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Exploring the Antecedents and Consequences of Organizational Democracy

Abstract

Purpose – Organizational democracy is the new model of organizational design for a Democratic Age, and out of this new model grows a freedom-centered and healthy climate. Democratic management is a key to greater organization success and a necessity to gain higher levels of performance and innovation. The purpose of this study is to explore the antecedents and consequences of organizational democracy in an Iranian context.

Design/methodology/approach – Statistical population includes the employees of the Gas Company of Isfahan Province. For data analysis, 263 accurate completed questionnaires are used. Structural equation modeling is applied to investigate the relationship between the research variables.

Findings – The findings showed that some types of organizational culture (i.e., self-criticism, team, and participatory culture) ($\beta=0.33$); and some dimensions of organizational structure (i.e., decentralization, flat hierarchy, and less formalization) ($\beta=0.55$) as antecedent variables have a significant direct effect on organizational democracy. Also, organizational democracy has a significant direct effect on human resources outcomes consist of organizational commitment, self-efficacy, and improving work relationships ($\beta=0.64$); and organizational outcomes consist of organizational learning and organizational agility ($\beta=0.96$).

Originality/value – Despite years of encouragement from consultants and theorists, managers have generally shown little interest toward democratic process as a system of

decision making and management in organizations. This study proposes a comprehensive model for identifying the antecedents and consequences of organizational democracy. Most studies in this field are theoretical rather than empirical. But, in this research the proposed relationships are examined empirically.

Keywords: Organizational democracy, Organizational culture, Organizational structure, Human resources outcomes, Organizational outcomes

Paper type Research paper

Introduction

In recent years, the increased complexity of organizational problems has changed the work processes (Morrow et al., 2012). The highly competitive situation has abolished the traditional models and methods such as hierarchical command and control models of business (Johnson, 2006), fear-based structures, and short-term motivators, and forced organizations to use strategic decisions and collective wisdom. To deal with this complexity a freedom-centered organization is more efficient. Designing the workplaces based on freedom builds world-class organizations, unleashes human greatness, and changes the world for the better. Successfully building a freedom-centered workplace requires adopting a mind-set based on freedom rather than control and creating the appropriate democratic design framework (Fenton, 2012).

According to Feldberg and Glenn (1983), organizational democracy is a system of work organization based on a more equitable distribution of the power. In a democratic workplace, people have more interaction with each other, express their ideas and discuss about the workplace problems. This helps employees to gain strong insights about the complex organizational processes and obtain extensive and long-term visions

required for decision making, which in the end will improve the employees' abilities (Weber et al., 2009).

Democratic vision in the workplace supports the gathering, choosing and deploying the majority opinions in order to control the activities through redistribution of power and establishing the justice and equality (Rahnavard, 2001). Organizational democracy is an approach in which all people's rights are respected according to the work principals. Some researchers believed, people are the key factors in the democratic system, so, organizational democracy can be defined as a set of participatory decision-makings (De Jong and Van Witteloostuijn, 2004; Gunn, 2011). In many studies participatory management and workplace democracy have frequently been used interchangeably (Holtzhausen, 2002), but they are different (Foley and Polanyi, 2006). Participatory management is mainly applied for psychological motivational, rather than ethical democratic reasons (Cameron et al., 2003). Participation is a necessary but insufficient condition for workplace democracy (Adams and Hansen, 1992; Cheney, 1995). Some principles of organizational democracy include transparency, dialogue and listening, accountability, choice, integrity and decentralization (Fenton, 2012). In their comprehensive review on different forms of employee involvement, Wegge et al. (2011) consider organizational democracy as the most radical form of EIOL (i.e., employee involvement in organizational leadership) and state that the corresponding research for organizational democracy is solely focused on the organizational level of analysis. In this research, we are concerned with a more general view on employee involvement and focused on processes where power and influence as well as decision-making and responsibility are shared among the members of the organization (Wegge et al., 2011, p.155).

For many years the concept of organizational democracy has been quite important in organization literature (Moriarty, 2007; Pircher Verdorfer et al., 2013) and this subject has moved from the periphery to the center of organizational restructurings (Stohl and Cheney, 2001). Although, organizational democracy has long been of interests to researchers; but it is relevant today. Most people work in the organizations that are not democratic at all. Instead, they run using the command and control model (Fenton, 2011). In spite of considerable improvements capable of promoting organizational democracy, however dominates the enactment of organizational hierarchy (Clarke, 2011). In the media, at schools and work we constantly hear that we live in a democratic world. But, there is a gap among democratic ideas and democratic practices (Tavares, 2011); so, much more would need to be done to fill the gap.

Given the importance of what is mentioned, the purpose of this research is to identify the dimensions of organizational democracy and explore the antecedents and consequences of organizational democracy in an Iranian context. It is necessary to mention that most studies in the field of organizational democracy are theoretical rather than empirical. But in this research the proposed relationships are examined empirically. In addition, in recent years, the subject of culture has attracted an increasing attention in cross-cultural management research (Rohlfer and Zhang, 2016; Gupta and Bhaskar, 2016). Despite this trend, the large majority of these studies have focused on industrialized world, and some emerging economies such as India, China and more recently Eastern Europe. In consequence, Iran as an economically and strategically important country has not received enough attention. Much of what we know about Iran is based on biased and superficial image of unreliable sources. Iran has a very ancient and rich cultural heritage which has not been sufficiently understood and

explored (Yeganeh and Su, 2007). To stay competitive in a global market, there is a need for restructuring the organizations. In this regard, the government has developed a number of plans such as the fourth Five-Year Plan, the 20-Year Perspective Policy, and the National Industrial Development Strategy, all of which highlight the need for Iran to capitalize on its economic, social, and human resources strengths (Namazie and Frame, 2007). In this research we reflect on the institutional context and the special challenges which result for the topic of organizational democracy. Given the fact that most earlier studies on the topic have been elaborated in Western countries, in this study we explain in more detail how the special situation of Iran cultural context may have influenced the results. In the next sections, we discuss about the theoretical backgrounds and then develop the research hypotheses. We then examine the effect of organizational culture and structure on organizational democracy, and also the effect of organizational democracy on human resources and organizational outcomes. Finally, we discuss about the research findings and managerial implications.

