Modern Forms of Laissez-Faire Organization

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In a classic series of experiments (1938-1940), social scientists discovered that there were three "social climates" rather than just democracy and autocracy as envisaged. The third arose from believing that democracy meant individual freedom, people could "do their own thing," and was called laissez-faire (Lippitt, 1940). This confusion of laissez-faire and genuine democracy based on shared and agreed rules, practices, tasks and goals is unfortunately, still with us.

As the experiments progressed, it became clear that in the laissez-faire climate, there was even less productivity than in autocracy. The boys were extremely frustrated and took out their aggression on others as well as each other.

In 1967, the genotypical organizational design principles were discovered (Emery F, 1967). The first design principle called DP1 for short produces autocracy while the second called DP2, produces participative democracy. In DP1, the basic organizational module is a section of individuals reporting to a supervisor who has the right and responsibility to coordinate the work of the individuals and control their behaviour. In DP2, the basic organizational module is a self managing group where the group has the right and responsibility to coordinate the work of its members and control their own behaviour.

At the same time, it was found that DP2 was associated with 6 factors that defined the psychological requirements for productive activity, and DP1 was negatively associated with these factors (Emery & Thorsrud, 1969). When people have their psychological requirements met at work, they enjoy it and are motivated to be productive. These 6 criteria are, therefore, referred to as the intrinsic motivators.

To be effective, DP2 organizations must be planned, designed, agreed to and formally and legally confirmed. Even representative democracy (DP1) does not happen because of leadership or leadership style. It exists because both leaders and citizens have rights and responsibilities that are formal and legal. In organizations trying to engage employees by making informal changes in for example, management style, the result is a kind of pseudo-empowerment that can be changed at the whim of management, and everyone knows that.

After the discovery of the design principles, it became clear that 'social climates' were actually social structures and laissez-faire was an absence of structural relationships between the people. However, there are no pure laissez-faire organizations out there. If they existed they would be hard to research because pure laissez-faire is not sustainable and needs either to progress to real democracy or regress to autocracy.

On the other hand, recent research shows that there are modern forms of organization that approximate laissez-faire structure (de Guerre, 2000, de Guerre & Hornstein, 2004). They exist as temporary phenomena within organizations trying to 'change.' They represent either incomplete efforts at democratization, or attempts by bureaucracy to act 'as if' it was a democracy.

Change programs such as employee involvement, empowerment or engagement programs; participative leadership programs that aim to change the management style but not the structure; and team development programs using a team concept are some examples of what creates our modern laissez-faire forms (Hornstein & de Guerre, 2006; de Guerre et. al. 2007).

Purser and Cabana (1998) have documented a paradigm clash between the application of human relations theory and open systems theory that is relevant to laissez-faire. Both theories use many of the same words but with very different meaning (de Guerre, 2002). One researcher (Gratton, 2004) even suggests that democratic organization creates an internal capital market in which individuals must compete with each other. In her view, what makes for a democratic organization are proper human resource policies that allow for fair competition and a superficial meritocracy.

Gratton is actually describing how DP1, autocracy not democracy, works in practice. Because DP1 produces competition, people put their energy into competing with each other and not into competing with the organization's competitors. But it is more serious than that. In such a system, one collaborates with others when it is to one's advantage, but one can betray a trusted collaborator quickly when the advantage changes. One has to stay loose and flexible they say. The result is often a deep bitterness, a looking out for self, mistrust, manipulations and negative emotion. The consequence of these experiences over the long term is distress and the consequence of distress over the long term can be mental illness (de Guerre et. al., 2007).

This is a view of democracy based on one person, one vote or representative democracy applied to organizational life. It is a view of democracy that denies our purposefulness and group life. It is called democracy but the structure underlying it is actually DP1, autocracy. It bears no resemblance to participative democracy as defined by DP2. It is another example of how confusion arises from human relations theory which relies on words rather than functional concepts.

The confusions evident in social science about democracy, autocracy and laissez-faire flow into change management practice. Democratizing is not about letting go of control, or loosening control. Rather it is about putting control directly where it can be best applied. DP2 organizations are in tighter control than DP1 as evidenced by their higher productivity and quality (Purser & Cabana, 1998). Organizations are not just social systems. They are socio-technical systems and joint optimization of the social and the technical system has long been proven to be more effective. Jointly optimized sociotechnical systems are now called participative democratic or DP2 organizations.

There are several ways in which organizations can slide towards laissez-faire. Decentralisation is one way. People often report that the goals and measures are set by someone 'up there' that does not understand anything about the local context or the work to be done. They become unclear or confused about the nature of the goals and measures. The management theory in use is to set tough targets and delegate the 'how' to teams. Teams and employees are supposedly empowered because they can reach the targets any way they see fit. This 'how to do it' is supposed to be their expertise and what they get paid for.

Sometimes upper management will decree a flattening of the organization hierarchy by delayering a level or two of middle management. The remaining managers have to pick up the slack and are consequently too busy to spend as much time managing subordinates. This is an abdication on management's part, not a change in design principle. Subordinates are often asked to co-ordinate work using modern technology to communicate with each other instead of going through a supervisor. This may or may not happen effectively. Typically, in such situations performance is sporadic, seemingly dependent on the weather or some other unknown factor. The point is that this is another modern form of laissez-faire characterized by over-work, confusion and ultimately distress.

