THE EFFECT OF FORMAL AND INFORMAL COMMUNICATION ON MANAGERIAL SATISFACTION AND PERFORMANCE: AN EMPIRICAL STUDY

Christopher Orpen

Abstract

128 middle-managers working for 12 different organisations supplied data about their communications with different persons in their organization. From this data measures were developed for each manager of (a) the frequency of his scheduled (formal) communications, and (b) the frequency of his unscheduled (informal) communications with superiors (upward communication), with peers (horizontal communication) and with subordinates (downward communication). Significantly positive relations were formed between unscheduled communications and job satisfaction, especially horizontal communication None of the relations between scheduled or unscheduled communications and job performance were significant.

There can be little doubt that the efficient functioning of large organizations requires an effective feedback system. Without the capacity to disseminate and obtain information, the organisation's very survival is at stake. So important is its communication network to any large organization, that several theorists have chosen to describe an organization as a system for gathering, interpreting and distributing information of one kind or another (e.g. Barnard, 1938; Bavelas & Barrett, 1951; Guetzkow, 1965).

Christopher Orpen is Reader in Management in the Department of Business Management at Bournemouth Polytechnic.

Although the critical role of the communication system is widely recognized, research is still urgently needed to specify the dimensions in terms of which communication can be studied, as well as the correlates of these dimensions. Among the most significant of these correlates that require investigation are employee productivity and morale. This was the major concern of the present study: To examine the major dimensions underlying commu-

nication systems in organizations and their relation to employee satisfaction and performance.

In the designing of any organization, plans have to be made, and procedures devised, for obtaining feedback from members who occupy different positions in the organization. This feedback can be transmitted in either one or two ways: through formally-established communication channels, or informally, by means of conversations and consultations of a temporary nature. Unfortunately, there is no clear-cut evidence regarding the impact of these two systems on organizational performance. On the one hand, there is some evidence which suggests that informal communication may be positively related to satisfaction and performance. The argument is that communication of this kind tends to be relatively open and spontaneous and to take place between equals, and that it is thus often felt to be satisfying (Simon, 1957; Blau & Scott, 1970; Dewhirst, 1971). Moreover, in many kinds of jobs, the information that is conveyed through temporary consultations and conversations is essential for effective performance (Berkowitz & Bennis, 1961; O'Reilly & Roberts, 1976).

On the other hand, a position association between scheduled communications and employee satisfaction and performance has also been posited. Essentially, the argument is that formal channels carry the two way flow of information so necessary to decision making. Since formal channels are likely to be characterized by written communications or meetings, the information transmitted is less subject to errors that is the case with the informal network (Katz & Kahn, 1966; Miller, 1965). Hence, through planned interactions could come a reduction in the distrust and unease that so often reduce satis-

faction with work and an increased sense of involvement in the organization. Both of these are likely to improve job satisfaction and encourage employees to greater effort (Lawler, 1971; Orpen, 1976).

There are at least two ways in which this apparent inconsistency in the literature can be resolved. First, it may be that formal and informal systems are not alternatives but instead occur together. While it has been suggested that informal channels tend to emerge when formal ones become inoperative, it has been proposed as well that formal and informal systems tend to be jointly active or jointly inactive. The term 'formal communication' has sometimes referred to the existence of written records and reports and at other times to planned conferences or meetings. Likewise, informal communication can include all interaction not officially sanctioned by the organization, or the reference may be more limited. In the present study, we have used the concept 'scheduled communication' to note the planned meetings in the organization and 'unscheduled communication' to refer to task-oriented interchanges that take place outside the meeting room. Hopefully, the greater clarity will help reduce some of the confusion regarding the relative importance of formal versus informal interaction. Finally formal and informal communications may be differentially associated with employee satisfaction and performance The observation from March and Simon (1958) that when they are able to do so, people tend to channel their communication to those who they like and with whom they are friendly is relevant here. It suggests that informal communication may be more strongly related to job satisfaction than performance. On the other hand, since formal communications are usually concerned with job-related demands and orders (Guetzkow,

1965; Read, 1962), it may be that this kind of communication is more strongly related to performance than to job satisfaction.

The present study was designed to throw light on the issues. It represents an advance over previous studies in this area in three ways. First, unlike most previous studies, separate measures were developed for both scheduled (formal) communications and unscheduled (informal) communications in a variety of work organizations. Secondly, the study did not only assess how employees felt about their jobs, but also how effectively they performed them. This enables a test to be made of the prediction regarding the differential impact of scheduled and unscheduled communications on these two important variables. Thirdly, within both types of communication a distinction was made between communication that was upward, horizontal and downward, following recommendations of March Simon (1958) who argued that they may have unlike effects on employee reactions to different aspects of their jobs.

