The efficiency and performance of staff and their commitment to the objectives of the organisation are fostered by good human relationships at work. This demands that proper attention be given to human resource management, the personnel function and employee relations. The manager needs to understand the importance of good managerial practices and how to make the best use of people. The promotion of good human relations is an integral part of the process of management and improved organisational performance.

The learning objectives of this chapter are to:

- explain the nature of human resource management (HRM), and contrast this with personnel management;
- analyse HRM and personnel policies, activities and functions;
- justify HRM as a shared responsibility and explain the organisation of the personnel function;
- examine the importance of training and development and the effective management of training;
- explore the system of performance appraisal, methods of appraisal and potential problem areas;
- explain the nature of employee relations, and reasons for attention to legal and behavioural dimensions;
- recognise the importance of the personnel function and employee relations for organisational performance and effectiveness.

Chapter 19 examines the personnel function as an essential part of the process of management. This chapter looks at the nature and scope of human resources management, training and development, including ‘Investors in People’, performance appraisal, employee relations and the maintenance of good human relations at work. The chapter also considers international dimensions of HRM and the German system of industrial democracy.

Personnel management or human resources management?

In recent years there has been an increasing tendency for use of the term ‘human resources’ management (HRM) but the distinction from ‘personnel’ management is not always clear. Consideration of the controversy surrounding the use of the alternative terms can be more meaningful if used as a platform for discussions on the objectives, scope and organisation of the personnel function/HRM – whichever term is most favoured. The key point is the importance of effective HRM, and that personnel policies, and the implementation of personnel practices and procedures, should be based on underlying philosophies of managerial behaviour and employee relations. HRM/personnel policies should be defined clearly and communicated to staff at all levels.

Training and development

One major area of the personnel function of particular relevance to the effective use of human resources is training and development. Staff are a crucial but expensive resource of the organisation. In order to sustain economic and effective performance it is important to optimise the
contribution of employees to the aims and goals of the organisation. There is a continual need for the process of staff development and training fulfils an important part of this process. Training should be seen as an investment in people which if managed in a planned and systematic approach offers many potential benefits both to the individual and the organisation. However, there has to be an appropriate training culture. Training has to be relevant to the needs and requirements of the organisation, and there is increasing attention given to vocational education. Attention should also be given to the increasing importance of e-learning, learning via technology.

**Performance appraisal**

One way in which to review the performance and potential of staff is through a system of performance appraisal. This is a crucial activity of the personnel function and the management of human resources. There are a number of potential benefits to both the individual and the organisation. However, it is important that careful and detailed consideration be given to the principles and ethics of performance appraisal and the questions to be addressed. In order to establish a successful appraisal system careful attention needs to be given to a number of important factors concerning its introduction and implementation, to the different methods of appraisal, and to potential problem areas. An overview of the performance appraisal system is given in Figure 19.3.

Appendix 2 provides a helpful account of the Abbey National performance management system. Course members could be encouraged to compare this with systems in their own organisation.

**Employee relations**

To understand any employee relations situation it is necessary to take account of the institutions and parties involved, and their ideologies and motives. Particular attention could be given to the significance of the unitary and pluralistic perspectives of perceiving work organisations. While neither approach can be regarded as ‘right’ or ‘wrong’ these contrasting perspectives have an important influence on the nature of employee relations and the management of human resources.

Effective employee relations are founded on a combination of legal and behavioural dimensions. Managers need to be aware of common law, statutory requirements, the formal contract of employment and codes of practice; and to understand the influence of behavioural factors, recognition of the individual, the social responsibilities of management and the psychological contract. Managers need to take note of both legal and behavioural perspectives and to adopt a balanced view when making decisions which affect the employment relationship.

As with other aspects of the personnel function, it is important that line managers are involved, at least to some extent, with employee relations. But there must be good communications and close consultation with the human resources department. Where appropriate, it is also important to consider the role and functions of the shop steward. The need is for teamwork and a concerted organisational approach to the management of employee relations. All employers should undertake an in-depth review of their employment relations approach.

**Industrial democracy in European countries**

Increased European integration seems likely to result in greater harmonisation of employment practices and conditions. (Recall the discussion in Chapter 2.) The German system of industrial democracy has tended to be used as a model of its kind, and comprises both works council and representation on boards of directors.

Course members could be asked to debate: (i) the significance of moves towards greater harmonisation of employment practices and conditions in the European Union; and (ii) the value and likely benefits of adoption of the German system of industrial democracy in Britain.
Debate
‘Having a separate HR department only leads to poor line managers abdicating responsibility for their people.’