Sometimes, the manager does not provide all the information required, or all the tools required for doing the whole task. That is not part of the notion behind participative management/leadership or team concept. It is not task focused. Rather, the notion is one of improving human relations to better motivate employees. The simple theory is that happier employees will work harder and resist less. Managers and supervisors are trained to listen to employee's ideas and concerns and employees are given some more autonomy or larger area of decision making authority. Another variant is the special offline problem solving teams common to TQM.

One of the most common forms of a modern form of laissez-faire organization consists of a team leader (trainer, leader or coach - TLC) with a so-called 'team'. This is the form in which a warm and friendly supervisor (TLC) still holds responsibility for control and coordination of work, but has specialized leadership or facilitation skills training. The job of the TLC is to build an empowered team of some kind. The organization is still formally DP1 but the controls have been loosened up to some extent. Rather than the 'old' management functions of planning, organizing, directing and controlling, in the organizations with TLCs, management's 'direction' has been changed to 'leadership' (planning, leading, organizing and controlling). The organization design principle has not changed.

Modern forms of laissez-faire, therefore, have a formal and legal DP1 structure in which some of the control and coordination function normally held by supervisors or management has been delegated to employees or so-called 'teams'. This is done in the name of 'empowerment'. In some of these organizations, people can do pretty much what they want to get the job done. That is, until things go wrong. Then the formal and legal structure kicks in.

In these systems, people sometimes report more autonomy and more control over their work. They like laissez-faire better than bureaucracy because now, at least some of the time, the manager/leader is disempowered and the employee is more empowered. With their higher autonomy some employees seek information and education and use their skills to create higher performance (Emery, 2006). So for a while at least, things look good.

However, there are not clear career paths, mutual trust and respect is lacking, and people still have individual jobs that are often over specialized, and this constrains elbow room, learning and variety. They may meet as a team with their supervisor or leader to discuss areas of common concern from time to time but they still work as individuals. Usually, they also still have individual performance management systems and individual reward systems. Although intrinsic motivation may be higher than in DP1, at best, it is mediocre and at worst, very low (Hornstein & de Guerre, 2004).

Exactly who is responsible for what is unclear. Supervisors and managers still hold accountability and responsibility for the behaviour of their subordinates. It is still a hierarchy of personal dominance and problems start when employees do something that the manager/leader disagrees with. Thinking that they are empowered, employees may make some changes that the manager does not like. When the manager re-takes control of the situation employees feel disempowered just as they do in DP1 organizations. Now, however it is worse because they are supposed to be empowered.

Since human beings are open systems, they learn. What are they learning in these laissez-faire organizations? They are learning to adapt to a workplace characterized by uncertainty, confusion and negativity. They learn to watch out for themselves and to compete with their fellow employees, all the while superficially pretending to be 'team,' particularly in team meetings or 'team health' sessions. They learn that one cannot get it right, that the so called team and empowerment programs are really not going to work because management isn't really serious. One often hears that they will get onboard with the change program when management starts 'walking the talk.' What often happens is that the owners learn that teams and empowerment schemes don't work and replace the management team that began the change process. The new management team re-establishes a tightly managed DP1 organization. They can do this quite easily since the formal and legal structure was never changed.

Modern forms of laissez-faire organization have been around at least since the late 1970's, but became particularly numerous and problematic during the mid 1990's when the revitalization of laissez-faire capitalism or what some have called 'Corporatism' became the dominant organizational and governance philosophy. The invisible hand of the market, particularly when coupled with new technology, was seen as a better way to manage than attempt to build democratic forms of organization. Organizational casualties were seen as part of the laissez-faire capitalist way of adapting to globalization. With these beliefs, the number of laissez-faire organizations increased.

Current Research

Our recent and continuing research into productive organizations and the promotion of mental health in the workplace allows for some statistical analysis of laissez-faire in organizations today. This comprehensive research program has been conducted in four organizations so far (N=335). It measures a wide range of factors that have been found to be critical in determining individual and organizational health and it uses scales specifically constructed for each of DP1, DP2 and laissez-faire (deGuerre et al, 2007). All of the organizations surveyed had some components of laissez-faire.