Method

The subjects in the study were 128 middle-managers working for 12 different organizations. The organizations ranged widely across different sectors of the economy, including banking, insurance, manufacturing, mining and agriculture. No more than five subjects came from any single organization. The mean age of the subjects was 35,2 years. The average length of the time they had been with their present firms was 5,1 years. All of them were in company-designated 'middle manger' positions, with line responsibilities for a department or section concerned with the firm's operations. All respondents completed a specially-devised ques-

tionnaire containing the various measures during work hours. Assessment of the performance of each respondent was done with the help of one of their immediate superiors, who completed a short rating scale indicating how 'effective' they felt their particular subordinate was relative to his peers.

Two primary types of communication were distinguished; the scheduled routine meetings in the organization, and the unscheduled, impromptu exchanges among staff. To obtain data on scheduled communication each subject was asked the following: 'In every position it is necessary for things to get done to attend a certain number of scheduled meetings, committees and conferences. How many times in a typical week do you confer with others at formal meetings of this kind? What proportion of the staff in your part of the organization also attend them on a regular basis?' From the subjects' responses to this question, two measures of scheduled communication were developed. The first, which was used as an indication of the intensity of formal interchange among staff, was the number of meetings attended per week by each subject. The second, which was used as an indicator of the inclusiveness of scheduled communication was the proportion of staff who were involved in such scheduled meetings.

To obtain data on unscheduled communication, each subject was asked the following: 'In every position it is sometimes necessary in fulfilling one's job to confer informally with other people. How many times in a typical week do you confer in this way with people in the organization other than at scheduled meetings, conferences and committees? On average how often is this conferring done with people at the same level as you in the firm with subordinates, and with superiors?'

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From the subjects' responses to this question, three measures of unscheduled communication were developed. The first, which was used as an indication of the frequency of upward communication of each kind was the number of times per week each subject conferred informally with his superiors (for upward communication), with his peers or persons at the same level (for horizontal communication) and with his subordinates (for downward communication). The second, which was used as an indication of the relative preponderance of each of these kinds of unscheduled communications, was the number of upward, horizontal and downward communications each subject had per week, divided in each case by his total number of unscheduled communications over the same period.

Job satisfaction was measured by the widely-used Index of Job Satisfaction developed by Brayfield & Rothe (1951) and used previously with similar subjects (Orpen, 1976, 1980). It consists of 18 items covering different facets of the job situation to each of which subjects indicate the extent of their agreement-disagreement on a 5-point scale. It gives a measure of a person's general feelings of satisfaction or dissatisfaction with his job, taking all things into account. Following the recommendations of Campbell, Dunnette, Lawler & Weick (1970), the job performance of each subject was assessed by the ratings for 'overall effectiveness' they received from their immediate superiors. To obtain such ratings, each subject nominated the superior to whom he was most directly responsible. These superiors were each contacted individually and asked to rate their particular subject on 1-7 point scale of 'general effectiveness' ranging from 1 (very ineffective) to 7 (very effective).

Results and Discussion

We examined first the relationships between scheduled and unscheduled communication since, as noted, different linkages between the two had been proposed First there was the contention that formal and informal systems are either jointly active or inactive: inadequacies in one network are likely to be duplicated in the other (Guetzkow, 1965). The contrasting argument held that the informal system tends to emerge when the formal one fails. Hence, the two are alternative feedback mechanisms (Miller, 1965). Second, we assumed that the two could be independent: that the presence of one would predict neither the presence nor the absence of the other. For the study we decided that a strong positive relationship between the two dimensions would support the first assertion. However, if the relationship was strongly negative, the indication would be that informal and formal mechanisms, at least for the study sample. Finally, as argued earlier, a statistically insignificant relationship would be taken as indicative of the independence of formal and informal channels.

