The Determinants of Disciplinary System Effectiveness: A Line-Management Perspective

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This study examines how characteristics of an organization and its disciplinary system affect line-management perceptions of disciplinary system effectiveness. Using responses from 418 organizations, we found a curvilinear relationship between disciplinary system restrictiveness and perceptions of disciplinary system effectiveness. Results also indicate that monitoring costs, investment in training, grievance systems, unionization, and pressure to perform are significantly related to perceptions of disciplinary system effectiveness.

Introduction

In studying the determinants of managerial perceptions regarding the effectiveness of the disciplinary system, it is necessary to examine the impact of organizational characteristics. Because organizational factors may affect the costs associated with using discipline, the impact of disciplinary sanctions, and the need to use sanctions, they are also likely to affect the perceived effectiveness of the disciplinary system. This article, then, examines how characteristics of the disciplinary system and the organization affect managerial perceptions regarding the effectiveness of the disciplinary system.

Disciplinary System Restrictiveness

According to the principal-agent literature (Jenson and Meckling, 1976), managers value having the power necessary to motivate and control subordinates. Thus the perceived effectiveness of the disciplinary

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system is unlikely to be high where restrictions prevent the exercise of power in controlling problem employees. By contrast, according to the procedural justice literature (Lind and Tyler, 1988), the perceived effectiveness of the disciplinary system is unlikely to be high where there are few or no restrictions on managers. This literature argues that discipline is carefully scrutinized by coworkers who are not involved in an incident (Trevino, 1992) and that managers want their use of discipline to be seen as fair by these coworkers (Greenberg, 1990). This literature further argues that using discipline in the absence of rules and procedures is likely to be seen as unfair because the action is not legitimized by accepted and seemingly neutral standards. Because managers want their actions to be seen as fair, lower levels of perceived effectiveness are expected where there are few or no restrictions on managerial discretion.

Taken together, these seemingly contradictory perspectives suggest a curvilinear relationship between restrictiveness and perceived effectiveness. Curvilinearity is expected for two reasons. First, the procedural justice literature suggests that, at some point, the benefits of adding restrictions level off. When the existing system contains a number of restrictions, the marginal effect of adding additional restrictions on the legitimization of discipline will be minimal (Greenberg, 1990). Second, the literature on managerial power suggests that when a system contains few restrictions, adding rules and procedures will have only a modest impact on managerial authority until a critical mass is reached, whereupon the effects will grow exponentially (Klaas et al., 1998). Thus, when restrictiveness is low, adding restrictions should result in greater perceived effectiveness. Under such conditions, increasing restrictiveness will help legitimize disciplinary action, and this will offset any negative impact such restrictions may have on managerial power. However, once sufficient restrictions are present to legitimize discipline, adding more restrictions is likely to reduce perceived effectiveness. In such circumstances, increases in restrictiveness will limit managerial authority without producing ancillary benefits for managers.

Hypothesis 1: There will be a curvilinear relationship between disciplinary system restrictiveness and perceived disciplinary system effectiveness.

Disciplinary Incident Rate

Disciplinary systems are designed to discourage problematic behavior and to quickly correct what problems are observed. Thus managers are
likely to see the disciplinary system as being less effective in organizations where the rate of disciplinary incidents is high.

Hypothesis 2: There will be a negative relationship between the disciplinary incident rate and perceived disciplinary system effectiveness.

Monitoring Costs

There is substantial variation across organizations in the difficulties and costs associated with monitoring employee performance (Althauser and Kallenberg, 1981). Where these costs are higher, using discipline effectively is likely to be more difficult and time-consuming. By making it more difficult and costly to use discipline, high monitoring costs are likely to reduce the perceived effectiveness of the disciplinary system.

Hypothesis 3: There will be a negative relationship between monitoring costs and perceived disciplinary system effectiveness.

Investment in Training

Disciplinary systems are likely to be judged in terms of the degree to which they are effective in changing employee behavior. The disciplinary system’s capacity for producing such change is likely to be influenced by the nature and degree of training offered to employees (Steinmetz, 1969). Where employees do not have the skills required to respond to disciplinary sanctions (due to the lack of training opportunities), sanctions will bring about less change in behavior, and thus managers are likely to see the disciplinary system as being less effective.

Hypothesis 4: Organizational investment in employee training will be positively related to perceived disciplinary system effectiveness.

Grievance System

Grievance systems are used to provide employees with the right to appeal disciplinary action. However, these systems vary in whether employees can appeal their sanction to neutral decision makers. In some systems, the final decision maker is a manager in the chain-of-command. In others, it is a peer-review board or an independent arbitrator. Because
neutrality increases the chances that a manager’s disciplinary decision will be overturned, it is likely that providing access to neutral decision makers will reduce managerial perceptions regarding the effectiveness of the disciplinary system.