Systemic Results

Figure 1 presents the graph showing the consequences of a laissez-faire organization. These causal paths are read just like road maps. They show what leads to what. As low accountability cannot cause laissez-faire or the 6 criteria and intellectual satisfaction, the arrows run from laissez-faire and the 6 criteria cluster to low accountability. Before we discuss the causal path in detail, we note that there are only two personal characteristics of relevance to the outcomes. The first is socioeconomic status (SES) and the second is the personality factor SO which is a measure of whether a person gets their stimulation from primarily inside or outside themselves. SES makes a small contribution to the lower sick days and higher workload, and SO makes a small contribution to accountability. Overwhelmingly, the major contributors are organizational.
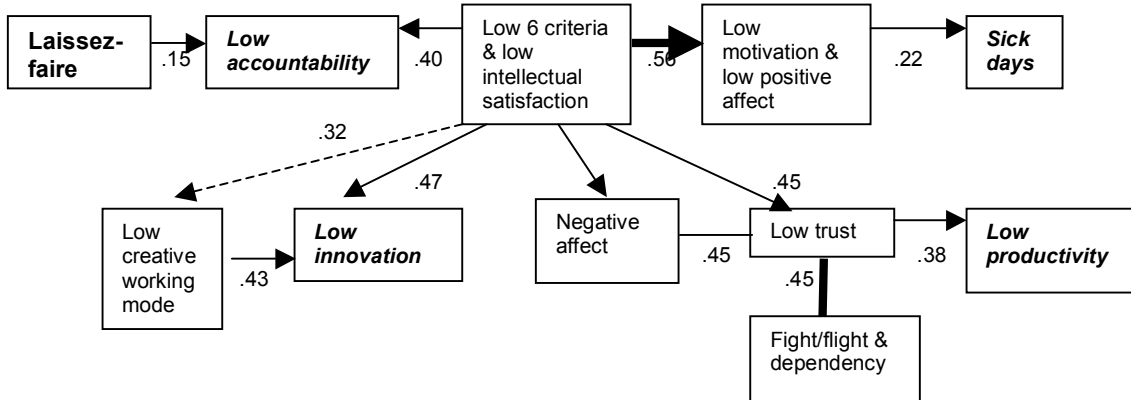
r=.10 @ p<.05, r=.14 @ p<.01, r=.17 @ p<.001

Figure 1. Causal Path for Laissez-faire

There are two cores in this graph shown by the thicker lines. The first consists of the clusters headed up by low 6 criteria (intrinsic motivators) and low motivation. Low levels of the 6 criteria and intellectual satisfaction lead to low motivation and low positive affect as would be expected. People in LF organizations are not highly motivated and do not have very much positive affect while at work. Low motivation and positive affect then leads directly to taking time off work for sick days. Low scores on the 6 criteria and low intellectual satisfaction (having a job which demands little mental effort, having few opportunities for learning, being easy to replace and having a low sense of achievement) is an extremely powerful cluster as it also leads to low accountability, low innovation, negative affect and low trust. It also has a strong secondary link to low levels of the creative working mode which in turn also leads to low innovativeness.

The creative working mode is characterized by a task focus, high creativity and a positive emotional tone. One can observe a lot of laughter, cooperation, camaraderie and multi-tasking when people are in the creative working mode.

Laissez-faire also links directly with low accountability and also has secondary links not shown, to the 6 criteria cluster. Contrary to the Human Relations theory that team leaders produce people who are more empowered, this analysis shows it cannot be genuine empowerment as people do not feel accountable for their work. Clearly, they still see responsibility as located at least one level above themselves, i.e. with the supervisor, team leader or next level of management. Figure 1 may be contrasted with Figure 2 below in which the second design principle (DP2) is shown to produce genuine empowerment which leads to high levels of accountability.

On the lower right hand side of the graph, the second core is between the basic assumption of fight/flight and dependency with low trust. Fight/flight is what would be expected in laissez-faire. As described above, it makes sense. Neither is it surprising that there is low trust. People do not trust management in this type of

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organization because management seems to change its mind -- involving people some of the time or for some purposes, but holding onto command and control. The point is that no one is clear about exactly who is accountable for what. Moreover, in a basic assumption group of fight/flight, neither can people trust their peers and it is not uncommon for cliques to form. The location of control and coordination is sometimes with the supervisor (team leader) and sometimes with the work team. Since no one is clear, the work environment is unpredictable and therefore untrustworthy. Thus trust and the consequent quality of relationships are low for many.

The basic assumption group of dependency that is so common in DP1 organizations is also found in LF organizations. It will arise when people realize that the TLC is still the boss and nothing has actually changed. Despite the cosmetic changes, the structure is still DP1. Bion (1962) suggests that in dependency, the group assumes it has a great and skilled leader and therefore, does not need to work hard or learn. This fits well with the basic theory in use in TLC. The assumptions about people that lie behind DP1 are that people are unreliable parts and essentially irresponsible unless motivated or controlled. Trainers, coaches and leaders are, therefore, needed. In this sense, as most workers in TLC know, the cosmetic changes are really just a more subtle form of control. And, therefore, the team responds with dependency. It is a self-reinforcing cycle. Low trust and these group assumptions are associated with high levels of negative affect. The effect of this configuration of low trust, group assumptions and negative affect is low productivity.

In summary, low scores on the 6 criteria and low intellectual satisfaction, which are the primary enablers in this graph, lead:

- directly to the output variable of low accountability which is also influenced directly by laissez-faire;

- directly to low creative working mode and low innovation

- through the additional enabling factors of negative affect, low trust and basic assumption group dynamics (fight/flight and dependency) to the low productivity; and

- through the enabling factors of low motivation and low positive affect to sick days.