Theoretical background and hypotheses

Organizational democracy

The term Democracy comes from classical Greek: Democratia (δημοκρατία) combines the elements demos (δῆμος) which means people and kratos (κράτος) which means power, force, and authority. Therefore, democracy means the power of people (Kyriazis, 2005; Bennett, 2012; Bavetta et al., 2014). Hanberger (2003) proposed three aspects of democracy: 1) elitist (i.e. democracy for the people with little participation); 2) participatory (i.e. democracy by the people, where participating is the main aspect of democracy; and (3) discursive (i.e. democracy with the people which assumes

democracy is depending on discussions between equal and free citizens). Although, different definitions of democracy have been offered; nonetheless, the wide range of the definitions about the organizational democracy have the similar concept (Nkiinebari, 2014). Terms such as industrial democracy, employee empowerment, participatory democracy, democratic leadership style, democratic decision making and self-management are the related concepts which either limited or less focused on them (Weber et al., 2009). Common definitions of organizational democracy include features such as equality, decision making and cooperation (Fenton, 2002; Luhman, 2007; Bean et al., 2013; Nkiinebari, 2014). The more general viewpoint of Harrison and Freeman (2004) indicates that each performance, structure or process which increases the power of individuals in order to affect the decisions and activities of an organization, can be regarded as an important step toward the organizational democracy in the workplace. Many management and leadership experts have questioned the industrial model of organization (Fenton, 2011). There are considerable contradictions between the democratic and industrial workplace. Some of these differences have shown in Table 1.

Table 1

In democratic workplaces the issues of leadership, authority, and ownership are addressed much more often than in regular organizations (Viggiani, 1997; Jemielniak, 2016). In a democratic organization information is clearly shared, everyone is treated fairly, the employee are encouraged to know and use their rights, and finally power is divided equally (Fenton, 2011). Based on Egels-Zanden and Hyllman (2007) characteristics of workplace democracy include shared sovereignty, participation,

access to information and education, guaranteed individual rights, minimum standards, and right to “fair share of value”

A democratic organization sees members as a potential force of social changes and unity with other workers (Luhman, 2007). Therefore, there is a link between the concept of organizational democracy and social science concepts such as social capital and trust. According to Fukuyama (1997), social capital is “the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them” (p. 16). Social capital as a relational theory of social interaction (Ayios et al., 2014) includes the expectations, procedures, norms, understandings, and shared knowledge about patterns of interactions that a collection of people bring to a recurrent activity (Ostrom, 1990). Based on previous studies there is a positive association between political democracy and social capital (Putnam, 1995). However, little research has investigated the effect of organizational democracy on organizational social capital (e.g., Levne, 2007). Social capital exists in different forms, as reciprocity, network ties, and trust (Coleman, 1988). Trust is recognized as a major element of social capital (Zaheer and Harris, 2006) and is associated with one’s expectation regarding others’ trustworthiness (Spraggon and Bodolica, 2015). Fukuyama (1995) defines trust as “the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of the community” (p. 27). Social capital (Manroop, 2015) and trust (Lamsa and Pucetaite, 2006) in the workplace can enhance a firm’s competitiveness.

Different degrees of organizational democracy are recognizable in the workplace based on the fulfillment of its features. We can use these features as dimensions of

organizational democracy. By reviewing the research literature six dimensions can be discovered include (Brown, 1989; Luhman, 2006; Fenton, 2012; Rahnavard, 2001; Kerr, 2004; Foley and Polanyi, 2006; Ellerman, 2001; Luhman, 2007): decentralized control system, organizational justice, the free exchange of information, independent communities, criticism system, and individual rights. These dimensions are illustrated in Figure 1.

Figure 1

Antecedents of organizational democracy

Research has shown that there are different factors that influence the success of organizational democracy such as national cultures (Sagie and Aycan, 2003); workforce characteristics, the nature of the organization's products and services, and the degree of hierarchical resistance to redistribution of power (Kerr, 2004); and facilitating employees' participation and knowledge sharing (Johnson, 2006). Based on theoretical concepts that have been mentioned in previous studies, culture has a significant effect on organizational democracy. Organizational culture as a general and brilliant concept exists in almost any kind of organizations (Meng et al., 2016). As Robbins and Judge (2012) indicated, organizational culture refers to a "system of shared meaning held by members that distinguishes the organization from other organizations" (p. 512). Understanding the organizational culture is a strong and critical lever which will increase the ability of organization in supporting strategic goals and will end in the long-term success of the company (Macintosh and Doherty, 2010).

Development of organizational culture facilitates a sense of identity and commitment, and increases the stability of the organization (Cheung et al., 2010).

Different dimensions of organizational culture can be considered as antecedents of organizational democracy; we anticipate that three dimensions of participatory (Rahnavard, 2001), team and self-criticism culture (Yazdani, 2010; Chen, 2013) have a positive effect on organizational democracy. Different researchers have pointed that participation is a necessary condition and one of the main aspects of democracy (Hanberger, 2003; De Jong and Van Witteloostuijn, 2004; Gunn, 2011; Adams and Hansen, 1992; Cheney, 1995). Participatory culture empowers members to participate in the organization (Deodato, 2014). It is also one in which people feel some degree of social connection with one another and believe their contributions matter (Jenkins et al., 2006). A team culture refers to a set of simple rules and mutual interactions (Gibson et al., 2001) that spreads the appropriate beliefs and values to the team members (Ajmal et al., 2009). A team culture engages employees to use their initiative. It makes certain that individuals have a significant contribution in the workplace (Macaulay and Cook, 1995). In a team culture employees are encouraged to express their opinions (Macpherson, 1995). Researchers have different opinions about the advantages and disadvantages of self-criticism. As Chang (2007) indicated, self-criticism can be seen as good. According to Manz and Sims (1990) in order to help a self-managing work team to manage itself; self-evaluation must be encouraged so that members evaluate their performance. In addition, team members must be encouraged to be self-critical of their own performance. Self-criticism is positively related to autonomy and decision-making (Elloy, 1997; Elloy, 2005; Elloy, 2008). When employees feel free to challenge

themselves, their bosses, and the status quo; it helps to foster a more democratic workplace. The first hypothesis, therefore, would be:

Hypothesis 1. Organizational culture has a positive effect on organizational democracy.