Some starting points

For
- Poor managers may prefer to get rid of difficult and messy ‘people problems’ so that they can concentrate on what they see as more important operational, technical or financial issues.
- By trying to be helpful, HR staff can establish a feeling of dependency on their service to sort out personnel problems rather than line managers accepting their own role and responsibility for staff.

Against
- HR staff do not take on day-to-day responsibility for staff but can answer specialist queries and support line managers in the strategic use of staff as a resource.
- HR can help support and develop the competence of line managers by offering behind-the-scenes advice and guidance on staffing matters.

Exercise: Role play

Managing poor performance synopsis

1 Doing nothing is always an option worth considering. Clearly there is always some risk in taking action to improve someone’s performance. It might aggravate the problem and make matters worse. On the other hand, doing nothing might allow the performance problem to become more established. There is a vast difference between doing nothing because of procrastination, and opting to do nothing as a result of a conscious decision.

2 There are plenty of ways to get rid of a poor performance: formal dismissal, redundancy, sideways moves, ‘special’ projects, making life so uncomfortable that the person resigns, to mention but a few. None of these ways of getting rid of people is appropriate until other options have been conscientiously tried and failed to lead to lasting performance improvements. Getting rid of poor performers may sometimes be necessary, but only as a last resort.

3 Telling a poor performer that they must improve is a tempting, straightforward option. Sometimes it does the trick, particularly if there is an ‘or else’ threat. However, commanding someone to improve often has only a temporary effect. This is because the onus for change is left entirely to the poor circumstances. Expecting someone to mend his/her ways without support and when nothing else has changed is a tall order.

4 Persuading someone to improve his/her performance is an option worth trying. Persuading can take many forms but it usually involves getting the person to acknowledge the problem and to agree that there are benefits to be gained in making a change. Counselling is especially helpful if it results in a specific action plan to bring about the required improvements.

5 Training is an option which may well be helpful if the poor performer accepts the need and is helped to set learning objectives before they undertake the training and supported after the training with the implementation of their action plans. Unfortunately, in practice these provisions are rarely met. Too often people are ‘sent’ on a training course feeling resentful, with inadequate objectives, or none at all, and with no active support when they return to help them transfer what they have learned.

6 Performance is always a product not just of the person but of the circumstances. Poor performance can result from a whole host of factors external to the person, such as impossible deadlines, conflicting demands, faulty equipment, poor working conditions, too many interruptions and so on. Changing the situation in order to bring about performance improvements is an option worth.

Often some of the above options can be used in combination. For example, counselling and persuading might combine with training and/or modifying the situation.
Case study 1: London Taverns Ltd

Background
- Currently the largest independent public house operator.
- A rapid and continuing period of expansion.
- Originally a family business.
- Management style of the chairman/managing director.
- Organisation of the operations of the company.
- Low level of training.
- No defined policies or procedures relating to personnel or training.
- Only a very few members belong to a trade union.
- Apparent lack of clear policy making and longer-term strategic planning.

The present position and current problems
- Difficulties in recruiting and retaining both management couples and trainees of a suitable calibre.
- Two much-publicised industrial tribunals hearings which were lost.
- The handling of disciplinary matters and allegations of sex discrimination.
- Reluctance of the managing director to the appointment of a full-time personnel manager, and greater concern about the personality of the person appointed and position within the company structure.

Appointment of personnel manager

In service industries, customer satisfaction is likely to be affected as much by the courtesy, helpfulness and personal qualities of the staff as by the standard of beverage, food or other facilities. This places particular importance on the personnel function, both as closely associated with a task function and as an element function.

The person appointed will need to have a sound knowledge of modern personnel procedures and practices, including employment legislation, codes of practice, and the role and operation of industrial tribunals. Previous experience in the hospitality, or similar service, industry would probably be an advantage. It would be helpful to assist the managing director with the preparation of a job description and person specification, and to advise on attracting suitable applicants and methods of selection (discussed in Chapter 20).

Bearing in mind the ‘reluctance’ of the managing director, the person appointed will need to be able to adopt an incremental approach to the development of the personnel function and in seeking to gain his support for, and commitment to, the personnel function.

The managing director’s resistance to the designation of human resource manager as ‘too grand and likely to give the person ideas above their station’ may be indicative of the perceived value and role of the personnel function. However, this should not be seen, per se, as a major issue at this stage. It would be more beneficial to concentrate attention on establishing the need for, and role of, such an appointment, whatever the title.