Figure 2 shows the causal path for Orgs 3 and 4 combined as these two organizations have completed the more comprehensive mental health version of the questionnaire and showed the same pattern of results. It shows the path for high DP2 (and low DP1), their effects on the enabling factors and then on the outcomes.
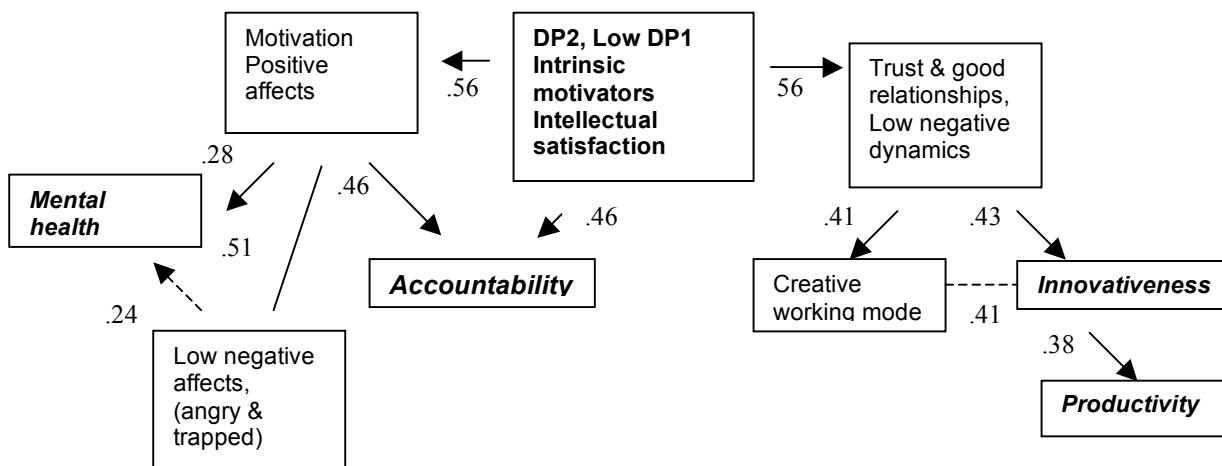
r = ..23 @ p<.05; r = ..30 @ p<.01; r = ..37 @ p<.001

Figure 2. Interrelationships of Design Principles, Mediators and Outcomes for Orgs 3 & 4

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The central cluster also containing the intrinsic motivators and intellectual satisfaction leads to motivation and the positive affects to the left, to accountability below and to trust and good relationships and low dynamics or group assumptions to the right. Motivation and positive affect with low negative affect then lead to mental health. On the right, the trust cluster then leads to innovativeness and the creative working mode which is also linked to innovativeness and this in turn leads to productivity. This is essentially the same causal path for org3, discussed in more detail in de Guerre et. al, 2007.

The path shown is for DP2, (not DP1). As these graphs are mathematical entities, they may be reversed. Obviously, the path for DP1 (not DP2) would result in low levels of mental health, accountability, innovativeness and productivity, that is, the same pattern of results as found for laissez-faire. Figure 2 is, therefore, the opposite of Figure 1 and confirms that today's modern forms of laissez-faire are still really DP1. We may call organizations that have gone into forms of team leader or TLC, loose DP1 or the LF form of DP1. Further analysis of some of the similarities and differences may help us to understand the characteristics of modern forms of laissez-faire organization as differentiated from democratic organizational forms.

Tabular results

As a check on the causal paths, we tested the differences between the two design principles and laissez-faire. We have also included the scores for 'TLC', those that work in a team with a leader for everyday work. The categories of DP1, DP2 and LF are the percentages of people who scored higher than ½ standard deviation above the mean on these three scales. In each case, the data were tested by Chi Square.

The graphs below illustrate the differences on the key factors discussed above. They are grouped up in the order in which they appeared in the causal paths, starting with the 6 criteria. The differences mainly speak for themselves.
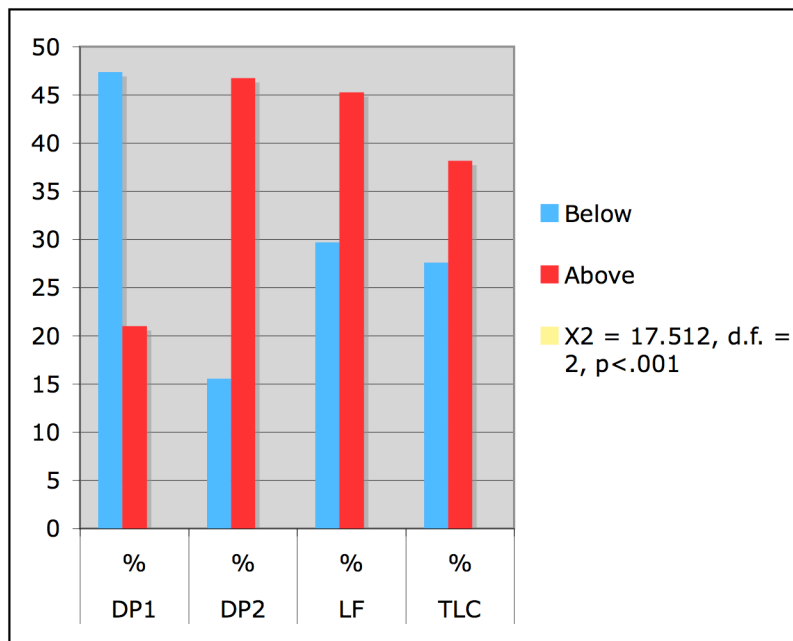
**Figure 3. 6 criteria -- intrinsic motivators**

DP2, LF and TLC score better than DP1 on the six criteria for productive human activity, the intrinsic motivators, taken as a set. However, LF organizations and TLC have a significantly larger per cent falling below the mean compared to DP2.