Studies have shown that organizational structure has an impact on organizational democracy (Viggian, 1997; Cloke and Goldsmith, 2002; Kerr, 2004; Hatcher, 2007; Yazdani, 2010). Organizational structure provides a permanent image of activities, tasks, methods, and information transmission ways in the different units, and shows how the decisions are made (Rue and Byars, 2003). Companies can coordinate and implement their activities using the mechanism of organizational structure (Robbins and Decenzo, 2001). We anticipate that decentralization, flat hierarchy, and less formalization as dimensions of organizational structure can influence organizational democracy positively. The demand for new forms of democracy or stronger democracy based on decentralized and non-hierarchical networks stands in stark contrast to hierarchical forms of governance (Kokkinidis, 2012). As Harrison and Freeman (2004) stated, higher level of employees' involvement in decision making contributes to a more democratic organization. Also, implementing the democracy in the workplace needs a flat and non-hierarchical structure (Luhman, 2006). A flat structure allows employees to interact directly with their supervisors and increases the level of employees' participation. In addition, less formalization allows knowledge sharing and flexibility in decision-making (Roberson, 2013). Based on previous research, organizational democracy needs a participatory management style. Therefore, the best structure would be an organic structure, not a mechanistic one. In an organic structure, employees contribute to the common tasks of the department, there is less hierarchy of

authority and control, communication is horizontal, there are few rules, and tasks are adjusted and redefined through teamwork (Yazdani, 2010). In order to harmonize every component to achieve the goals of the organization, we must build a logical relationship between decision makers through democratizing the control system. Therefore, removing the communication barriers can minimize the distance between different levels of organization. In a mechanistic structure the chances of implementing the democratic principles are very low, since this structure focuses on the rules and processes to fulfill the successful implementation of strategies, not on the people. The second hypothesis, therefore, would be:

Hypothesis 2. Organizational structure has a positive effect on organizational democracy.

Consequences of organizational democracy

Organizational democracy has different individual consequences. It makes employees more responsible in their duties because of having the more ownership of their works (Harrison and Edward, 2004). Democratic and participatory organizational leadership foster employees' pro-social attitudes and competencies (Spreitzer, 2007). Also, organizational democracy has different organizational consequences. In the long term, democracy creates better decisions because it relies on a variety of inputs (Cloke and Goldsmith, 2002; Castiglione, 2007). Overall, characteristics of organizational democracy encourage innovation and creativity and cause positive organizational outcomes. Democratic companies are some of the most highly profitable and efficient companies because of democratic practices such as open books, profit-sharing, and decentralization (Fenton, 2002). Some of the individual and organizational

consequences of organizational democracy are: increasing organizational commitment (Unterrainer et al., 2011); decreasing unethical behaviors of employees, and improving the skills and abilities of individuals toward more collaboration (Pircher Verdorfer et al., 2013); decreasing job stress (Kalleberg et al., 2009; Franca and Pahor, 2014); increasing profitability and growth rate (Fenton, 2012); improving employee innovation (Harrison and Freeman, 2004); increasing satisfaction, responsibility and employee competency (Hatcher, 2007); increasing the competitive advantage and organizational performance (Kerr, 2004); decreasing the turnover rate (Heller et al., 1998; Strauss, 2006); and improving work relationships (Gunn, 2011).

We consider two consequences for organizational democracy include human resources outcomes (consist of organizational commitment, self-efficacy, and improving work relationships) and organizational outcomes (consist of organizational learning and organizational agility).

Organizational democracy allows employees to participate in medium-term tactical and long-term strategic decision-making regarding the welfare of their organizations. This enables employees to take responsibility for complex business decisions and gain insight in the organization (Pircher Verdorfer and Weber, 2016). Based on the characteristics of organizational democracy, it is conceivable that organizational democracy be related to employees' commitment (Chen, 2013). Commitment is the factor that links employee to the organization (Yahaya and Ebrahim, 2016). According to Meyer and Allen (1991) commitment is "a psychological state that (a) characterizes the employee's relationship with the organization, and (b) has implications for the decision to continue or discontinue membership in the organization" (p. 67). Employee representation in organizational decision-making creates more engaged behaviors

(Butcher and Clarke, 2012). Organizational democracy provides ample opportunity for employees to take decisions and participate in the success of organization. This may motivate them to identify themselves with the organizational goals, and increase the organizational commitment (Cheung and Wu, 2011). Another consequence of organizational democracy is employee's self-efficacy. Self-efficacy refers to one's belief that he/she can accomplish well within the parameters of a particular situation (Bandura, 1995). Individuals' self-beliefs allow them to "apply self-control over who they are, and what they want to be" (Jayawardena and Gregar, 2013, p. 377). Providing open communication channels and creating a continuous learning environment increase members' self-efficacy (Caldwell and Hayes, 2016) and organizational democracy can play a significant role in this process. Based on principles of democratic workplaces, employee should have some real control over organizational goals and strategic planning (Foley and Polanyi, 2006). Democratic organizations enhance human development (Levne, 2007). They help employees to increase their ability to communicate effectively and foster a more engaged citizenry. Showing employees that organization cares about them learns employee to care and value themselves more, and it contribute to an increasing sense of self-worth (Fenton, 2011). So, organizational democracy can improve the employees' self-efficacy. When you think about working together, there's no place like the workplace. Because workplace provides a location in which workers with different social positions can work together. Based on Perry (2014) a democratic workplace is a workplace wherein all individuals have a right to participate in decisions about how that workplace operates and what produces. So, democratic workplaces cultivate democratic character and develop employees'

capabilities to interact with each other despite the differences, and consequently improve work relationships. The third hypothesis, therefore, would be:

Hypothesis 3. Organizational democracy has a positive effect on human resources outcomes (consist of organizational commitment, self-efficacy, and improving work relationships).