Duties and responsibilities

The range and scope of personnel activities is potentially very wide and could embrace:
- human resource planning and employment
- salary and wage administration, including related reward systems
- organisational design and patterns of work
- education, training and development
- employee relations
- employee services, welfare, health and safety.
Within the framework of these broad headings, can be agreed clear terms of reference and specific areas of responsibility. It will be important to discuss the current role of the finance staff and the managing director's secretary, and the need to consult with them fully about proposed likely changes. It will also be important to determine the manner in which the personnel function will operate at the organisational level and at the departmental (unit) level, for example the responsibility for on-job training.

**Priorities**

First priorities should include attempts to gain acceptance of the benefits from an effective personnel function and the role of the personnel manager as a specialist adviser. It will be important that the personnel function is seen as a shared responsibility, to engage the support of area and unit managers, and to encourage a feeling of teamwork and co-operation.

Emphasise that the personnel function can be effective only if it is based on sound personnel policies which should emanate from the top of the organisation, and based on underlying philosophies of managerial behaviour and employee relationships. The role of top management is important in establishing a climate of good employee relations.

Short-term priorities could include attention to basic procedures for staff selection; and first training initiatives on employment law, disciplinary and grievance procedures. Longer-term priorities could include recruitment and selection strategies: human resource planning and succession; performance appraisal; and a full, planned programme of training and development.

**Strategic policies and procedures**

Although it might be wise to avoid direct reference to the term ‘human resources’ management, it could still be pointed out that modern personnel management:

(i) includes regard not only for employee development but also for the development of the management team;

(ii) views line managers as business managers with personnel policies as an integral part of the pursuit of business strategy; and

(iii) links closely with organisation development and management of the organisation's culture.

This approach, if accepted, will clearly involve the personnel manager in longer-term strategic policies and procedures.

**Note:** A particular point for discussion could be the approach and type of power strategy adopted by the new personnel manager in order to be accepted and seen to be achieving.

**Financial implications**

Although cost is obviously a major consideration this should not be viewed in isolation. It is important to emphasise that not every activity of the company can be identified clearly as making a direct contribution to profitability. A balance must be kept between the more easily identified financial costs of the personnel function and the less readily apparent, but very important, long-term benefits which also make a positive contribution to organisational effectiveness and the achievement of corporate objectives.

**Case study 2: Accelerating the performance momentum at Sisson Systems**

(a) Relevant points which could have been explored include the necessity for strong, forceful, persistent and visible performance-based leadership from the top down; co-ordinated alignment of the strategic direction within the management team; the constant distribution of result-oriented feedback (especially customer evaluations); the creation of multi-functional project teams to confront organisational blockages; and the deliberate injection of some uncertainty and anxiety among previously complacent executives.

(b) Early retirement schemes seldom discriminate between effective and ineffective contributors as they convey the implicit assumption that anyone over a certain age is automatically unwel-
come. Equally unhelpful are ‘last in, first out’ programmes or standard headcount reductions across the corporate board. It is hoped to see proposals involving a trawl through performance review records and ‘customer’ assessments and an assessment of current competencies against future needs.

(c) Matching centralised corporate control against empowered divisional freedom is a real dilemma for international and global enterprises. Some companies reflect a worldwide managerial culture (IBM, McDonalds, Marks & Spencer, Marriott Hotels) whilst others practise at least a degree of local autonomy and empowerment. Wherever possible responses should include reference to ‘live’ organisational experiences.

(Adapted with permission from The Institute of Chartered Secretaries and Administrators, Organisation and the Human Resource Examination Paper, June 1999.)

In addition to drawing on material in this chapter, responses to this case study could draw also on material in previous chapters, so providing a further opportunity for review and consolidation.

**Additional seminar activities**

**Assignment: Personnel and training**

For your own, or some other organisation well known to you, analyse the manner in which HRM/personnel work is undertaken.

(a) Explain fully arrangements for the sharing of duties and responsibilities of the personnel function including employee relations, and detail clearly:

(i) the role of top management; and

(ii) the means of co-operation and consultation between line managers and the HRM or personnel manager.

Comment critically on the effectiveness of these arrangements.

(b) Critically review the extent to which there is a planned and systematic approach to the management of training. In particular, examine:

(i) arrangements to provide training for special groups such as married women, ethnic minorities, older members of staff, and people with disabilities; and

(ii) the effectiveness of systems for the review and evaluation of training in the organisation.

Support your answer with specific examples.