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In Figure 1, the 6 criteria were clustered with intellectual satisfaction. Again we see in Figure 4 that DP2 produces much higher levels of intellectual satisfaction than any of the other forms. TLC is again closer to LF than to either of the design principles.
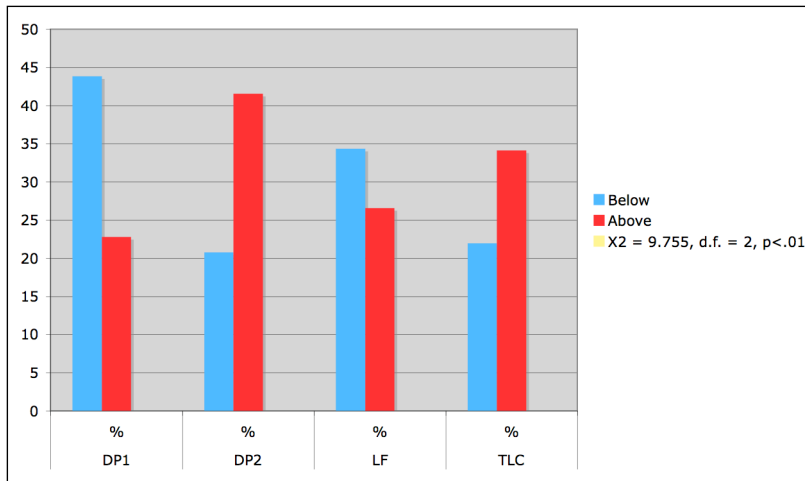
Figure 4. Intellectual Satisfaction

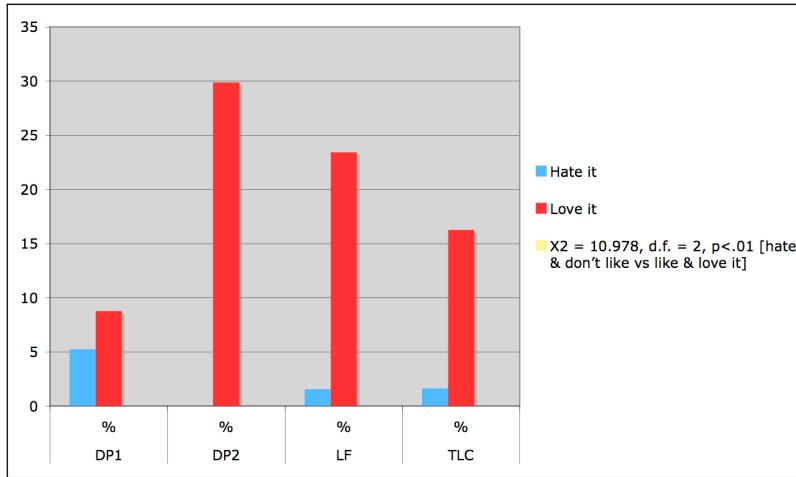The 6 criteria and intellectual satisfaction lead to accountability.
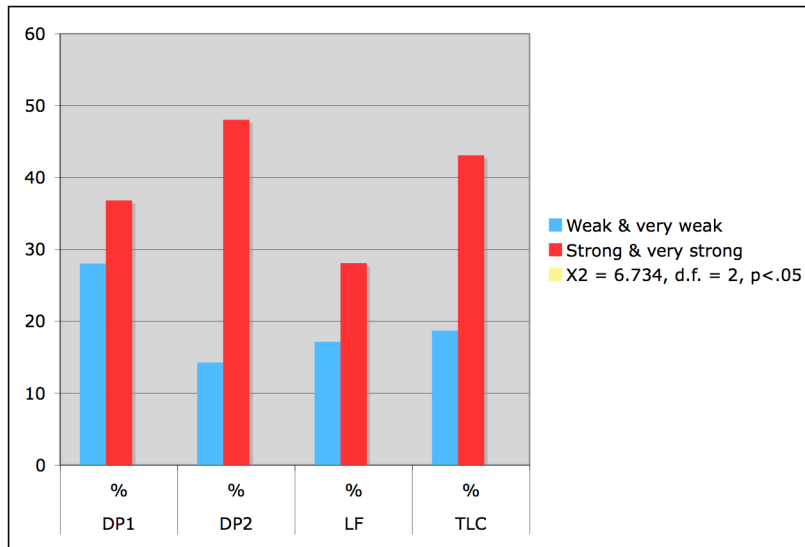

Figure 5. Accountability

Figure 5 shows that LF has the lowest percentage of people saying accountability is strong or very strong. In this case, TLC is closer to DP2 than LF.

