

**HIGH PERFORMANCE WORKPLACES
THE ROLE OF EMPLOYEE INVOLVEMENT
IN A MODERN ECONOMY**

**Response by the
Chartered Management Institute**

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SUMMARY: KEY RECOMMENDATIONS

The Chartered Management Institute strongly supports increased employee involvement and seeks to encourage organisations to develop the genuine employee involvement that forms the basis of all high performance work environments.

To support the implementation of legislation, the DTI and relevant partners should promote the following messages to employers:

- Put sufficient resources into developing and training managers to become effective people managers rather than just task managers
- Provide experience of effective employee involvement, perhaps by visiting other organisations [this could be supported through existing Government websites]
- Use employee involvement practices that create real change rather than “bolting something on”. Job enrichment and self-managing teams are the most effective.
- Show clear, unambiguous commitment to employee involvement from the top of the organisation
- Adapt performance management systems to the goals of employee involvement. To ensure that senior managers have a true picture of the level of employee involvement, they should set up systems for monitoring levels of involvement. Employee attitude surveys can be very effective here.
- Use clear, frequent and effective two-way communication.

In terms of the scope of the legislation, the clear messages to Government from managers are:

- Use the new legislation to clarify the current legal framework
- Ensure that any new administrative requirements are kept to a minimum
- Protect the current level of employee involvement, particularly informal methods, by not prescribing rigid formal processes.
- Enable flexibility by setting minimum requirements and supporting these by voluntary codes of practice and effective dissemination of best practice and provide sources of evidence of effective employee involvement.

1 Introduction

- 1.1 In compiling this response to the discussion paper on "High Performance Workplaces – the role of employee involvement in a modern economy", the Chartered Management Institute has sought views from members and has used the findings from specific surveys on this issue carried out in November 2002 and September 2001. It has also built on the findings of a detailed research report by the Institute, *Striking off the Shackles: A survey of managers' attitudes to employee involvement* (Sept 1995).
- 1.2 Survey respondents are drawn from across the Institute's membership of 91,000 practising managers and work in organisations in all sectors – public, private and not-for-profit – and at many different levels. Many of the managers have been able to draw on considerable experience in a number of relevant roles regarding introducing new ways of working, and we have conducted follow-up telephone interviews to explore the impact of some specific employee involvement initiatives in greater detail.
- 1.3 In responding, the Institute has chosen to focus on those areas where, as the champion of professionalism in management, it believes it has a particular contribution to make to the debate in terms of raising standards and performance and sharing best practice.

2 Principles on employee involvement and consultation

- 2.1 There is widespread agreement in the management community that greater participation and involvement of employees brings advantages in terms of increased job satisfaction, responsiveness to change and ultimately high productivity.
- 2.2 The vast majority of managers agree that all employees have a right to be informed about the following:
 - Substantial changes in their work organisation (98 per cent)
 - Financial position of their organisation (93 per cent)
 - Changes to contractual relations (93 per cent)
 - Significant planned or possible redundancies (90 per cent)
- 2.3 Over the past year, the most significant change is that more managers now agree with the principle that employees should be informed about substantial changes to their work organisation. This has increased from 89 per cent in 2001 to 98 per cent in 2002.

3 Extent and methods of employee involvement

3.1 According to the latest survey of managers in November 2002, the extent to which organisations currently inform and consult their employees was considered to be sufficient by 61 per cent of managers and insufficient by 35 per cent of managers.

3.2 When considering the extent of employee involvement, organisations use a number of different channels for increasing consultation in the workplace. The survey looked at the use of both formal and informal employee involvement practices. Respondents identified the main channels that they used:

Team briefings (82 per cent): regular communication of key information at team meetings. Structures exist to cascade information down the organisation and allow for feedback from meetings back up.

Trade union representatives (55 per cent): there is a union or staff association that is recognised for purposes of collective consultation and negotiation.

Staff suggestion schemes (53 per cent): any formal system for encouraging, collecting and recognising employee suggestions for improvements in work processes or working.

Employee attitude surveys (48 per cent): regular questionnaire surveys of employee attitudes and opinions concerning their work and the organisation they work for.

Consultative committees (45 per cent): joint committees of managers and employee representatives who provide a forum for consultation over changes which affect employees.