Organizations that respect to individuals rights and are managed based on a cultural democracy; will cultivate a creative environment aligned with the needs of an emerging workplace, where employees with different cultural characteristics will work together (Tavares, 2011). Participation leads to a better communication and more information sharing among managers and workers (Levne, 2007). In a democratic workplace there is an obligation to permanent development and feedback and a tendency to learn from the past and apply lessons to enhance the future (Fenton, 2011). So, organizational democracy has a positive effect on organizational learning. There are many enablers of organizational agility and some of them include non-hierarchical structures (Jackson and Johansson, 2003), participatory decision-makings system (Veisi et al., 2014), worker empowering, and team working (Yusuf et al., 1999; Ganguly et al., 2009). On the other hand, studies have shown that workplace democracy is related to flattened hierarchy (Nightingale, 1982), participatory decision-makings (Gunn, 2011), employee empowerment (Hatcher, 2006), and team culture (Yazdani, 2010). So, actions related to the organizational democracy have a direct impact on organizational agility.

The forth hypothesis, therefore, would be:

Hypothesis 4. Organizational democracy has a positive effect on organizational outcomes (consist of organizational learning and organizational agility).

Creating and sustaining a supportive organizational culture (Rahnavard, 2001; Yazdani, 2010; Chen, 2013) and structure (Viggian, 1997; Cloke and Goldsmith, 2002; Kerr, 2004; Hatcher, 2007; Yazdani, 2010) facilitates the implementation of democracy in the workplace. Consequently, organizational democracy as a governance model for the organizations can improve HR (Chen, 2013; Cheung and Wu, 2011; Levne, 2007) and organizational (Kerr, 2004; Fenton, 2011; Fenton, 2012) outcomes. The fifth, sixth, seventh and eighth hypotheses, therefore, would be:

Hypothesis 5. Organizational democracy acts as a mediator in the relationship between organizational culture and HR outcomes.

Hypothesis 6. Organizational democracy acts as a mediator in the relationship between organizational culture and organizational outcomes.

Hypothesis 7. Organizational democracy acts as a mediator in the relationship between organizational structure and HR outcomes.

Hypothesis 8. Organizational democracy acts as a mediator in the relationship between organizational structure and organizational outcomes.

Based on the above-mentioned theoretical background, the research model is developed (see Figure 2). As observed, organizational culture and structure as independent variables, organizational democracy as mediating variable, and HR and organizational outcomes as dependent variables are considered in this model.

Figure 2

Methodology

Data collection

A cross-sectional research design, drawing upon a questionnaire survey was employed to collect data. The research instrument was translated and back-translated from English to Persian. Statistical population includes the first-line employees and middle-managers of the Gas Company of Isfahan Province in Iran (N=767). All participants were employees from the same nationality. Iran is an Islamic country located in the Middle East. It shares common features with most Middle East countries such as Islamic religion, social organizations, and traditions (Ali and Amirshahi, 2002). In recent years many studies have been conducted in the field of organizational theory and structure in Iranian organizations, but the concept of organizational democracy has been neglected so far (Zare et al., 2015). Gas Company plays a key role in economic development of Isfahan Province in Iran and in recent years much attention has paid to the organizational redesign processes, human resource activities and democratization of the workplace. A random sample of 270 employees was asked to respond to a paper-based questionnaire, out of which, 263 accurate completed questionnaires were used for data analysis. The overall response rate is estimated at 97.40 percent. The participation into survey was voluntary and the questionnaires were personally distributed to all the respondents by researchers. Regarding the demographic information, most participants were male (76 %), age from 20 to 60 (12.2 % of 20-30; 38.4 % of 31-40; 32.3 % of 41-50; 17.1 % of higher than 50 years old) and tenure from 1 to 30 (11.8 % of less than 5; 26.2 % of 5-10; 30.4 % of 11-15; 9.5 % of 16-20, 22.1 % of higher than 20 years).

Measures

In this study a five-point Likert scale questionnaire was developed to measure the research variables. This questionnaire was designed based on several validated and standard measures and some new researcher-made measures using related theoretical concepts mentioned in different studies include organizational democracy (Brown, 1989; Luhman, 2006; Fenton, 2012; Rahnavard, 2001; Kerr, 2004; Ellerman, 2001; Luhman, 2007; Chen, 2013); organizational culture (Yazdani, 2010; Rahnavard, 2001; Chang, 2007; Chen, 2013); organizational structure (Robbins, 1998; Luhman, 2006; Roberson, 2013); organizational commitment (Meyer and Allen, 1997); self-efficacy (Schwarzer and Jerusalem, 1995); work relationships (Nair and Vohra, 2010); organizational learning (Goh et al., 2007); and organizational agility (Zhang, 2011; Kooche Moshki and Teimouri, 2013).

This questionnaire was comprised of 17 parts and 51 items include decentralized control system (3 items); criticism system (3 items); organizational justice (3 items); the free exchange of information (3 items); independent communities (3 items); individual rights (3 items); self-criticism culture (3 items); team culture (3 items); participatory culture (3 items); decentralization (3 items); flat hierarchy (3 items); less formalization (3 items); organizational commitment (3 items); self-efficacy (3 items); improving work relationships (3 items); organizational learning (3 items); and organizational agility (3 items).

Reliability and validity

For confirming the content validity of questionnaire, a pre-test among the experts on organizational theory, human resource management and organizational behavior was

conducted. After a number of revisions, the final version of the questionnaire was prepared to use. The confirmatory factor analysis was used to test the construct validity. Also, the Cronbach's alpha was applied to test the reliability of the questionnaire. In addition, the average variance extracted (AVE) was computed to test the convergent validity (see Table 2).

Table 2

As observed, all factor loadings have a good value (greater than 0.45). Also, all of the reliability estimates are greater than 0.70 (Nunnally and Bernstein, 1994). In addition, all AVE's of the constructs in the research model are above 0.50 and have acceptable values (Henseler et al., 2016).

Data Analysis

After gathering the questionnaires, data were analyzed using structural equation modeling (SEM) by statistical softwares Amos20 and SPSS18. SEM technique allows to simultaneously assess relationships (Byrne et al., 2011). Several indices were used to test the overall fit of the models included normed chi-square (CMIN/DF), goodness-of-fit index (GFI), comparative fit index (CFI), parsimony-adjusted NFI (PNFI), and root mean squared error of approximation (RMSEA).