The 6 criteria and intellectual satisfaction also lead to motivation and positive affect. That in turn leads to number of sick days. In Figure 6 we see again that DP2 produces the highest motivation and TLC is closer to LF than DP2. This pattern is again repeated in Figure 7 for the total scores on positive affect and Figure 8 for sick days.
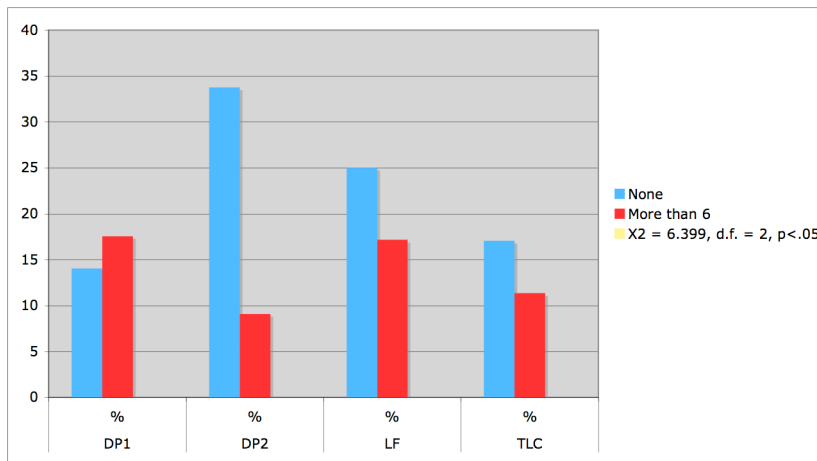
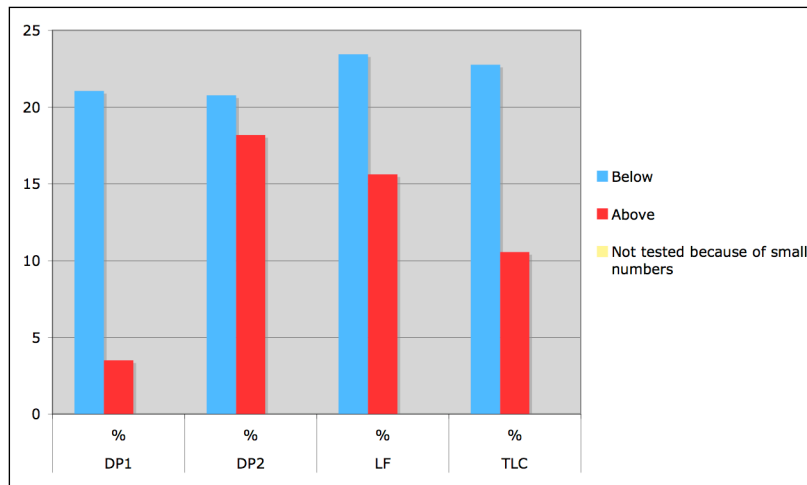**Figure 6. Motivation (hate & love the job)**
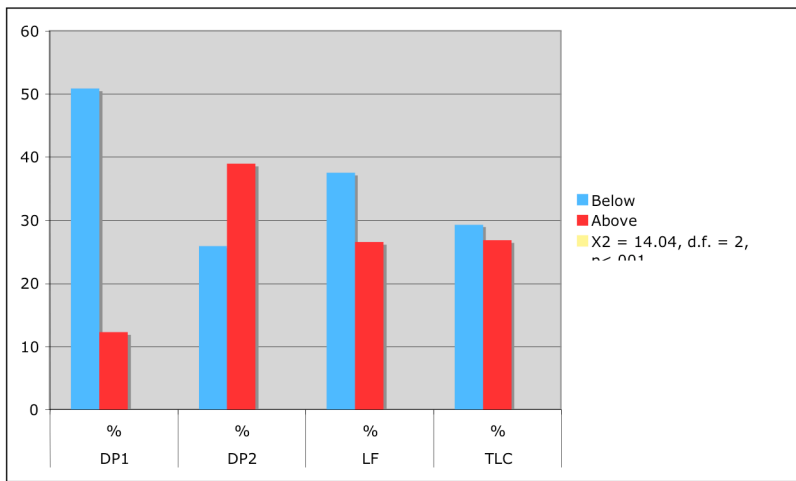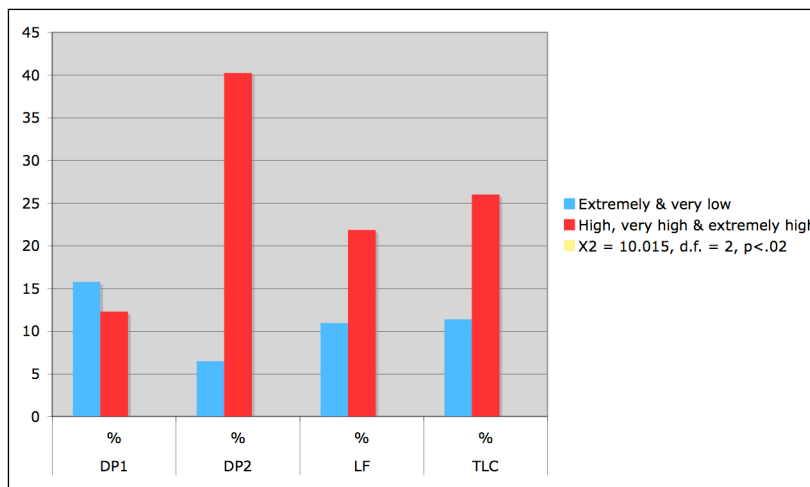

Figure 7. Total Positive Affects

Figure 8. Sick Days

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The 6 criteria and intellectual satisfaction also lead to the creative working mode and innovativeness. Again in Figures 9 and 10 we see the now familiar pattern of DP2 having the best result and TLC being closer to LF than DP2.


Figure 9. **Creative Working Mode**


Figure 10. Innovativeness

Low levels of the 6 criteria and intellectual satisfaction also lead to the block of low trust, fight/flight and dependency and negative affect, and these collectively lead to low productivity, Figures 11-15. The pattern in Figures 11 (trust), 14 (negative affect) and 15 (productivity) is the common pattern we have come to expect.