Hypothesis 5: There will be a negative relationship between providing access to peer-review boards or third-party arbitration and perceived disciplinary system effectiveness.

Unionization

Union representatives have access to numerous means by which to challenge management use of discipline. In many instances, informal pressure tactics represent the most potent means by which to affect managerial use of discipline. While variation exists across unions in the willingness to use such tactics, their availability is likely to make discipline more difficult in unionized environments, thus reducing managerial perceptions of disciplinary system effectiveness.

Hypothesis 6: Perceived managerial effectiveness with the disciplinary system will be negatively related to the percentage of their organization that is unionized.

Labor Market Conditions

In a tight labor market, employment alternatives are plentiful, and thus employees are likely to be less concerned about being dismissed. Recognizing that managers may have few alternatives but to tolerate a subpar performer, employees may feel less pressure to comply with behavioral and performance standards during a tight labor market. Under such conditions, disciplinary sanctions and the threat of dismissal are less likely to be effective in modifying and controlling employee behavior.

Hypothesis 7: Perceived disciplinary system effectiveness will be lower among firms facing a tight labor market.

Performance Pressure

Since disciplinary systems are designed to prevent disciplinary problems, the perceived effectiveness of the system is likely to be influenced by the overall cost of the disciplinary problems faced by managers. Since
the performance pressures faced by a manager make substandard contributions more difficult to tolerate and thus more costly (Dess and Beard, 1984), the disciplinary system is likely to be seen as less effective when organizations face severe pressures.

Hypothesis 8: Perceived disciplinary system effectiveness will be negatively related to the extent to which the firm faces performance pressures.

Research Methodology

Sample and surveys. Thirty-five hundred (3500) human resources (HR) managers with generalist responsibilities were randomly drawn from the Society of Human Resource Management membership list (with the stipulation that only one manager be included from a given organization). One questionnaire, completed by the HR managers, was designed to assess the company’s disciplinary system as well as organizational characteristics. HR managers were then asked to distribute a second survey instrument to one or more line managers who had been involved with previous disciplinary decisions. Line managers responded to items assessing perceptions of disciplinary system effectiveness. Where HR managers had responsibility for different facilities or divisions, they were asked to provide information on the disciplinary system and organizational characteristics facing the line managers to whom they distributed questionnaires. We solicited participation from both the HR manager and the line manager in this study to prevent common method variance response bias (Campbell and Fiske, 1959). Respondents mailed completed questionnaires to the researchers, who used codes to match surveys from the same organization.

HR managers and line managers returned 418 sets of questionnaires. This resulted in an overall response rate of 11.7 percent. While the response rate is low, such a tradeoff is often required when multiple respondents from the same organization are used to avoid common method variance. We compared industry classifications among the 418 responding organizations with those among the 3500 organizations that were sent questionnaires. While manufacturing was significantly over-represented among responding firms (34 versus 31 percent; \( p < 0.05 \)), no other significant differences were observed.

The average level of organizational tenure was 7.71 years (SD = 6.31) for the responding HR managers and 9.20 years (SD = 7.57) for the
responding line managers. All respondents had prior experience with the disciplinary system.

**Measures.** *Dependent variable.* Line managers were asked to respond to a three-item scale (disciplinary system effectiveness, $\alpha = 0.89$) to assess perceptions regarding the effectiveness of their organization’s disciplinary system. Because we asked HR managers to distribute the second survey to one or more line managers, we received 39 sets of responses from two line managers. Therefore, while only the first line-manager survey received was used to test the hypotheses, we were able to use the 39 multiple line-manager responses to examine the interrater reliability for the dependent measure. The computed interrater reliability of 0.66 for disciplinary system effectiveness is comparable with levels obtained in similar contexts (e.g., Harris and Schaubroeck, 1988). Complete variable definitions for disciplinary system effectiveness as well as for the independent and control variables in this study are presented in the Appendix.

**Independent variables.** HR managers responded to a number of items related to the disciplinary system, human resource practices, and the business environment for their respective organizations. To measure perceptions regarding the restrictiveness of the disciplinary system, a 13-item scale (disciplinary system restrictiveness, $\alpha = 0.85$) was constructed. These items dealt with the disciplinary system’s procedural complexity and documentation requirements as well as the effects of the disciplinary system on managerial discretion.¹

The disciplinary incident rate is the ratio between the number of disciplinary incidents (e.g., warnings, suspensions, and terminations) and the number of full-time employees. A two-item scale (monitoring costs, $\alpha = 0.79$) was used to measure perceptions regarding the ability to effectively monitor employee behavior. Another two-item scale (investment in training, $\alpha = 0.77$) was used to measure perceptions regarding the organization’s investment in training employees.