**Analysis of the personnel function**

If the personnel function is to be effective, it has to be seen as a *shared responsibility* among top management, line managers and supervisors, and the HR manager. It also requires the cooperation and commitment of all members of staff. *(See Figure 19.1.)*

**The role of top management**

Top management has a responsibility for determining the underlying philosophy and attitudes towards the HRM function, and the formulation of personnel policies. They should take an active part in fostering goodwill and harmonious work relationships among departments. It is important that top management agree clear terms of reference for the HR manager within a framework of sound personnel policies.

**Line managers and the HR manager**

Within the framework of sound personnel policies, the personnel function can be seen as operating at two levels: *(i)* the organisational level; and *(ii)* the departmental level.

At the organisational level, the HR manager is the main executor of personnel policies but acting in consultation with, and taking advice from, the line managers.

At the departmental level, the line managers might assume a prominent role for day-to-day personnel matters, with the HR manager as adviser, and if necessary as arbitrator.
There has to be good teamwork, and co-operation and consultation between the line managers and the HR manager.

As part of the critical comment on the effectiveness of the personnel function within their own organisation, course members could be asked to debate: (i) the idea that all line managers are their own human resource manager; and (ii) the Marks & Spencer approach to the personnel function.

The management of training

Training should be viewed as an investment in people and is a key element of improved organisational performance. To be successful, however, it requires the co-operation of line managers, adequate finance and resources, time, skilled staff and a supporting appraisal system. There has to be a genuine commitment from top management and throughout all levels of the organisation. If organisations are to pursue a positive policy of investing in people, this demands that they demonstrate a continuous commitment to training standards. Training should be an integral part of business strategy and the process of total quality management. Managers should also be fully aware of the help and assistance available from government organisations and other bodies.

A planned and systematic approach

In order to secure the full benefits of successful training there must be a planned and systematic approach to the effective management of training. The critical review should include consideration of the extent to which there is:

- a clear commitment to training throughout all levels of the organisation;
- an objective assessment of training needs;
- a feeling of a sense of involvement among staff themselves;
- a clear set of objectives and a defined policy for training;
- a carefully planned training programme;
- the choice of the most appropriate methods of training;
- attention given to external courses and training opportunities linked to the education system.

In particular, the review should examine the following aspects:

- The regard given to the training needs of those groups not currently active in the workforce, including married women, ethnic minorities, older members of staff and the disabled. To what extent does the organisation give special consideration to the most appropriate methods of training for these groups of people? To what extent are there negative, stereotypical views about the capabilities of such groups of people?
- An effective system of review and evaluation. To what extent, and in what ways, is the evaluation related to objective, measurable factors? The ultimate evaluation of training is the extent to which it contributes to improved organisational performance and effectiveness; and to the quality, job satisfaction and prospects of employees.

If organisations are to pursue a positive policy of investing in people, this demands they demonstrate a continuous commitment to training standards. Mention could also be made of Investors in People.

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Case study: Manfrithshire County Council

Note: The general principles contained within the case study are applicable to both the private and the public sector.

A management consultant, J. Jones, was retained by Manfrithshire County Council to analyse the problems junior management were experiencing in obtaining the standards of performance
expected from the staff. The council, which services a large catchment area, gave Jones complete freedom and access to all aspects of the organisation.

The County Council employs 8000 people within the following management structure:

- 80 employed at senior management grades;
- 150 employed at middle management grades; and
- 3200 employed at junior management grades (including supervisors and section leaders).

In order to identify the problems, Jones held a series of meetings with councillors and senior management, followed by a number of group discussions with junior and middle management.

Initially, Jones experienced considerable antagonism from junior management, especially from supervisors and section leaders; in fact certain supervisors expressed open hostility, being sceptical of a useful outcome from the inquiry. A supervisor also expressed the view ‘we have seen it all before and nothing beneficial ever appears from these surveys’.

Jones decided to hold a series of ‘brainstorming’ exercises (in strict confidence) within the context of the group discussions. The participants had ‘complete freedom of expression’ without fear of censorship or reprisal from senior management.

Jones then produced a report based on the meetings and group discussions. It included the following points:

- **Morale.** It became quite apparent that the level of morale for all staff was extremely low. Cutbacks and lack of funding were to the forefront of the complaints, but there appeared to be a more sinister influence, which was the mistrust between staff and management. It was difficult to ascertain the reason, yet the mistrust was more evident at the junior level of management, especially amongst supervisors and section leaders. Staff generally viewed the supervisors as a level of managers who made a very poor attempt at managing their sections, with complete disregard for work practices and standards of performance. At the same time, supervisors said that their jobs had no explicit lines of authority which allowed specific decisions to be made. One supervisor described the job as ‘general “dogsbody” and “whipping boy”’, another observed that ‘nobody wanted the supervisor’s job’. The problems cited by the supervisors included: insufficient funding to achieve unrealistic targets; no recognition of their position; no formal job description; and no appropriate training for any level of staff.