In Figures 12 and 13, the dynamics of fight/flight and dependency, we see something different. TLC shows the second highest levels of these destructive dynamics, almost as high as DP1 and certainly much higher than DP2.

The differences in productivity are not significant but the costs of achieving reasonable productivity in DP1 or the LF forms of organization are high. Low trust and high negative dynamics create an unpleasant atmosphere and negative affect. Negative affect is associated with stress and consistent high stress is known to adversely affect health, mental as well as physical health (Figure 2).
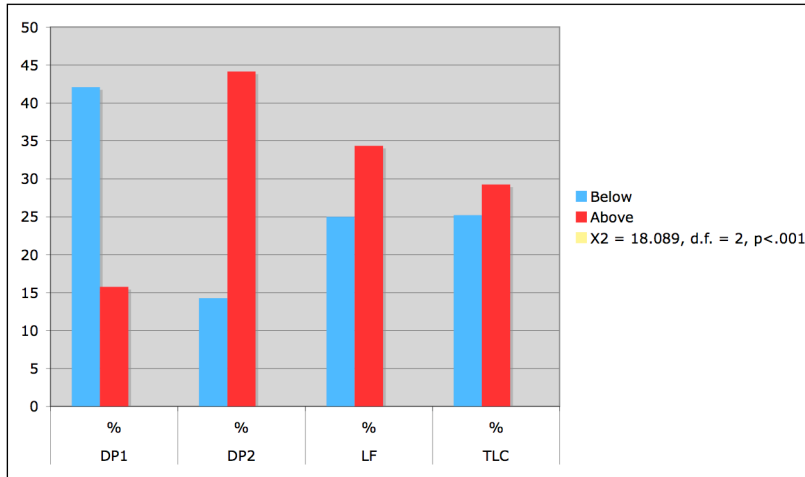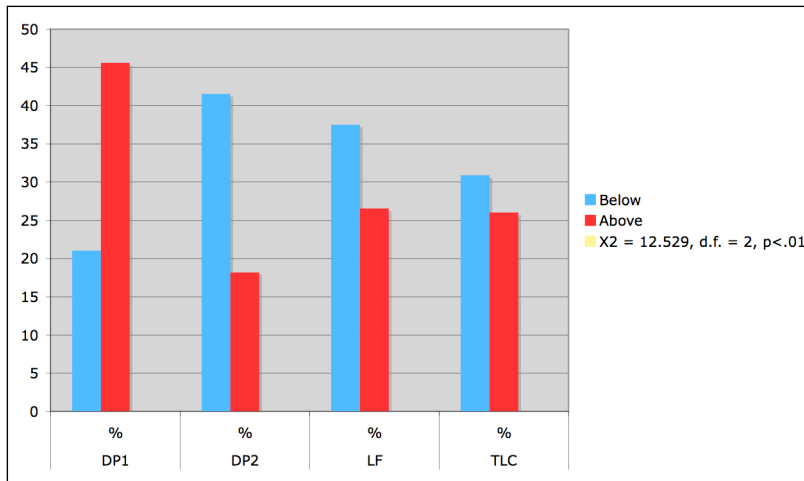
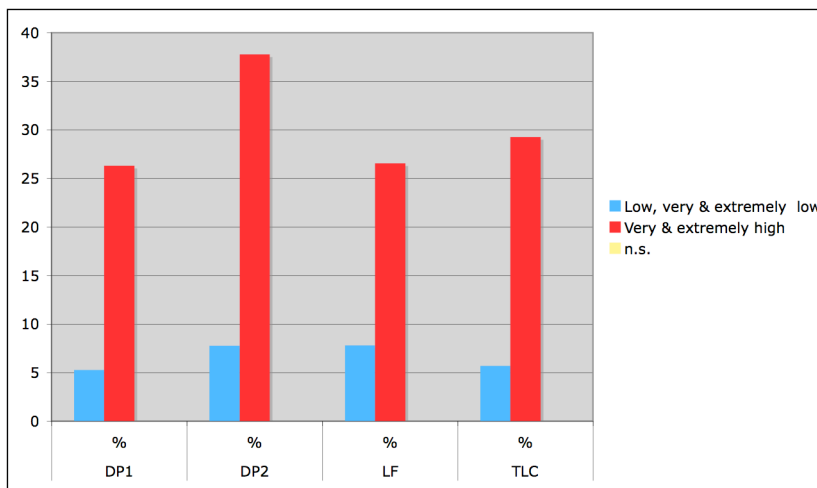**Figure 11. Trust & quality of relationships**
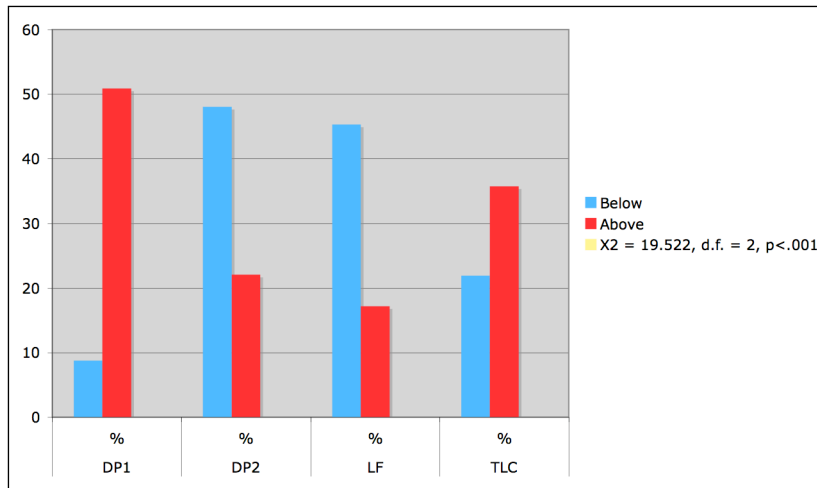
Figure 12. Fight/flight
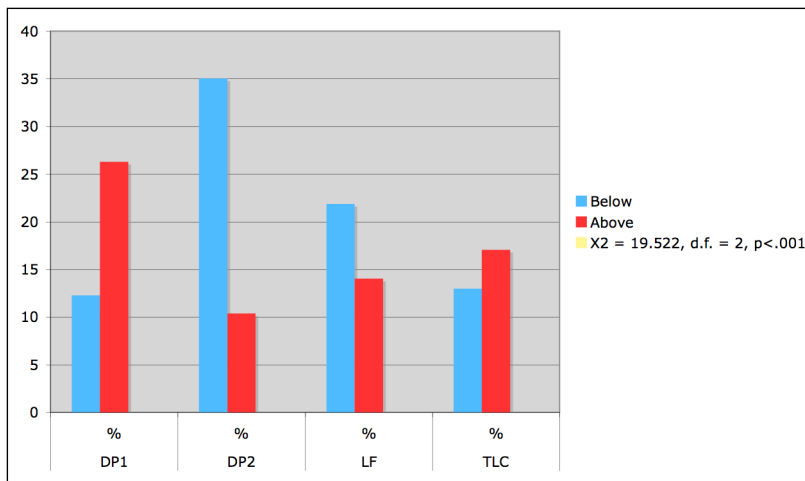
Figure 13. Dependency