Self-managing work teams (25 per cent): work teams organised around complete tasks or processes or serving a specific set of customers. These teams (with or without a team leader) have responsibility for the everyday management of their work eg allocating tasks among the team and work scheduling. Some teams have responsibility for areas such as discipline, bonus allocation, training and recruitment.

Job redesign/enrichment (13 per cent): redesign of jobs to increase work variety, completeness of tasks and autonomy, often with the direct involvement of employees in redesigning their own jobs.

Quality circles (11 per cent): groups of employees meeting on a regular basis to identify and suggest solutions to problems of productivity, quality, service etc. These groups usually can only make suggestions to management and have no decision-making authority.

3.3 Around half of all respondents say their organisations use three or more practices. Most are used with greater frequency in larger organisations. However, this does not necessarily mean that actual employee involvement is greater in larger organisations. It perhaps reflects the greater need to adopt formal programmes in large organisations because of greater problems of co-ordination.

3.4 The in-depth research report "*Striking off the Shackles*" was able to examine the relationship between formal employee involvement practices and actual involvement of employees in decision-making. This survey found that the use of suggestion schemes, employee attitude surveys, consultative committees or quality circles often show little association with levels of employee involvement.

In contrast, managers in organisations which use self-managing work teams or which have been through a process of job enrichment, report significantly higher levels of employee involvement. This is consistent with the reported success of these practices. The most successful practices are those which genuinely and substantially increase employee involvement in decisions about their work.

3.5 Where there is considerable use of formal practices, but in effect little participation by employees in work decisions, involvement is more about what is said than what is done. This can be described as rhetorical employee involvement.

3.6 The "*Striking off the Shackles*" survey in 1995 found that one in five organisations were engaged in rhetorical employee involvement and some comments illustrate this point:

"Lip service is paid to employee involvement."

"There have been many schemes but few have lasted."

"Employee involvement is begun but with no interest from the top it is rarely completed."

3.7 The danger for these organisations with superficial rather than real involvement is that employees will become increasingly cynical and alienated. Rather than improved trust and commitment they can expect to see a widening gap between organisational goals and employee aspirations.

4 Benefits of High Performance Workplaces

- 4.1 As indicated earlier, over 90 per cent of managers claim to support the principles of employee involvement and consider that there are significant benefits to be gained from the perspectives of the individual employee and also in terms of overall organisational performance.
- 4.2 Looking at changes over the past two years, 56 per cent of managers said that their organisation had enhanced its employee information and consultation procedures, and of these 44 per cent believed that it had led to enhanced organisational performance and productivity.
- 4.3 The following table provides an indication of the perceived benefits to the organisation of increased employee involvement, according to the November 2002 research:

Base: 110 respondents	Perceived benefits (%)
Enhanced job satisfaction	78
Employees more receptive to change	75
Improved knowledge management	64
Enhanced trust and commitment	59
Greater responsiveness to training needs	50
Increased productivity	49
Perceived increased job security	48
Higher rate of innovation	45
Decreased number of formal grievance procedures	40
Lower staff turnover	35
Lower absenteeism	23

Table 1: Benefits to the organisation of employee involvement

- 4.4 However, it is interesting that when asked to identify the three most significant benefits to the organisation, the following rankings resulted:
- Enhanced job satisfaction (50 per cent)
 - Employees more receptive to change (39 per cent)
 - Increased productivity (34 per cent)
- 4.5 This finding may demonstrate that when thinking about key benefits, respondents may slip into a rhetorical-mode and put greater emphasis on the most desired organisational outcomes rather than the practical benefits perceived in the workplace. This may be useful when considering effective communications for promoting greater employee involvement.

5 Potential barriers to increasing employee involvement

5.1 Although there is general consensus that greater employee involvement can bring many perceived benefits, in practice there are many barriers to effective implementation of new ways of working, as indicated in the table below.