Findings

Table 3 shows the overall fit of the measurement models. As observed, all five models have a good fit.

Table 3

After testing the overall fit of the measurement models, structural equation modeling was used to test the research hypotheses. Table 4 shows the overall fit indices of the structural model. As observed, the values of fit indices all reach the acceptable level.

Table 4

Figure 3 shows the standardized estimates of structural coefficients for the research model and Table 5 shows the results of testing direct hypotheses.

Figure 3

Table 5

The significance of hypotheses was tested using the critical ratio (CR) and P. Based on the significance level of 0.05, the critical value must be greater than 1.96. As observed in Table 5 all hypotheses are supported. The relationships among the mediators were tested using Bootstrap method (see Table 6).

Table 6

Considering the fact that zero cannot be among the upper and lower bounds, all of the mediation hypotheses are confirmed (Cheung and Lau, 2008).

Discussion and conclusion

Organizational democracy is the new model of organizational design for a Democratic Age, and out of this new model grows a freedom-centered and healthy climate (Fenton, 2012). Democratic management is a key to greater organization success (Jarley et al., 1997) and a necessity to gain higher levels of performance and innovation (Manville and Ober, 2003). Despite years of encouragement from consultants and theorists, managers have generally shown little interest toward democratic process as a system of decision making and management in organizations (Kerr, 2004). The purpose of this study was to explore the antecedents and consequences of organizational democracy in an Iranian context. This study was conducted in the Gas Company of Isfahan Province. The findings showed that we can consider six dimensions for organizational democracy include decentralized control system; criticism system; organizational justice; the free exchange of information; independent communities; and individual rights. The results of hypotheses testing showed that organizational culture ($\beta=0.33$) has a significant direct effect on organizational democracy. This finding is in line with the theoretical concepts that have been mentioned in the other studies (Yazdani, 2010; Chen, 2013; Rahnavard, 2001). Also, the results indicated that organizational structure ($\beta=0.55$) has a significant direct effect on organizational democracy. This finding supports the other premises mentioned in the different studies (Viggian, 1997; Cloke and Goldsmith, 2002; Kerr, 2004; Hatcher, 2007; Yazdani, 2010). As results showed, each of the organizational culture and structure variables play different roles in the formation of

organizational democracy. In the other words, providing appropriate organizational structure has more effect on organizational democracy than organizational culture. In addition, the results showed that organizational democracy has a significant direct effect on human resources outcomes ($\beta=0.64$) and organizational outcomes ($\beta=0.96$). Based on the results of other studies, organizational democracy has different positive consequences (Fenton, 2002; Harrison and Freeman, 2004; Kalleberg et al., 2009; Pircher Verdorfer et al., 2013; Chen, 2013; Fenton, 2012; Hatcher, 2007; Kerr, 2004; Rothschild, 1986; Heller et al., 1998; Unterrainer et al., 2011; Strauss, 2006; Johnson, 2006; Gunn, 2011; Weber et al., 2009). As observed in Table 6, all of the mediation hypotheses were supported. In the other words, in addition to direct effects of organizational democracy on HR and organizational outcomes; organizational democracy acts as a mediator in the relationship between organizational culture and HR outcomes; organizational culture and organizational outcomes; organizational structure and HR outcomes; and organizational structure and organizational outcomes. This proves that the implementation of democracy in the workplace is a necessity to achieve a higher level of organizational success.

Theoretical implications

According to Collins (1997) there must be a congruence between our economic, political, and organizational systems. However, based on previous research (Wisman, 1998; Kerr, 2004; Levne, 2007), there is a general agreement to justification and benefits of political democracy; but, despite studies on organizational democracy (e.g., Sagie and Aycan, 2003; Kerr, 2004; Johnson, 2006; Weber et al., 2009; Unterrainer et al., 2011; Pircher Verdorfer et al., 2013; Chen, 2013); there is much less agreement

about organizational democracy. Therefore, organizational democracy is still a challenging subject to study (Tavares, 2011). The need for debate about the concept of organizational democracy has increased so that United Nations named 2012 as the “International Year of Cooperatives” (Bean et al., 2013). Yet, the year came and went with little fanfare devoted to this growing form of social organization (De Lautour and Cortese, 2016). This research contributed to the advancement of existing body of knowledge in order to propose a comprehensive model for identifying the antecedents and consequences of organizational democracy. In addition, based on existing literature, we know little about processes and effects of organizational democracy in the Islamic world (Ali, 2009; Zare et al., 2015) and the result of current study has a significant contribution to the relevant literature.

Practical implications

Iranian organizations not only face global changes, but also encounter a lot of inside challenges. Inefficient organizational structures, slowness in workflows, low productivity, and other individual and organizational problems have affected on the performance of some organizations. Certainly, to overcome this situation, organizations need extensive planning in different aspects. One of these aspects is to provide a more organic and democratic organization. Based on the results of the current research, organizational culture has a significant effect on organizational democracy. So, it is very important to provide the effective solutions for improving the organizational culture in order to successfully implement the organizational democracy. In this regard, creating a self-criticism culture that allows employees to challenge themselves and

traditional ways; a team culture that encourages teamwork; and a participatory culture that encourages employees to participate in the workplace are very effective.

In addition to organizational culture, organizational structure influences the organizational democracy, too. So, providing the most appropriate and essential organizational design is very important in facilitating the implementation of organizational democracy. In this regard, characteristics such as decentralization (i.e., redistributing or dispersing powers from a central authority); flat hierarchy (i.e., non-hierarchical structure); and less formalization (i.e., less rules, regulations and instructions) are very effective.

Although there is not a general agreement about the benefits of organizational democracy and also managers and workers have different attitudes toward workplace democracy (Collom, 2003); however, studies have shown that democracy and success are well-matched in a business organization (Forcadell, 2005). Even if there is no positive consequence for employee participation, at least all authors believed that employee participation does not have any negative effect on business processes (Keller and Werner, 2010; Vitols, 2005; Franca and Pahor, 2014).