The measures of scheduled communication correlated negatively but weakly with the measures of both upward and downward communication (see Table 1). Although the relationships were indirect, the size of the correlations suggested that the variables tended to be independent. Hence, it appeared as if formal and informal systems were not related at least in the organizations examined in the present study, to the extent predicted by March & Simon (1958) and Bavelas & Barrett (1951). This finding suggests the need for further study aimed at uncovering the precise conditions under which formal

and informal channels will be respectively positively and negatively related. For instance it may well be that formal mechanisms alternate with certain informal patterns but not with others. Therefore, it would be more relevant to study the aspects of informal communication which relate to formal activity than to ask whether all patterns of informal communication connect with formal interaction.

seen in Table 2, the scheduled communication measures correlated negatively with the index of job satisfaction, whereas the unscheduled measures were positively correlated with it. However, caution is needed in interpreting both these results. For one thing, the size of the correlations between scheduled communication and satisfaction suggests that only about 0.4 per cent of the variation in satisfac-

Table 1
Correlations between Scheduled and Unscheduled Communications
Unscheduled Communications

Scheduled Communications	Upward		Horizontal		Downward	
	Freq.	**Prop.**	**Freq.**	**Prop.**	**Freq.**	**Prop.**
Number of meetings	-.12	-.10	.09	.13	-.10	-.08
Proportion involved in meetings	- 15	-.12	.10	.08	-.12	-.13

N = 128

As indicated earlier, our primary concern with the relationships of communication scheduling with employee satisfaction and performance. The results here were fairly clear-cut. As can be

tion can be accounted for by differences in communication of this kind. For another, although all of the correlations between unscheduled measures and satisfaction were positive, few of

Table 2
Correlation of Communication Measures with Job Satisfaction and Performance

	Job Satisfaction	Job Performance
Scheduled Communication		
Number of meetings	-.22*	.07
Proportion involved in meetings	-.19*	-.10
Unscheduled Communications		
Frequency of upward communication	.20*	.06
Proportion of upward communication	.12	.10
Frequency of horizontal communication	.28**	.15
Proportion of horizontal communication	.19*	.08
Frequency of downward communication	.11	-.01
Proportion of downward communication	.10	.09

N = 128
* p<.05
** p<.01

them were highly significant (p <.01) suggesting that the impact of this kind of communication on satisfaction is relatively slight.

It is noteworthy that the correlations between unscheduled communication and job satisfaction were not the same for the three kinds of such communication that were studied. Specifically, the correlation between horizontal communication and satisfaction was higher than those between either downward and upward communication and satisfaction. The stronger association between satisfaction and informal contact with others at one's own level is consistent with the findings of other studies (e.g. Blau & Scott, 1970; Read, 1962). The explanation for this probably lies in the fact that individuals tend to get greater enjoyment out of lateral communication, because the persons with whom they communicate are likely to share their interests and concerns, and because such contact is likely to be less threatening or anxiety-provoking than contact with either one's superiors or subordinates (e.g., Simpson, 1959; Landsberger, 1961).

The fact that the correlations between each kind of unscheduled communication and job satisfaction were positive is in line with a host of studies, starting with the Hawthorne studies in the 1930's (Mayo & Rothlisberger, 1931), which have documented 'the extent to which people feel positively about their jobs if they have their needs for belonging and acceptance gratified through informal contacts with others. Finally, as is clearly evident in Table 2, none of the relations between either scheduled or unscheduled communications and performance were significant. This, again, is not an unexpected result. For one thing, expectancy theory (Vroom, 1970; Orpen, 1976) informs us that performance is a direct function of effort, ability and accurate role perceptions, none of which are strongly affected by the level of either scheduled or unscheduled communications. For another, although such communications do have impact on satisfaction, positive feelings about one's job have not been found to be closely associated with effective performance. For instance, reviews of the relationship between satisfaction and performance (e.g., Brayfield & Crockett, 1968; Vroom 1970) have only reported fairly low positive correlations between the two variables.

Although the results of the study are fairly clear-cut, further research is required to elaborate and clarify the exact nature of the relationships between different kinds of communication and employee morale and productivity. For instance, we need to know more about the possible ranges for effective communication in an organization. Read (1962) observes that organizational operations depend not upon a maximum but on an optimum of information exchange. Similarly, Miller (1965) posits that difficulties occur in an organization when there are excess rates of information. Perhaps there can be too much communication, and the increased scheduling of meetings would dampen rather than raise the level of enthusiasm about the organization. The dysfunctions associated with the structuring of communication also deserve further attention. Katz & Kahn (1966) report that while formal channels may make for more effective coordination and control, informal networks tend to be better suited to problem solving. The unstructured system provides for more rapid feedback and quicker adjustments to sources of strain. Indeed, organizations may face the dilemma of having to balance the efficiency of a formal feedback system with the task effectiveness of informal feedback. The present study

has indicated some components of communication which can be studied and thereby has laid the groundwork for more detailed discussions on communication, satisfaction and performance.

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