Base: 110 respondents	Potential barriers (%)
Insufficient training in people management	58
Resistance to change generally at all levels	53
Fears of unnecessary bureaucracy	52
Consultation slows decision-making	51
Lack of enthusiasm from middle managers	45
Confidentiality issues – market sensitive information	41
Lack of top level commitment and support	38
Employee disinterest	38

Table 2: Perceived barriers to introducing new ways of working for greater employee involvement

5.2 Again, we explored further the top three barriers cited and these were ranked as follows:

- Insufficient training in people management (43 per cent)
- Resistance to change generally at all levels (33 per cent)
- Lack of top level commitment and support (33 per cent)

5.3 It is interesting that 'lack of support from the top' rises in importance when the three most significant barriers are cited, and this may be that it is one of the most difficult barriers to overcome.

5.4 In terms of addressing these barriers, we looked further at the most commonly cited one of 'insufficient training in people management'. Managers were asked how many days training they had received in people management skills over the past year, eg in terms of managing high employee involvement, coaching, facilitating and participative decision-making.

No. of days training per year	Percentage of managers (%)
None	43
1 to 2	23
3 to 5	16
6 to 10	6
More than 10	8

Table 3: Extent of training and development in people management in the past year

More than four in ten had received no training; this is an issue of some concern and suggests there is room for improvement.

6 Perceived impact of legislation

6.1 There are clear concerns amongst managers that their organisation will have to change its employee information and consultation structures in order to comply with future legislation following the EU Information and Consultation Directive. Indeed, the November 2002 survey showed that 41 per cent of managers perceived that changes would be necessary, in contrast to 20 per cent who thought no adjustments to their structures would be necessary, and 35 per cent who were not aware of whether changes would be required.

6.2 Looking in more detail at those who envisaged changes occurring as a result of new legislation, the following results demonstrate the extent of such changes:

- Completely new structures and procedures will need to be established (18 per cent)
- Present procedures are likely to be too ad hoc and informal and will need to be formalised (44 per cent)
- Only minor adjustments will need to be made to present arrangements (44 per cent)

6.3 Despite this possible disruption, the overall attitude of managers towards legislation was broadly positive, but concerns were voiced however regarding possible conflicts of interest.

Base: 110 respondents	Agree (%)	Disagree (%)	Don't know (%)
Positive attitudes			
It will ensure that employees' views are properly considered before decisions are made	41	22	27
It will clarify the present legal framework	40	18	34
It is necessary to ensure fair employee consultation	36	30	23
Concerns			
It may not be sufficiently sensitive to confidentiality issues	37	13	38
It may conflict with managers' duties to stakeholders	34	23	33

Table 4: Managers' attitudes towards legislation on employee information and consultation

7 Dissemination and access to sources of information, advice and guidance

7.1 In terms of engaging employers, we also asked respondents what they thought would be effective ways of being informed about how to implement and encourage compliance with the new legislation.

Sources of support	Percentage of respondents (%)
A website	61
A code of practice	59
Dissemination of best practice models	58
A series of nation-wide seminars	44
Voluntary guidelines	33
A national telephone helpline	33
A consultation/conciliation service	31
Business roadshows	26
A challenge fund to help organisations deal with the cost of implementation	25

Table 5: Effective channels of support

7.2 There were noticeable differences in the most effective route for reaching organisations depending on the size of organisation. Whilst a website was the preferred source of information for companies with more than 500 employees, those with fewer than 500 employees expressed a greater preference for a code of practice and then the dissemination of best practice models.

7.3 In view of the preference expressed by managers for best practice models and a clear understanding of what is working, we have sought to develop some initial case studies. These look at individual initiatives that the survey respondents had identified as recent examples of where employee consultation has led to increases in productivity (see Annex 1).