Grievance system is a dummy-coded variable that measures whether sanctions are subject to independent review (i.e., peer review or arbitration). In addition, unionization was measured by asking HR managers to

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¹Given the expected curvilinear relationship between disciplinary system restrictiveness and disciplinary system effectiveness, disciplinary system restrictiveness as well as its squared term were included in the model. However, these variables were expressed as deviations around their respective means (i.e., centered) because of the high correlation between a variable and its squared term. By centering the variables, we avoided matrix inversion errors caused by multicollinearity (Neter et al., 1990).
estimate the percentage of the organization’s workforce that was unionized.

Finally, perceptions regarding labor market conditions were measured using a two-item scale (\textit{labor market conditions}, $\alpha = 0.89$), and pressure to improve or maximize performance was assessed using a four-item, Likert-type scale (\textit{performance pressure}, $\alpha = 0.74$).

It is possible to assess interrater reliability for the independent variables because a subset (500 firms) of the overall sample received line-manager questionnaires that contained the independent measures as well as the dependent measures. We received a complete set of responses from 41 of the 500 firms. The interrater reliabilities for the independent variables were as follows: 0.73 for the \textit{disciplinary system restrictiveness}, 0.60 for \textit{monitoring costs}, 0.69 for \textit{investment in training}, 0.94 for \textit{grievance system}, 0.80 for \textit{unionization}, 0.76 for \textit{labor market conditions}, and 0.63 for \textit{performance pressure}.

\textit{Control variables.} Given the organizational-level nature of this study, we also measured organizational size (i.e., the number of FTE employees) and the primary industry in which the organization competes.

Results

Table 1 presents the results of the hierarchical regression analysis.\footnote{The mean and standard deviations for the variables as well as the correlation matrix are available from the authors on request.} In step 1, the independent measures were entered. These variables accounted for significant variance in \textit{disciplinary system effectiveness} ($R^2 = 0.20$, $p < 0.01$). However, the control measures, entered in step 2, contributed little to total variance explained.

The results provided in Table 1 lend support to many of the hypothesized relationships. In hypothesis 1, we predicted a curvilinear relationship between \textit{disciplinary system satisfaction} and \textit{disciplinary system restrictiveness}. Consistent with this, the squared term for \textit{disciplinary system restrictiveness} was significant ($p < 0.01$), while the coefficient estimating the linear effect was not. These results support the argument that as \textit{disciplinary system restrictiveness} increases, \textit{disciplinary system effectiveness} initially increases, reaches an optimal point, and then decreases.
Hypothesis 2 was not supported in that no significant relationship was observed between perceived effectiveness and the disciplinary incident rate.

Support was found for hypothesis 3 in that a significant negative relationship was found between monitoring costs and disciplinary system effectiveness ($p < 0.01$). As the costs associated with monitoring performance increased, the perceived effectiveness of the disciplinary system decreased.

Consistent with hypothesis 4, a positive and significant ($p < 0.01$) relationship was found between investment in training and disciplinary system effectiveness. Increased organizational support for training was associated with higher levels of perceived effectiveness.

### Table 1

<table>
<thead>
<tr>
<th>Variables</th>
<th>$b^a$</th>
<th>s.e.</th>
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<td>Disciplinary system restrictiveness$^c$</td>
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<td>Disciplinary system restrictiveness$^c$</td>
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<td>0.147</td>
<td>−0.130</td>
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<td>Disciplinary incident rate</td>
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<td>0.003</td>
<td>0.028</td>
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<tr>
<td>Monitoring costs</td>
<td>−0.412**</td>
<td>0.078</td>
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<tr>
<td>Investment in training</td>
<td>0.258**</td>
<td>0.072</td>
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<td>Grievance system</td>
<td>−0.373*</td>
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<td>Unionization</td>
<td>−0.006*</td>
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<td>Labor market conditions</td>
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<td>Performance pressure</td>
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<td><strong>Step 2</strong></td>
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**NOTE:** $R^2 = 0.20$ for step 1 ($p < 0.01$); change in $R^2 = 0.01$ for step 2 ($p > 0.05$).

$^a$ Nonstandardized regression coefficients.

$^b$ Standardized regression coefficients.

$^c$ Disciplinary system restrictiveness is a centered variable.

$^d$ Manufacturing is the omitted variable.

$^e$ The coefficient and standard error have been multiplied by 1000.
Next, in hypothesis 5, we proposed that managers would perceive disciplinary systems as less effective where peer review or third-party arbitration was used. This hypothesis was supported ($p < 0.05$).

We predicted in hypothesis 6 that unionization would be negatively related to disciplinary system effectiveness. This hypothesis was supported in that the coefficient for unionization was negative and significant ($p < 0.05$).

