

Pep talk or participation *

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1. Introduction

I want to discuss the positive contributions that worker involvement makes to the company, and to argue that stronger worker involvement could bring major improvements in company practice. Managers generally do not have the capacity and tools by themselves to follow 'best practice' in HRM. Thus we find many examples in practice where worker representatives play a crucial role in promoting best practice. However, most managers are not convinced of this positive role, which helps explain why worker involvement does not diffuse more on a voluntary basis. HRM practices are too much influenced by Taylorist principles. In the Anglo-Saxon tradition this 'technocratic' approach with labour seen as a commodity seems even on the increase. Justice has to be given to worker involvement that can play a strong role in helping to build and diffuse the Sustainable Company in Europe and beyond.

2. A clumsy opening

Some years ago I was involved in a research project commissioned by the Dutch paritarian fund for works council training (GBIO). It was a study on the assistance sought for and commissioned by work councils and management in social dialogue at company level (Bruin *et al* 2003). The results gave a divergent picture. Works councils mainly participated in educational activities and used the assistance of trainers. Management in contrast made use of the HRM department and/or of business consultants and lawyers. The assistance for management tended to be dominated by the advice of (often expensive) legal advisors or business consultants and by specialists for topical issues. Training of managers on how to communicate in an open way with worker representatives was not done, although almost 60% of the 200 managers interviewed expressed a need for assistance in questions like how to deal with information rights and other worker involvement or how to create a climate for feedback and joint policy-making. One respondent characterised a substantial part (40%) of his fellow managers as too 'clumsy' for dialogue with worker representatives. Experienced leadership of a company is no guaranty for a successful and constructive dialogue, even when management has a positive attitude and full commitment towards worker involvement. In the German literature the same confession was heard: 'managers are not capable to cooperate with success because they never learned how to do it' (Reppel 2001). On the other hand we know from the experience in several EU Member States that it always takes two to tango. Dialogue is depending on the engagement of both sides.

Assistance of HRM departments seemed to fail and so did the external advice of business consultants. Due to the fact that worker involvement is often not part of the HRM staff core business (which is dealing with recruitment, an ageing workforce, work organisation, health and safety matters and restructuring) this staff probably lacks the necessary competencies. It also has to be taken into account that in many SMEs no HRM department exists. And present-day management training is completely dominated by Anglo-Saxon business literature and short-term shareholder value concepts. In mainstream managerial thinking and academic managerial studies the notion of worker involvement is almost completely absent.

After this research was completed we started to question the competencies of management to deal with worker involvement, even those managers that take the information, consultation and co-decision rights very serious.

Our conclusion in 2003 was that we had to pay more attention to management's role in the dialogue at company level. This lead to several questions: to what extent is a manager competent enough to create an added value for both partners? Where can he or she find the necessary know-how and expertise? and: How can we equip a manager with present-day skills that fit with the Rhineland model?

At the same time several research projects lead to the conclusion that, in those companies where works councils function effectively, the primary core areas for their activities are personnel policy and health

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and safety issues. In a case study published in 2007 the work and functioning of fifteen works councils was assessed over a longitudinal period of two years (Cremers 2007). The dynamic between HRM and indirect forms of worker participation (through representative bodies like works councils) was a secondary concern in that research. Works councils are normally defined as indirect forms of workers' participation, in order to demarcate this type of participation from more spontaneous, less regulated types of workplace involvement (like social events or direct communication at the workplace). The study confirmed the important contribution that more institutionalised forms of worker involvement can deliver to HRM-related internal personnel policy.

3. Give more power to your people[†]

Reflections on the role of and possible input by employees in the functioning of a company are as old as the first disputes a century ago between the behaviourist and Taylorist tradition of 'scientific management' on the one hand, and the Human Relations approach on the other hand. The need to have employees participating in the management of change was introduced by Burnham in 1941 with his notion of the managerial revolution.

However, one can say in general that in the mainstream management literature extra-financial features like human resources were always marginalized if not ignored. They were certainly not seen as very important for the long-term well-being of the firm. Mainstream management concepts fail to fully value the contribution of essential human assets to the competitive success of the firm. In the Anglo-Saxon tradition the focus never went far beyond the level of more influence (and attention given) to middle management and supervisors. In training sessions they had to learn how to coach and to coordinate the work of the ordinary workforce. Human resource management is in such a conceptualisation at most a linking pin between central management and lower managerial echelons. Whether this philosophy is 'value for money' depends in the opinion of the management on the contribution to the managerial ruling of the company.

The role of the linking pin is nowadays often outsourced to business or professional services consultants. In part this is done because HRM departments have become too static in their policies. HRM is a synonym for a part of the organisation that is fixated with systems that make an organisation more efficient. This policy dehumanises management instead of engaging it with employees. Partly it is the result of the fact that externalisation has become fashionable. Notably in the field of HRM policies it is nevertheless questionable whether real engagement with and commitment for the long term 'social climate' in a company can be secured by a commercial relationship with external advisors.

