H OF THE TIME you fee
All of the time	1
Most of the time	2
A good deal of the time	3
About half the time	4
Occasionally	5
Seldom	6
Never	7
3. Please indicate ONE of the following which best tells how your job.	you feel about changing
I would quit this job at once if I could get anything else to do	1
I would take almost any other job in which I could earn as much as I am earning now.	2
I would like to change both my job and my occupation.	3
I would like to exchange my present job for another job.	4
I am not eager to change my job, but I would do so if could get a better job.	5
I cannot think of any jobs for which I would exchange my present job.	6
I would not exchange my job for any other.	7

4	Please indicate ONE of the following to show how you think you compare with other people.	
	No one likes his job better than I like mine.	1
	I like my job much better than most people like theirs.	2
	I like my job better than most people like theirs.	3
	I like my job about as well as most people like theirs.	4
	I dislike my job more than most people.	5
	I dislike my job much more than most people dislike theirs.	6
	No one dislikes their job more than I dislike mine.	7

APPENDIX 2

DISCRIMINANT ANALYSIS OF ORGANISATIONAL

CLIMATE VARIABLES (FROM T1 TO T2)

p	= 0.0001
Wilks Lambaa	= 0.5566626

Canonical Correlation = 0.6658359

ITEM NO.	SIGNIFICANCE	POOLED WITHIN-GROUP
		CORRELATIONS
3	0.0000	0.52581
2	0.0002	0.42937
4	0.0034	0.32934
7	0.0140	0.27455
1	0.0209	0.25781
11	0.0358	0.23376
9	0.0404	0.22806
10	0.0598	0.20909
19	0.0807	0.19383
8	0.3250	0.10865
16	0.3335	0.10675
18	0.4090	0.09109
5	0.4525	0.08286
17	0.4543	0.08252
21	0.5044	0.07361
14	0.6860	0.04455
6	0.7536	0.03459
15	0.8463	0.02135
20	0.8679	0.01832
12	0.8989	0.01400
13	0.9640	0.00497

Group Centroids

Group 1	(T1) -0.86744	Group 1	(T2) -0.50829
Group 2	(T1) -0.90080	Group 2	(T2) 0.52784

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