With regard to hypothesis 7, no support was found for the hypothesized negative relationship between labor market conditions and disciplinary system effectiveness.

Finally, hypothesis 8 suggested that managers working in organizations where there was increased pressure to improve would likely evaluate the disciplinary system as less effective. This hypothesis was supported ($p < 0.05$).

Discussion

Given the importance of disciplinary systems to organizational effectiveness and the key role played by line managers in using these systems, this study examined determinants of line managers’ perceptions of disciplinary system effectiveness.

While recognizing limitations caused by omitted variables (e.g., organizational age and market position) and a low response rate, this study found fairly consistent support for the hypotheses. Perhaps most important, the hypothesized curvilinear relationship between disciplinary system restrictiveness and perceived disciplinary system effectiveness was supported. From the standpoint of organizational policy, our results suggest that it is possible to introduce some level of restrictiveness to protect employee rights without adversely affecting managers. At some point, however, adding further restrictions affects managerial perceptions of disciplinary system effectiveness. Thus, at higher levels of restrictiveness, consideration must be given to the tradeoffs between protecting employee rights and the effect of restrictions on managers. Results also showed that investment in employee training, monitoring costs, grievance systems, unionization, and pressure to perform also were significantly associated with managerial evaluations of disciplinary system effectiveness.

No support was found for the hypothesis regarding the labor market. We expected that tight labor markets would result in negative perceptions of disciplinary system effectiveness. It is unclear whether our failure to find support is due to employee behavior being unaffected by labor
market conditions or whether managers lower their expectations regarding employee behavior when the labor market tightens.

In addition, no support was found for the hypothesized impact of the disciplinary incident rate. This might suggest that managers do not blame the disciplinary system for employee problems. Or it might suggest that differences exist across organizations in norms about the appropriate usage of discipline. Variation in such norms across organizations may mask the relationship between perceived effectiveness and disciplinary incidents.

Appendix: Variable Definitions

A. Independent measure. Disciplinary system effectiveness: A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) Our disciplinary system here is very effective. (2) The way we handle discipline here makes a lot of sense. (3) The way discipline is handled here helps the organization be successful.

B. Dependent Measures. Disciplinary system restrictiveness: A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) Employees here must be given a number of warnings before they can be fired. (2) Supervisors here must spend a lot of time documenting problems before taking harsh action. (3) For many offenses, an employee here cannot be terminated unless he/she has committed that same offense previously. (4) Past offenses get erased from the employee’s file after a couple of years. (5) Usually an employee cannot be fired the first time they have a problem. (6) Managers here have to go through a lot of paperwork to terminate an employee. (7) Our disciplinary system has a lot of rules specifying how to deal with problem employees. (8) An employee who is warned about a problem must be given lots of time to improve before action can be taken. (9) Managers here are given lots of freedom to discipline employees as they see fit. (10) Managers here must get approval before they can fire an employee. (11) It is tough for a manager here to prove that an employee should be fired. (12) Those who decide disciplinary appeals are most concerned about protecting employees from unfair treatment. (13) Those who decide disciplinary appeals are most concerned about protecting the organization from problem employees. (Items 9 and 13 were reverse-coded.)

Disciplinary incident rate: An index computed by dividing the total number of disciplinary incidents over the past two years by the total number of FTE employees.
**Monitoring costs:** A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) It is relatively easy for us to tell when an employee makes a mistake. (2) It is relatively easy for us to monitor our employees.

**Investment in training:** A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) In order to ensure adequate performance, we must provide new hires with extensive training. (2) We provide relatively little training to new employees. (Item 2 was reverse-coded.)

**Grievance system:** A dummy-coded variable that equaled 1 if appeals or grievances could be heard by an outside arbitrator or a peer review board and 0 otherwise.

**Unionization:** A percentage based on the question, “What percentage of the workforce is represented by a union?”

**Labor market conditions:** A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) Because of the labor market, it is difficult to find qualified applicants. (2) If needed, we could easily find qualified applicants for many jobs here. (Item 2 was reverse-coded.)

**Performance pressure:** A Likert-type measure (1 = strongly disagree, 5 = strongly agree) containing the following items: (1) We are under tremendous pressure here to maximize performance. (2) Given the pressure we are under, mistakes can threaten our survival. (3) We barely have enough employees to get the work done around here. (4) We are constantly under pressure to get more out of our employees.

C. **Control variables.**  
**Industry:** A dummy-coded variable. The following industry classifications were used: Manufacturing, Transportation, Utilities, Trade, Finance, Services, Government, Health, Non-Profit, and Other. “Other” includes all responses that could not be placed in one of the other industry categories. Examples include construction and mining.

**Size:** The number of FTE employees.

**REFERENCES**