- **Job security.** Security of tenure was the underlying theme. Rumours were spreading throughout the council offices that massive redundancies were expected in the near future. The redundancy rumours concerned all levels of staff, but made particular reference to junior management. Another rumour was the possibility of some managers being replaced by younger employees with better qualifications and more formal training.

- **General.** The problems manifested themselves in a high rate of labour turnover and high levels of absenteeism which, in addition to the above, were attributed to a modest wage system, no opportunity for personal development and poor working conditions.

The report made the following recommendations:

1. introduce a more efficient training and development programme for all levels of staff;
2. initiate a formal appraisal system ensuring feedback and recognition for junior management; and
3. undertake a further investigation into absenteeism and turnover involving supervisors and section leaders, making such recommendations as necessary to solve the problem.

**Tasks**

1. As the consultant, what action would you expect to be taken with reference to the supervisors and section leaders for the implementation of your proposals?
2. If you were Chair of Manfrithshire County Council, having read the report, what questions would you ask the Council’s senior managers? What would you expect their response to be?
3. How can the Council overcome the antagonism and scepticism which appeared during the initial stages of the behavioural investigation?
Expected actions to be taken
These could include discussion of the following.

- There is need for a review of organisation structure, and for a clearly defined role for junior management and how this differs from other members of staff. Attention should be given to the scalar chain (and lines of authority) and the balance of spans of control. On average there is a middle manager for every 20 junior managers but there is a junior manager for every 2.5 members of staff.
- The council should restructure creating larger teams and having fewer junior managers. Top management need to recognise that the designation of junior manager should not apply merely to promoted workers but only to those people who are to undertake the role and functions of management. The council needs to develop and reinforce the strengths and abilities of its junior managers and to review opportunities for promotion to the middle management level.
- Undertake a process of job analysis in order to prepare job descriptions and person specifications for all supervisory positions. This process should also help clarify the formal organisation structure of the council and exactly what junior managers are expected to do.
- Develop a proactive approach to training including attention to the main stages of training and the effective management of training. Attention to the process of management development and in particular a related programme of succession planning and career progression. (Management development is discussed in Chapter 23.)
- As part of the process of development, review opportunities for increased delegation to junior managers, including agreed expected standards of performance. Advantages should include providing greater job satisfaction to staff, preparing them for future promotion, and help the council to identify those managers ready for promotion and to avoid the ‘Peter Principle’.
- Consider the introduction of Management by Objectives to aid improved information and control systems. Targets should be set and agreed in consultation with junior management so they know exactly what is expected of them and how well they are performing.
- The introduction of a formal appraisal system should involve full consultation. It is important to gain the commitment of staff and union support. Ideally, the system should focus on performance management with emphasis on agreed future objectives and a positive reward system linked to performance.
- Review existing methods of communication and adopt a positive approach to involving junior managers closely in formulating and implementing recommendations.

Questions to ask senior managers

- Why has the structure been allowed to develop in the way that it has? Why the large disparity between senior management and junior management grades? Why do supervisors feel there are no explicit lines of authority?
- Why has action not been taken before and why was a further report necessary in the first place? (‘We have seen it all before and nothing beneficial ever appears from these surveys.’)
- Who is responsible for the setting of specific standards of performance?
- Why has the level of mistrust between junior management and senior management, and the low level of morale, been allowed to escalate to the present level?
- Why an apparent lack of direction and control over the role or responsibilities of junior managers? And why the complete disregard for work practices and performance?
- Why an apparent lack of modern management practices relating to, for example, participative management styles, developing commitment, management by objectives, delegation?
- Where did rumours concerning redundancies and possible replacement of some managers originate? What steps have been taken to keep all staff and union officials fully informed of the council’s financial position and policies on staffing matters?
- Why is there an apparent lack of personnel policies and practices relating to, for example, job descriptions, monitoring performance, motivation and reward systems, working conditions?
It is likely that the response of senior managers will be very defensive (and possibly initially unco-operative) and follow a predictable approach possibly in terms of arguments such as the following.

(a) The organisation has just developed over time with a lack of formal systems and appropriate structures.
(b) Alternatively, that this has always been the structure and blaming a lack of flexibility.
(c) A failure to accept the concept of accountability (ultimate responsibility) and attempting to blame middle managers for poor delegation and systems of control.
(d) To suggest that the grapevine is inevitable and rumours are difficult to combat, especially in a large and complex organisation.
(e) To adopt a unitary perspective and to blame the work of agitators.
(f) The difficulty in measuring output and performance in a service organisation.
(g) A lack of funding and availability of scarce resources.