The results of this research showed that organizational democracy has HR and organizational consequences. Therefore, decentralizing control system through designing a freedom-centered organization; creating criticism system through designing clear mechanisms to address complaints and problems; improving perceived organizational justice through providing equal employment opportunities; facilitating the free exchange of information through open communications; permitting the evolution of independent communities (i.e., labor unions, councils and agencies); and

respecting individual rights such as freedom of expression can create positive HR and organizational outcomes.

The obtained results can be interpreted according to Iran cultural context. Although several studies have been performed in the field of organizational culture in Iranian organizations (e.g., Nazari et al., 2011; Sharifirad and Ataei, 2012; Akhavan et al., 2014); however, in order to understand the management styles and organizational structures, it will be useful to refer to the Iranian national culture and its related sub-cultures (Namazie and Frame, 2007). According to Hofstede (1980)'s findings, Iran is classified in near Eastern cluster including Greece and Turkey (Ronen and Shenkar, 1985). The results of another research conducted through GLOBE project showed that Iran is part of the South Asian cultural cluster including countries such as Malaysia, Thailand, and India (Gupta et al. 2002). Considering Iran's image as a major Islamic/Middle-Eastern country, these findings may seem confusing. To conclude, as a country located in the Middle East, Iran has a lot in common with neighboring Muslim countries; however, because of its racial, historical, and linguistic identities it has a unique and different culture (Ali and Amirshahi, 2002). Despite the various ethnicities in Iran, it is possible to distinguish some key cultural features which are almost common between all Iranians (Yeganeh and Su, 2007). There has been a long standing tradition in the Iranian culture with a strong emphasis on cultural institutions such as family and religion (Yasin et al., 2002). Iran is a highly collectivistic country (Hofstede, 1980) and Iranian culture and Islam have always been in constant mutual interaction (Yeganeh and Su, 2007). The concept of ethics has been widely described within the Islamic context (Abuznaid, 2009). The strong commitment of Islam to brotherhood and justice makes Muslim society to pay attention to the people's basic

needs. The goal of Islamic systems is to remove all traces of exploitation, oppression, injustice, and inequality from the society (Hassan, 2016). In Islam, people should be treated fairly and with equity (Hashim, 2009). Also, the participatory management is well considered in Islam (Abbasi and Rasouli, 2013). In an Islamic setting, the nature of relationships and interactions are not determined by tasks independent of the people performing them. Consequently, organization is set in a way that eases dialogue and fosters interpersonal interactions while performing organizational goals. This reduces the hierarchal arrangements and allows the members of organization to exchange their ideas regardless of hierarchical levels (Ali, 2009).

Although, workplace democracy is a popular concept in the existing management literature; however, it is often stated that participatory democracy is impractical and most organizations continue to be governed by technocratic managers who justify their hierarchical governance based on economic efficiency (Kokkinidis, 2012). According to Fenton (2002), democratic companies are more successful than their less democratically organized competitors. Emergence of organizational democracy promises the positive economic outcomes to managers. These outcomes could not be achieved using the traditional structures in the workplace (De Jong and Van Witteloostuijn, 2004; Weber et al., 2009). In addition, employee participation and involvement are also important elements in total quality management (TQM) processes (Tonnessen, 1997). Many researchers and authors acknowledge that effective people development and management is one of the primary means to achieving total quality (Palo and Padhi, 2005). According to Caudron (1993) human resources systems often get in the way of cultural change that is one of the goals of TQM. The longer corporate leaders continue to marginalize the vital democratic attitudinal skill factor, the longer

their businesses will have difficulty matching the innovation, efficiency, and quality. Implementation of a total quality programme needs to develop a participative organizational culture, manifested in a real team structure throughout the whole organization (Jones, 1995). The TQM has succeeded with the involvement of people in operational decision making through quality circles and teams (Kelly, 1995; Tonnessen, 2005) and one of the main reasons for the high failure rate of TQM is prevailing hierarchical attitudes (Jones, 1995). Therefore, it is very essential to provide the critical success factors related to designing and building the democratic organizations. Some of these factors include operationalizing the all features required for a democratic organization; continual evolution of practices; support of top managers; support at all levels; consider to the rate of implementation; built on authenticity; notice that the democracy is a personal and interpersonal way of interacting; before action, the way one thinks must first be democratized; and consider that each employee has different intensity of interest toward organizational democracy (Fenton, 2002).

For democratization of a workplace the allocation of power should be changed to empower workers as participants in decision-makings in the organization (Feldberg and Glenn, 1983). As Rousseau and Rivero (2003) mentioned, democratic cultures take time to develop. Organizational democracy is more in the nature of a long-drawn process and as an evolving reality can be conceptualized over time (Varman and Chakrabarti, 2004). Therefore, in order to improve the level of organizational democracy the following recommendations are suggested (Fenton, 2011): As much as possible allow employees to choose their bosses; to vote on the CEO's performance; to benefit from their ideas that have increased the organizational profitability; to set their

own goals; to have access to financial information that would improve the quality of their decisions; and to determine their work projects.

Limitations and directions for future research

The results of this study showed that organizational culture and structure have a positive effect on organizational democracy. In addition, organizational democracy has a positive effect on human resources and organizational outcomes. Although implementing democratic process has potential benefits; managers must also be realistic about potential costs (Kerr, 2004). In this research we investigated the antecedents and consequences of organizational democracy in an Iranian context. Therefore, caution should be exercised when generalizing the results and further studies are needed to empirically test the validity of the findings. This research examined the effect of organizational culture and structure on organizational democracy. According to the research literature, there are other variables that influence organizational democracy which can be investigated in future research. Organizational culture and structure are internal factors; it is recommended to investigate the effect of external factors such as political factors. In this research, we examined the effect of organizational democracy on HR (organizational commitment, self-efficacy and work relationships) and organizational (learning and agility) outcomes. We encourage researchers to investigate the effect of organizational democracy on other individual and organizational outcomes. Also, based on Foley and Polanyi (2006) there is much yet to be learned about the economic and social implications of workplace democracy. Based on Crowley et al. (2014) there are conflict approaches to teamwork. Also, as Harrison and Edward (2004) indicated, organizational democracy has some side effects

such as making the inappropriate decisions by lower-level employees with less work experience and taking a large amount of time to come to an agreement on different issues, since many people are involved. So, more studies are needed to test the effectiveness of organizational democracy in all aspects and obviously, we need more experimentation with different faces of workplace participation. Maintaining healthy democracy, where the employee really does feel empowered and free to participate in collective decision-making is very difficult (Holmstrom, 1989; Malleson, 2013). Therefore, more research is needed about the obstacles and problems of implementing and maintaining the democracy in different organizations and providing the appropriate solutions. Based on Fenton (2002), only employees who agree with the conceptual foundation and demanding standards of a democratic company will enjoy working there. So, we encourage researchers to test the individuals' attitudes toward the democratic organizations. In this research, the method used for data collection was a questionnaire and generally questionnaire-based studies have some limitations. In addition, all data were collected using a cross-sectional design method. Therefore, longitudinal studies would be appropriate to provide more accurate results.