8 Recommendations

- 8.1 Legislation in the area of employee information and consultation has the potential to result in increased rhetorical employee involvement. In seeking to comply with legislation, organisations may as a quick solution introduce formal processes, with superficial rather than real involvement. This creates a real danger of mitigating the perceived benefits in terms of increased job satisfaction and productivity, as instead employees will become increasingly cynical and alienated. Rather than improved trust and commitment employers can expect to see a widening gap between organisational goals and employee aspirations.
- 8.2 Creating genuine employee involvement takes time and commitment, and to obtain the potential benefits a transformation of the organisation is often necessary. In times of fast-moving change and deregulated international markets, one of the few remaining sources of sustainable competitive advantage available to organisations is the quality of their employees and their commitment to continuous improvement.
- 8.3 In order to avoid the development of rhetorical employee involvement, it is important that the DTI provides the appropriate support for managers and promotes clear codes of good practice and cases studies through its website, seminars and through engaging with social partners and professional bodies.
- 8.4 To support the implementation of legislation, the Institute suggests that the DTI should promote the following messages to employers to help encourage organisations to develop the genuine employee involvement that forms the basis of all high performance work environments:
- Put sufficient resources into developing and training managers to become effective people managers rather than just task managers
 - Provide experience of effective employee involvement, perhaps by visiting other organisations. [this could be supported through departmental websites]
 - Use employee involvement practices that create real change rather than “bolting something on”. Job enrichment and self-managing teams are the most effective.
 - Show clear, unambiguous commitment to employee involvement from the top of the organisation
 - Adapt performance management systems to the goals of employee involvement. To ensure that senior managers have a true picture of the level of employee involvement, they should set up systems for monitoring levels of involvement. Employee attitude surveys can be very effective here.
 - Use clear, frequent and effective two-way communication.
- 8.5 In terms of the scope of the legislation, the clear messages back to Government from managers are:
- Use the new legislation to clarify the current legal framework
 - Ensure that any new administrative requirements are kept to a minimum
 - Protect the current level of employee involvement, particularly informal methods, by not prescribing rigid formal processes.
 - Enable flexibility by setting minimum requirements and supporting these by voluntary codes of practice and effective dissemination of best practice.

9 Role of the Institute

- 9.1 The Institute would wish to be involved with the other social partners in assisting the Government in framing legislation to implement the Information and Consultation Directive and in the development of a strategy for communicating the implications of proposed legislation to the management community.
- 9.2 Our membership of more than 91,000 managers is drawn from all sectors, levels and regions of the UK, and enables us to make a valuable contribution to the development of employment legislation. We already work closely with both the DTI and DfES in collaborative research projects and are involved in various advisory committees. For example, we currently have a member, who is also a practising manager, on the Government's Age Advisory Group which is looking at how to introduce UK legislation in response to the EU Directive on Equal Treatment at Work.
- 9.3 As was reflected from the recent research carried out amongst our members and detailed in full above, we represent a broadly positive view about the EU Information and Consultation Directive. We would therefore welcome the opportunity to engage in a constructive dialogue with the other social partners about the most practical way to implement its terms.

ANNEX 1: CASE STUDIES

Organisation: GTS Flexible Materials Limited

Interviewee: Phil Jell, Operations Director

Number of employees: 80

Background

GTS is an electronics company that primarily manufactures flexible laminates (copper) and adhesive tapes for the automotive industry. It has a turnover of approximately £10 million and 80 employees. Sixty-five are based in the UK and 15 in Germany, France and the USA.

The manufacturing operation is based in Ebbw Vale in South Wales, and the head office is in Crowthorne, Berkshire, where the sales, marketing and accounts activity happens. The company was founded in 1975 and was formerly a subsidiary of a US Company.

Employee involvement and consultation methods

GTS uses a number of channels to increase employee involvement including quality circles, employee attitude surveys, team briefings, job redesign, and self-managing work teams. The company also has a policy of recognising trade unions, and some employees joined the T&G, but there is no closed shop arrangement.

A specific initiative to increase employee consultation

GTS introduced an employee consultation scheme in the form of a quarterly employee consultation meeting. The meetings, which involved everybody in the organisation, concerned company performance and setting technical priorities. Following these meetings, working parties were established which were specific to each process area.

The intellectual basis of the scheme is outlined in the QS 9000, which is the automotive industry best practice standard. GTS drew on this document when initiating and implementing this scheme. The company also sought advice from the DTI about the implementation of the scheme and received support from the Welsh Development Agency.

The Operations Director (the interviewee) and the Quality Manager were responsible for implementing the scheme.

Review and evaluation

The company's six-monthly management review meetings included an evaluation of the scheme. The processes under review were analysed and discussed on these occasions, and there were perceived increases in productivity.

Outcomes of the scheme

In terms of tangible outcomes from employee involvement, a key indicator used by the company was the reduction in the amount of scrap produced. The amount of scrap had fallen from 4.9 per cent of volume in 2001 to 3.5 per cent in 2002.