**Overcoming antagonism and scepticism**

- Express the importance of the survey, ensure full communication of the details of the report to all staff and union officials together with a formal commitment to follow up the recommendations.
- It is important to attempt to assure staff that this review is different from previous surveys and that positive action will be taken with the absolute minimum of delay – but with full consultation.
- Immediate clarification regarding rumours of redundancies and replacement of certain staff.
- An open, honest approach is essential whether it confirms or denies the rumours.
- Instigate a planned review of organisation structure including genuinely seeking the views of staff.
- Maintain regular communication with staff through, for example, an informative staff newsletter with the backing of senior management and which will attempt to be viewed by staff as authoritative.
- Consider the introduction of a system of Management by Objectives (referred to above) and the possibility of a quality circles approach.

In addition to drawing on material in this chapter, responses to this case study could draw also on previous chapters, so providing a further opportunity for review and consolidation.

**Assignment**

Write a briefing paper of no more than 800 words to be presented to the board of your own, or an imaginary organisation in which you present a cost/benefit analysis of implementing a large-scale organisational improvement programme such as Investors in People.

Costs should be reviewed in terms of all the resources which may be used and not simply monetary estimates of such a policy.

Benefits should also include analysis of the potential personal and business growth and development for those involved.

Consider carefully what sort of data you might collect for such an analysis – although in this case you can use estimated figures for your presentation where necessary.

This assignment encourages students to take a broader organisational view of the costs and benefits of large-scale change initiatives such as Investors in People.

It also asks them to consider carefully what sort of data they would need to collect to make such a cost/benefit analysis. The aim is to get them to consider intangible costs and benefits as well as the more obvious monetary considerations.
Application and discussion

Application

How a joint approach to changes in terms and conditions strengthened union/management relations at Plaxtons of Wigan

Assisted by ACAS advisory services to adopt a joint approach to problem solving, management and trade unions at Plaxtons have achieved significant changes to terms and conditions and working agreements. The new systems are paying dividends in improving company performance, and the process of reaching agreement has significantly strengthened the relationship between management and trade unions.

Paxton's Wigan factory began life in 1919 as a family firm building body shells for continental cars such as Bugatti. The firm diversified into public service vehicles in the 1940s and was acquired by Greater Manchester Passenger Transport Executive in 1983. Following a period in receivership and a management buy-out in 1993 the factory, trading as Northern Counties Bus Company, was acquired by Henley PLC in 1995. With other interests in the coach building business, most notably the firm of Plaxtons in Scarborough, Henley group changed the name of the factory to Plaxtons, Wigan in January 1999.

Henley Group employ around 1500 people in the UK, of which around 420 work at the Wigan site. Employment at the site has been growing over recent years and around 100 extra employees have been recruited since 1995.

Four trade unions are recognised at the site for collective bargaining purposes. The main union is TGWU representing body builders, painters and labourers. Electricians and fitters are represented by AEEU and sheet metal workers by MSF. GMB represent a small number of other trades. Pay and terms and conditions of employment are determined at the factory level through a works committee comprising representatives from each of the unions.

The issue

The payment system in place at the factory comprised basic pay plus a bonus system designed to reward individual performance. This bonus scheme was widely viewed as problematic by both management and trade unions, but a number of attempts to negotiate changes through the traditional bargaining machinery had all ended in failure. Having failed yet again to make progress during the 1997 annual pay negotiations, the parties did at least agree a joint commitment to work together outside the pay round to address the issue.

Both sides were aware that, if they were to be successful this time, a different approach would be required. They were aware that ACAS had expertise in assisting companies and unions to introduce new payment systems so approached the organisation for assistance.

ACAS asked to assist

Following discussions with both sides, ACAS established a joint working group comprising four members of management and four employee representatives. Prior to the first meeting, each side prepared an outline of what they wanted from the new arrangements. This preparation reflected their traditional approach to such issues, and they would have conventionally gone on to negotiate around the fixed positions they had developed. With the assistance of ACAS, however, the process was to work in a significantly different fashion.