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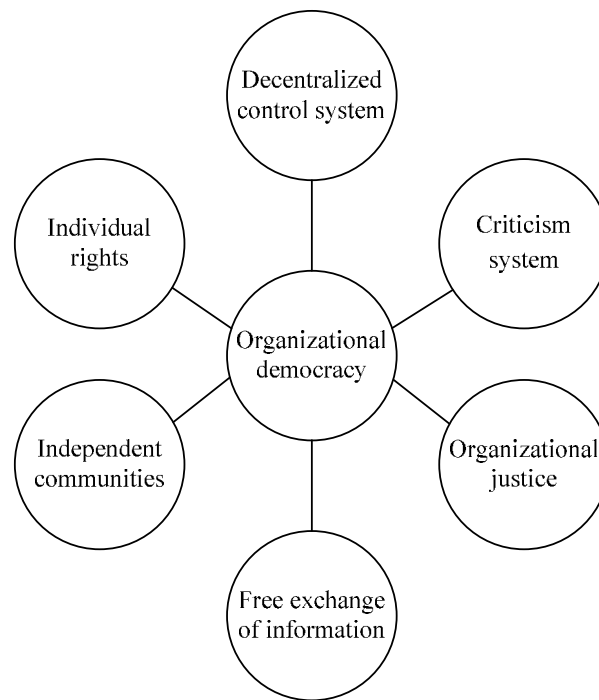


Figure 1. Dimensions of organizational democracy

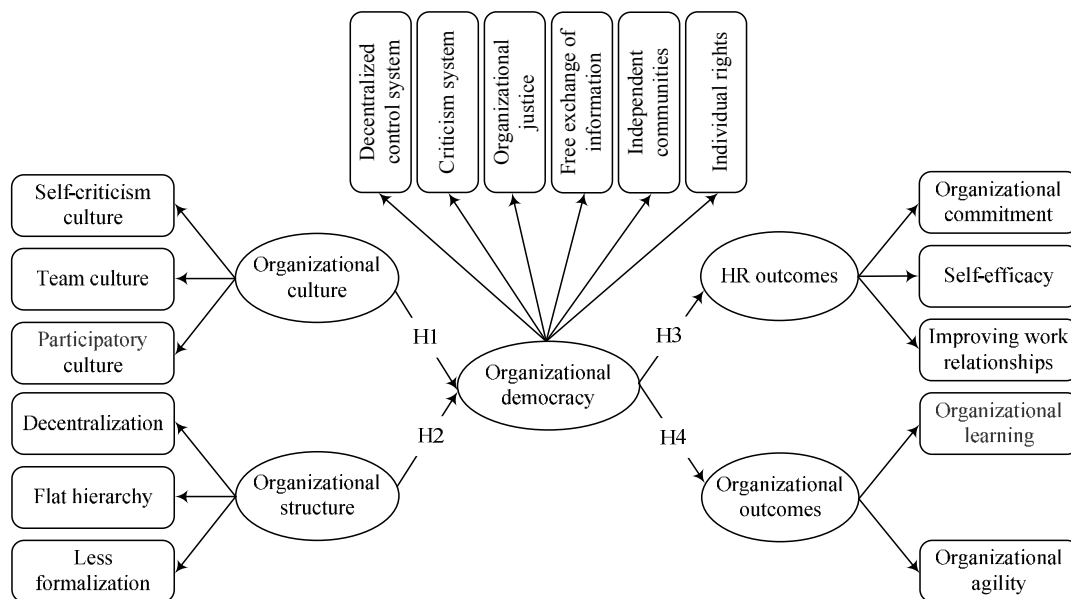


Figure 2. Research model

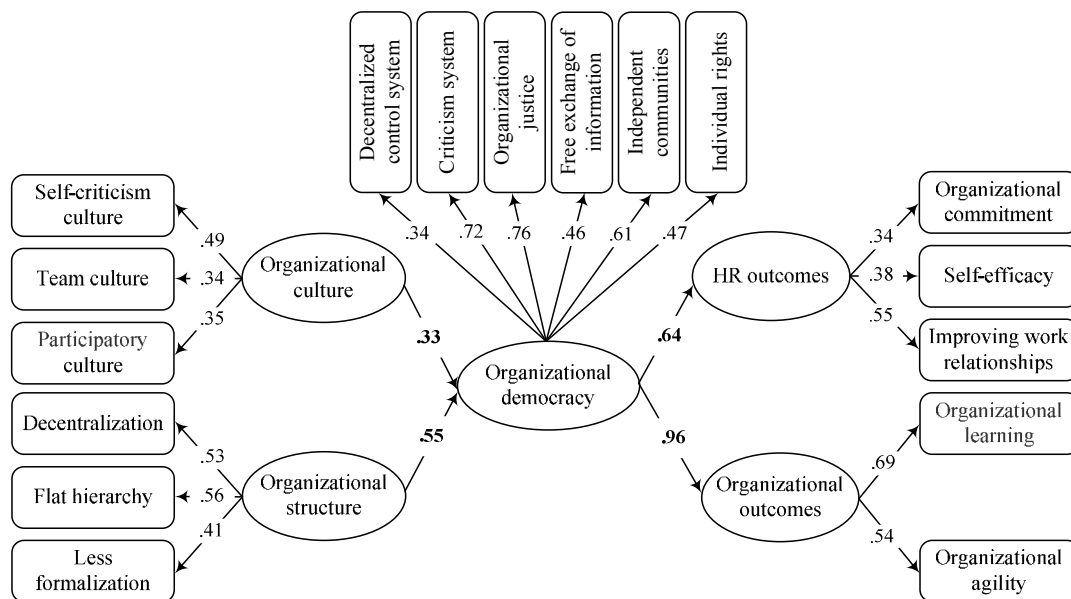


Figure 3. Structural model results

Table 1. Differences between democratic and industrial workplace (Adapted from Nightingale, 1982, p.11)