Senior management in the company perceived that this is as a result of the introduction of the company's information and consultation scheme.

There had also been a significant fall in the staff absenteeism rate; from 7 per cent to 1 per cent since the introduction of the scheme. The Operations Director also reported that there has been a noticeable reduction in stress in the organisation since the introduction of the scheme.

However, looking at possible drawbacks to the initiative, the operators expected to be rewarded with a pay increase as a result of reducing the amount of scrap.

Views about legislation on information and consultation

As a small company, concerns were expressed regarding the amount of extra administration that the legislation might produce.

It was also noted that Government initiatives often tend to produce time-consuming paperwork and lead to a greater workload for staff. If this was the case, extra costs would be incurred as a result, and small companies would not be in a position to afford this.

Organisation: South Wales Police

Interviewee: an Inspector (to remain anonymous)

Number of employees: 4,700

Background

The South Wales police force area is comprised of a number of main stations (7) and in addition, there are approximately 50 smaller community stations in the area. There are approximately 4,500 employees in the force, 3,000 of whom are police and the remainder support staff. The budget for the force is £200 million.

Employee involvement and consultation methods

Various methods of increasing employee involvement are used including staff suggestion schemes, team briefings and self-managing work teams. The Police Federation represents many of the officers and many of the support staff belong to UNISON.

Overall, the Inspector considered the degree of consultation could be improved. The organisation was viewed as generally traditional and hierarchical, but was considered to be moving towards a flatter management structure.

Employee involvement and consultation initiatives

The nature of police work can mean that there is not much scope for consultation during activities in the field. However, informal consultation and information dissemination is an integral part of day-to-day communication among officers.

South Wales Police increasingly works on a consultative basis with a wide range of community groups. It is now very focused on 'partnership' working with other agencies, such as local authorities, housing groups, schools, and local businesses. The force also takes an active part in Police Community Consultation Groups. External consultation is given more commitment than the lip-service sometimes paid to internal methods.

A particular initiative for sharing information across all officers that has worked well is an 'e-network' called 'Epicentre'. The interviewee had formed an e-panel of 20 counterparts in forces across the UK. All the members of the panel are from different UK forces and are Inspectors responsible for general management issues. The network shares best practice across the force, and is a means of exchanging ideas about how to resolve management challenges and share successful strategies.

The idea for 'Epicentre' was essentially the interviewee's own and was easily created without having to involve external agencies. The interviewee thinks it important that such initiatives are small and flexible. Complex staff consultation schemes can become expensive, extremely unwieldy and get in the way of doing one's job, whereas the budget for running 'Epicentre' is minimal.

The only problem experienced to date with 'Epicentre' has been the disparities between different forces' IT systems, with some forces having 'secure systems' which can impede e-communication.

Key outcomes of the scheme

The tangible outcomes of this 'Epicentre' project are difficult to quantify. The police force has targets to reach and by sharing knowledge and experiences, the interviewee believes that sharing information will greatly assist the spread of effective practices. For example, the development of a new technology system in his force has been helped by advice from members of the panel.

Organisation: JobCentre Plus, Department of Work and Pensions

Interviewee: a Business Development Manager with JobCentrePlus, covering a county in the UK

Number of employees: approx 1,000

Nature of the organisation

JobCentrePlus is the result of the merger of the Employment Service with the Benefits Agency.

The organisation's management structure is essentially hierarchical. However, it is moving towards a flatter structure. Senior managers now directly manage Job Centres in new JobCentre Plus districts, whereas they used to be run by middle managers. Therefore, a layer of management is being removed.

Employee consultation

The establishment of JobCentrePlus required a great deal of consultation. The interviewee was closely involved in piloting this new approach to service delivery. There were regular meetings with the trade union throughout the whole piloting phase.

In JobCentrePlus and both of the previous bodies before the merger, there had always been a well-developed structure for employee consultation. Many different channels of employee involvement and consultation are used including staff suggestion schemes, quality circles, employee attitude surveys, team briefings, and job enrichment.

A union is recognised. There have been regular union meetings with management, both at local and regional level. At the local level they can be informal, although they will be more formal at the regional level.