ACAS began by familiarising the members of the working group with skills and techniques that would help them to function effectively as a problem solving team. They were then asked to agree on a series of rules that would govern their behaviour throughout the process. These included items such as treating each other with respect, listening carefully to the contribution of others and not interrupting, and recognising the legitimacy of each others fundamental interests.
Building consensus

The group were first asked to jointly consider the pros and cons of the existing bonus scheme. It was agreed that the scheme was inefficient and outdated, focusing upon individual gain rather than the company objective of increasing the overall unit output of buses. From the trade union point of view, it was clear that the bonus scheme did not reflect individual effort and was viewed as unfair by a significant number of their members.

The scheme was costly to operate (300 hours per week on average to complete administrative paperwork) and heavily dependent on the subjective judgement of foremen. It encouraged single task conditioning of the production workforce as opposed to multi-skilling and, whilst it gave the individuals the opportunity to generate high pay linked to high output, it resulted in the over-production of sub-assembled elements beyond actual requirements. Through reflecting on the shortcomings of the existing arrangements, the group members were able to reach consensus as a prelude to moving on to the next stage.

Problem solving

The next stage was to jointly agree their objectives for a new arrangement. At this stage, both management and trade union were able to feed in the preliminary work they had done prior to the meeting, but with a significant difference from the traditional negotiation approach. Each side was encouraged to disregard any positions they had adopted on the detail of the final outcome and concentrate instead on their broad interests.

By working in this way, it proved possible, for example, to reach agreement that the preferred bonus scheme, in whatever shape or form it eventually took, should be collectively rather than individually based, although it was acknowledged that this would cause some pain to certain members of the workforce.

Equally, management were able to accept that such a collective scheme could still be founded on the existing system of basing bonus on the difference between the number of hours laid down for particular tasks and the actual time taken. By reaching agreement on the broad parameters of the scheme, and by accepting each others legitimate interests, the group were able to move on to develop fully detailed arrangements.

A new model

The final model paid a flat rate bonus to all employees based on the weekly productivity of the entire factory. Swipe cards were introduced to cut down paperwork and the timekeeping system was extended to all staff, including the works director – a symbolic move in addressing the ‘them and us’ culture. A staged consolidation of a proportion of bonus into basic pay was also agreed, in return for a progressive reduction in the standard timings for various tasks (the basic benchmark for bonus calculation).

Both management and union representatives were extremely satisfied with the process through which they managed to reach agreement. According to Brian Rignall, Personnel Manager:

Without ACAS, we would simply have sat down to negotiate around fixed positions. It would have been a painful process, and commitment among the workforce to any agreement we reached would have been low. As it was, the process felt nothing like negotiation. It was much more like jointly solving a problem which faced us both.

Terry Donnelly, TGWU shop steward agrees: ACAS involvement made it into a marriage – before it was daggers drawn.

Although the relationship between senior management and union representatives was significantly enhanced by their success with the bonus scheme, relations between line management and the workforce more generally was an increasing cause for concern. Exit interviews were revealing that departees, including highly valued workers with many years service, were leaving because they were unhappy with the management style. Common complaints were that they felt they were ‘treated like children’; or that supervisors and managers had ‘no respect for skills and abilities’.

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Mullins: Management and Organisational Behaviour, 6e – Lecturer’s Guide
Building on success

Both management and union representatives felt that poor communications were at the heart of the problem, and that this was exacerbated by an inappropriate management style on the shop-floor. ACAS were again invited in to help.

The first step was to conduct a problem identification workshop with a cross-section of the workforce. This took place off-site and no representatives of management, other than the personnel manager, were present. However, in order to underscore the importance of the event, the Site Director attended in person to open the session and make a commitment to feed the outcomes into the company’s strategic business plan.

The types of techniques adopted by the ACAS facilitators – brainstorming, prioritising and grouping, consensus decision-making, action planning – were entirely new to the majority of workers present. The participants were extremely pleased with what they achieved, which laid the foundations for a series of smaller joint teams to take forward the ideas and develop plans for implementation.

The measures stemming from the initiative were wide ranging and varied. One key aim was to provide the workforce with a much fuller awareness of the company’s trading position. This involved the release of information on company performance previously restricted to management – but the initiative went much further. Through a staff newsletter and dedicated resource area, the workforce are kept up to date with information about customers, competitors, suppliers, and developments at group level. These include measures of supplier performance, customer satisfaction and complaints, and up-to-date information from journals and the press about their competitors and the bus industry in general.

People now feel that they understand what's going on in the outside world and how Plaxtons, Wigan fits in with this. Previously, we didn't even know what our sister plant in Scarbrough was doing.

TGWU shop steward

Shop-floor workers have also been given direct access to the full customer specification for each vehicle, information which was previously only 'drip fed' from the drawing office. The introduction of cell meetings each morning, combining both briefing and time for questions and discussion, has provided an opportunity for this broader knowledge to feed into improvements at shop-floor level.