Democratic workplace	Industrial workplace
Decisions are made at all levels and the organizational structure is flat	Decisions are made at management or high levels of authority and the organizational structure is rigid and hierarchical
Leaders are evaluated by different stakeholders	Leaders are not evaluated by others
All levels are encouraged to participate and give feedback	Employees are expected to comply with directive
Diversity is encouraged	Norms, behaviors, and activities are prescribed and closely scrutinized
Information is readily available to all and knowledge sharing is encouraged	Information held by management

Table 2. Results of factor analysis and reliability tests

Items for each construct	Factor loading	α	AVE
Organizational democracy			
<i>Decentralized control system</i>			
Employees have real control over organizational goals	0.65		
Freedom-centered organization	0.75		
Flexible control system	0.69		
<i>Criticism system</i>			
An effective formal criticism system	0.74		
Clear mechanisms designed to address complaints and problems	0.83		
Establishing systems for more transparent and accountable management	0.83		
<i>Organizational justice</i>			
Equal employment opportunities	0.76		
Meritocracy	0.78		
Fairness of outcomes and processes	0.55	0.87	0.53
<i>Free exchange of information</i>			
Open communications	0.72		
Knowledge sharing	0.68		
Annual reports and news bulletins	0.72		
<i>Independent communities</i>			
Labor unions	0.60		
Labor councils and agencies	0.85		
The right to union membership	0.84		
<i>Individual rights</i>			
Freedom of expression	0.78		
The right to strike	0.53		
The right of employees to leave organization	0.72		
Organizational culture			
<i>Self-criticism culture</i>			
Feel free to challenge yourself	0.61	0.74	0.51
Feel free to challenge your boss	0.65		
Feel free to challenge the status quo	0.57		

Items for each construct	Factor loading	α	AVE
<i>Team culture</i>			
Encouragement of teamwork	0.81		
Need to work closely with fellow team members to carry out the job	0.81		
Working as part of a team	0.77		
<i>Participatory culture</i>			
Inclusive participation	0.81		
Managing diversity	0.78		
Consulting-based management	0.49		
Organizational structure			
<i>Decentralization</i>			
The power of decision-making is not centralized at one point	0.78		
Top managers are responsible for making every decision (R)	0.71		
Low degree of oligarchy	0.56		
<i>Flat hierarchy</i>			
Non-hierarchical structure	0.71	0.76	0.54
Directly interaction of employees with their supervisors	0.78		
Few layers of bureaucracy	0.81		
<i>Less formalization</i>			
Less rules, regulations and instructions	0.76		
Less personnel's job descriptions	0.85		
Flexibility in decision-making	0.57		
HR outcomes			
<i>Organizational commitment</i>			
Spending the rest of your career with this organization	0.61		
Enjoying talking about your organization with people outside it	0.78		
Feeling that this organization's problems are your own	0.66	0.81	0.60
<i>Self-efficacy</i>			
Managing to solve difficult problems if you try hard enough	0.68		
Sticking to your aims and goals	0.92		
Handle whatever comes your way	0.90		

Items for each construct	Factor loading	α	AVE
<i>Improving work relationships</i>			
Degree of satisfaction in your relationship with supervisor/manager	0.66		
Degree of satisfaction in your relationship with work team or co-workers	0.88		
Degree of satisfaction of work relationships in general	0.79		
Organizational outcomes			
<i>Organizational learning</i>			
Forming informal groups to solve organizational problems	0.71		
Rewarding innovative ideas	0.86		
Bringing new ideas into the organization	0.50	0.76	0.52
<i>Organizational agility</i>			
The capability to operate at high speed	0.58		
The capability to perform different tasks with same resources/facilities	0.91		
The capability to identify, respond to and recover from changes	0.66		

Table 3. Total fit indices of the measurement models

Variables	Indices name				
	CMIN/DF	GFI	CFI	PNFI	RMSEA
Organizational democracy	3.5	0.904	0.90	0.626	0.096
Organizational culture	2.8	0.949	0.945	0.612	0.083
Organizational structure	3.5	0.931	0.918	0.594	0.098
HR outcomes	2.5	0.955	0.961	0.626	0.070
Organizational outcomes	3.3	0.969	0.956	0.501	0.094
Acceptable level	5>	>0.90	>0.90	>0.50	0.10>

Table 4. Total fit indices of the structural model

Variables	Indices name				
	CMIN/DF	GFI	CFI	PNFI	RMSEA
Final model	3.50	0.94	0.91	0.54	0.098
Acceptable level	5>	>0.90	>0.90	>0.50	0.10>

Table 5. The results of testing direct hypotheses

Hypotheses	Path		Regression coefficients	CR	Result	
H1	Organizational culture	→	Organizational democracy	0.33***	3.09	Supported
H2	Organizational structure	→	Organizational democracy	0.55***	3.27	Supported
H3	Organizational democracy	→	HR outcomes	0.64***	3.69	Supported
H4	Organizational democracy	→	Organizational outcomes	0.96***	4.71	Supported

Note: *** P< 0.001

Table 6. The result of testing mediation hypotheses

Path	Beta coefficients	Lower bound	Upper bound	Result
Organizational culture → Organizational democracy → HR outcomes	0.21	0.073	0.679	Supported
Organizational culture → Organizational democracy → Organizational outcomes	0.32	0.134	0.139	Supported
Organizational structure → Organizational democracy → HR outcomes	0.35	0.114	0.564	Supported
Organizational structure → Organizational democracy → Organizational outcomes	0.53	0.047	0.792	Supported