Figure 14. Total Negative Affect

Figure 15. Productivity

Discussion and conclusion

This research provides us with a systemic view of modern forms of LF organizations that are clearly different from DP2. LF organizations and DP1 organizations have similar effects and both are very different from DP2. On all measures, DP2 is far better for people and organizational performance than either tightly managed DP1 or the more loosely managed versions found in modern forms of laissez-faire. In many ways, laissez-faire is quite damaging as it creates and entrenches the dynamics of fight/flight and dependency that are highly stressful and can result in cynicism such that people exploit opportunities to take care of self first.

These analyses show the validity of observations made in action research projects and the first hand comments of workers who have experience with LF forms of organization.

The intent in LF is often to motivate employees by empowering them to be more involved in some decisions. Too often, real empowerment and decision making authority is not delegated and remains with the supervisor (TLC). However, the controls are loosened up as supervisors try to practice the leadership skills they have been taught and employees are able to use the space created to gain more elbow room, variety and learning on the job or other of the 6 criteria. Decisions about scheduling, or vacation are sometimes the kind of increased formal decision making authority that is delegated. There is also often more receptivity to employee suggestions that may even be elicited in special 'team' sessions. The unintended adverse

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consequence of this change in management style without changing the design principle is that employees in fact are pitted against each other. This is the form of organization that unions resist because their experience tells them that it splits their membership, some of whom are for the new leadership and some against. Cliques, and fights between these cliques break out and doubt, mistrust and even cynicism about the new leadership is a common result. Thus we get fight/flight dynamics created by the confusion between democracy and laissez-faire.

The main output variables for organizations in this study are

- accountability when things go wrong which is critical for individual and organizational learning and continuous improvement

- innovativeness, a capacity for which is essential in today's global economic environment

- productivity, needless to say a requirement for survival

- sick days taken in the last six months.

On none of these measures was LF able to meet or better the results for DP2. In most cases it was closer to DP1 than DP2.

Nevertheless, for some people it appears that TLC is a better form of DP1. If you have to have a supervisor, better that this person be warm and friendly. However, people in LF and TLC organizations take almost as many sick days as people in DP1. Other research has also shown that DP2 promotes mental health at work (de Guerre, et. al., 2007). LF forms appear not to.

In conclusion, this is a very preliminary look at modern forms of laissez-faire organization. It is enough to demonstrate that there is such a phenomenon and to begin to describe some of the characteristics of LF as differentiated from democratic forms (DP2). The tabular data reflected in the tables reported here indicates that in modern LF organizations some people are able to exploit the loosened up DP1 structure for their own ends. While LF shows reasonably positive levels for the 6 criteria and some factors such as intellectual satisfaction, its scores on innovativeness and care are low and it has a high number of sick days.

The data reported here also clearly shows that TLC is a modern form of LF. In twenty of the twenty-seven measures in the mental health research, the scores on the positive categories for TLC are closer to LF than any other organizational form. TLC does not show the profile of self-management one sees with DP2.

Now that we know that there are modern LF organizations and we have been able to differentiate some of the characteristics, further study is indicated to increase our understanding of LF and TLC on people and productivity. What is the contribution of these modern forms of LF to both mental and physical health, to community and the taking of responsibility in a democratic society? More organizations willing to participate in this research and provide accurate output measures would help us to answer those questions.

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