Both unions and management feel that the ‘joint’ approach demonstrated by ACAS has become ingrained in the culture of the company, informing their approach to issues at all levels. The new spirit of openness and common purpose layed the groundwork for a recent initiative to introduce dedicated continuous improvement (CI) processes. Company and unions have worked alongside a team of private consultants to train the entire workforce in CI techniques, and these have been incorporated into the daily cell briefings.

Without the work done by ACAS the Continuous Improvement programme wouldn't have stood a chance. The lads would just have turned their back on it.

TGWU shop steward

What has been achieved:

- a fairer link between performance and reward;
- a greater spirit of teamworking and common purpose;
- improvements in commitment and morale;
- a transformation in the culture of communications;
- increased involvement of the workforce.
And this has led to:
- increased productivity and output;
- improved product quality and reduced waste;
- reduced accidents;
- decline in lateness and absence;
- reduced labour turnover;
- improved customer satisfaction.

What difference has it made?
The new bonus arrangements took a little time to bed in, but the benefits have been considerable. There has been a marked increase in productivity, and output of completed buses has increased significantly. An unanticipated consequence has also been a marked decrease in absence and lateness, particularly among staff grades, thought largely to be due to the new timekeeping system.

There has also been a distinct change of culture on the shop-floor. Colleagues now work cooperatively within cells, collaborating to ensure the timely completion of all the individual elements of the process. Long standing demarcations between tasks have started to break down, not through any specific flexibility agreement, but through a joint recognition that teamwork leads to greater rewards.

Alongside improved productivity and output, the number of faults per vehicle has dropped dramatically; and a previous worryingly high accident rate has plummeted. Increased awareness of the external pressures on the company, together with a much closer involvement in shopfloor decisions, have improved morale and commitment among the workforce and this has fed through to lower labour turnover.

A senior TGWU shop steward sums up what has been achieved:

When I came to Plaxtons six years ago, after being made redundant from Leyland Daf Vehicles, I felt like I'd stepped back in time twenty years. What's happened here in the last three years is nothing short of a complete transformation. We couldn't have done it without ACAS, they showed us how to set things up and how to move them on. I can't praise them highly enough.

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Multiple-choice questions

1. (Chapter 19, p. 685) In describing the difference(s) between personnel management and human resources management (HRM), Guest states that HRM is concerned more with:
   (a) an organic rather than bureaucratic structure
   (b) a long-term rather than short-term perspective
   (c) the psychological contrast based on commitment rather than compliance
   (d)* all of the above

2. (Chapter 19, p. 689) Which of the following statements is/are true?
   (a) Small organisations may not justify a specialist HR/personnel manager or department, but it is still necessary to have an effective personnel function.
   (b) In large organisations there is a greater need for a specialist member of staff to be delegated full time responsibility for advising human resource matters and for the development and implementation of clearly defined personnel policies.
   (c)* Both of the above.
   (d) Neither of the above.

3. (Chapter 19, p. 690) The personnel function is a shared responsibility among:
   (a)* top management, line managers and supervisors, and the HR manager
   (b) only those in the HR department
   (c) line managers and the HR manager
   (d) top management and the HR manager

4. (Chapter 19, p. 699) What is the rationale underpinning the Training and Enterprise Council’s ‘Investors in People’ initiative?
   (a) All employees within an organisation are entitled to regular development and training.
   (b) The success of employees is dependent upon the effective development of a strategic plan.
   (c)* Organisational success is dependent upon the effective development of human resources.
   (d) Organisations must promote training and development to maximise career prospects for their employees.

5. (Chapter 19, p. 703) Which of the following statements about appraisal is true?
   (a) One appraisal per year is sufficient for any employee within any organisation.
   (b) Appraisal reports should always be ‘closed’ so that managers are able to give a frank and honest appraisal.
   (c)* Staff should be able to view their appraisal report to ensure the consistency of the report with verbal feedback from their manager.
   (d) The system should focus on the faults of those being appraised.

6. (Chapter 19, p. 707) Broadly defined, employee relations are concerned with:
   (a) the relationships between management, employees and trade unions
   (b)* the relationships between the policies and practices of the organisation and its staff, and the behaviour of work groups
   (c) the ways in which individuals are managed and the effects management have on performance
   (d) the legal framework within which organisations functions
Effective employee relations are founded on a combination of _______ and _______ dimensions.

(a) economical and psychological
(b) legal and sociological
(c) legal and behavioural
(d) economical and behavioural