Furthermore, employee consultation does not only happen between unions and management. It extends to all employees in every branch. There are regular district management team meetings. One morning a week there are regular hourly branch team meetings (which may involve all staff). These meetings often lead to the establishment of task-oriented workshop syndicates.

No budget, as such, is allocated to these information and consultation processes. They are inherent to how the organisation operates. However, the organisation does have District Communications Officers who are tasked to oversee the process. Amongst other things, they produce regular staff bulletins covering important changes within the District.

Problems with the consultation system

Problems may occur when consultation has not taken place which can then lead to a lack of trust. An inevitable weakness with the JobCentrePlus system is its reliance on the attitude of the District Manager. If he or she does not consult and inform staff properly there can be serious consequences.

Insufficient staff and management training in communications can be a problem and may result in unhappy and disaffected staff. It can manifest itself in a high turnover of both staff and managers.

The District Manager is the key link to this system as they are the connection with Head Office/Regional Office Strategy.

Outcomes of the consultation system

The interviewee had experienced tangible examples of improved performance due to good consultation and information. For instance, with a job centre that they managed they saw a significant rise in job placements. The interviewee thinks that this was because of the regular consultation processes they went through with staff and the efforts that were made to communicate the centre's priorities to staff.

On balance, it was felt that the merger of the Employment Service and the Benefits Agency is only being achieved successfully because of the thorough and on-going consultation and involvement of employees. The culture of the two organisations was, and in some legacy agencies still is, very different; and communication helps to get over the potential for misunderstandings.

Organisation: Learning Partners

Interviewee: Barry Johnson, Partner

Number of employees: 6 partners, 2 employees, 15 associates

Nature of the organisation

Learning Partners is a manager development consultancy that was established in 1994. The philosophy underpinning the partnership is that people make profits and managers help people make profits. In particular junior managers need developing, so that they are able to influence their senior managers' and organisations' working practices in order to bring about productive changes.

The turnover of the consultancy is approximately £1 million. Most of its clients were from the telecoms and computer manufacturing sectors until about 18 months ago, and it is currently moving its client base from the high tech sector towards others such as food processing. This strategy is succeeding.

The size and nature of the organisations they work with vary from multinationals (with up to 70,000 employees) to small firms (with only about 200 employees).

Employee consultation initiatives

The interviewee was sceptical about employee consultation structures, if they stand alone without the provision of the necessary skills and the empowerment of junior managers and staff. In the view of Learning Partners, consultation processes on their own only pay 'lip service' to the needs of employees and the organisation as a whole. Skills to enable empowerment are the essential ingredient.

He gave an example of a large commercial bakery that the partnership had worked for recently. Their development of the people management skills of junior managers and professionals had led to a transformation of activity on the shop floor. The junior managers had taken over the management of the shop floor in a more efficient and effective way, with less involvement of senior colleagues.

In another instance, the partnership had worked with senior managers in a large health authority. In this environment, the consultants often see lots of processes in place that are not having the desired outcome, because the people enacting them do not have the right people management skills to operate them successfully. Further, the staff and senior staff are not managed and given the skills that would enable them to take empowerment.

This had been highlighted at a meeting he had with the Director of Surgical Services effectively managing all the surgeons of a large health authority, who was discussing targets for staff competencies and was delighted to be given a competency card. This covered the basic behaviours of Team Leading, a skill area that he had not been exposed to during a long and successful career.

The limitations of consultation systems

The interviewee often sees consultation systems in operation that seem sensible and effective. For example, one company holds staff meetings every Friday morning, involving all operational functions. At this meeting they share what they are each doing towards meeting particular goals and this seems to work well. However, at senior management level, partly because the organisation is based on three sites, the system is

highly ineffective, as they do not have the necessary skills or trust to share information properly with their colleagues.

Evaluation

Learning Partners always evaluate their work, but not necessarily in terms of tangible targets. They go back to the managers and members of teams that they have trained and worked with to find out what the impact of their activity has been. For instance, they met the Managing Director, Operations Director and Production Manager of the large commercial bakery discussed above. They reported that operational problems were being resolved faster. The interviewee noted that it was difficult to give examples of tangible productivity and profitability gains, as these factors are often affected by external market conditions and other internal factors and the degree of influence of any one factor is difficult to determine.