An example of an effort to get out of this dead end street without opting for more fundamental worker participation is the way British Gas is nowadays acting. Based on the notion that an organisation is as good as its people and that as a consequence how 'well the organisation engages with employees' can make the difference between failure and success, British Gas management is seeking commitment from lower staff by organising presentation events that are supposed to function as 'kick-offs' paving the way for organisational change.

However, the question is whether this is enough if the challenge is to empower employees to have a stronger say in the company and to become an 'agent of change'. In the Anglo-Saxon world, methods of direct involvement are still more fashionable than indirect representative participation. But the direct way has strong limitations. Management by speech is per definition short term, building trust by direct contact and interaction has undeniable merits, but how binding are these promises and how sustainable is this trust? Will people still be convinced once they are back at the workplace or at home? Is the result of dialogue tenable in case new management comes in?

In a series of Dutch studies conducted in the period 2000-2007 I had to conclude that 'takeovers, mergers, changes of management at the top of the company hierarchy or new strategic choices of company policy all produce the effect that the history of a council looks more like a pattern of 'trial and error' than of systematic and continuous growth to maturity' (Cremers 2008).

This qualification of 'punctuated maturity' is probably a qualification that gives more justice to the relationship between management and labour than the thoughts of a linear and progressive growth

[†] Heading of an article by Ravi Mattu in the Financial Times, 7 October 2010.

and improvement of the relationship, as workers representatives can be confronted with successive managers in a relatively short period of time. When confronted too often with this shift the workforce easily develops an attitude of 'wait and see', and it is questionable if a new social event will bring back commitment and engagement. Is it not more appropriate or, to put in it the terms of this conference, more sustainable to look at the contribution of stable, even institutionalised forms of participation?

4. Direct and indirect involvement

Interesting in this perspective is the stabilising role that representative indirect involvement of workers can play. We have some examples in the German, French and Dutch contexts that can be seen as promising practices. Before summarising these experiences I want to spend a few words on the relationship between direct and indirect involvement of workers.

Figure 1: Direct versus indirect involvement

Types of involvement:	Range from:
Direct involvement	Management by speech and direct communication, rap sessions and social events, to more structural forms as team meetings and quality circles
Representative / indirect involvement	Shop stewards and trade union delegates, works councils, (joint) permanent committees, to board representation

Direct involvement has a great advantage from the company leadership’s perspective; it can be flexible, installed and activated in urgent times and modelled in a tailor-made fashion. Or like it is said in recent guidance from the European Confederation of Directors’ Associations (ecoDa 2010: 51): ‘Direct communication between directors and employees can be an effective way of driving a message home across an organisation. They help to ensure that everyone is “singing from the same hymn book”.’

Talking to people, more individual interaction between the leadership and the workforce and honesty with the employees about the challenges the company faces can help clarify many things. And it can also lead to a better understanding of worker concerns. The basic philosophy is that this type of direct participation can serve as a mechanism for feedback and a possibility to create broader commitment for decisions taken. Whistle blowing is also an important aspect: ‘Stakeholders – including individual employees and their representative bodies – should be able to freely communicate their concerns about illegal or unethical practices to the board. Their rights should not be compromised for doing this. Unethical and illegal practices by corporate officers may not only violate the rights of stakeholders but also be to the detriment of the company in terms of reputation effects with an increasing risk of future financial liabilities’ (ecoDa 2010: 51). It is therefore to the advantage of the company to establish procedures and safe harbours for complaints.

But too often there are pronounced organisational limits to direct communication from the leadership’s perspective. In the guidance quoted above it is immediately added that, in cases where such communication takes place on the initiative of individual directors, such contacts should be in line with a general ‘internal governance’ policy developed by the board. If such policy is not yet developed, it is good practice to inform the chairperson and CEO before taking any such steps. In any case the directors should emphasise that in all such direct meetings with employees, ‘the chief executive is ultimately in charge of the management of the company.’ Directors should therefore avoid ‘discussing detailed management issues with employees to minimise the risk of mixed messages’ (ecoDa 2010: 51).

These considerations illustrate the limits of non-institutionalised involvement. It is meant to be effective in passing information top-down and to contribute to smooth execution of daily business. The role of (a delegation of) employees as a partner in organisational development or in the reflection on long-term strategies is given only some lip service. Besides, from the employee perspective, participants can be left with non-binding commitment or arbitrary short term promises. Over a longer period the centre of power may change and conflicts may appear between the new leadership and traditional management. As the commitment of management can differ over the years and changes at the top can have a serious impact, the impression remaining can be that this direct participation is offered without real engagement in the long term.

Indirect and representative involvement is about building trust through long-term engagement and accountable, binding deals. In earlier research several positive incentives or conditions for an improved dialogue have been identified. Management that clearly expresses a vision on dialogue and co-decision, that relates the future prospects of the company with the well-being of the workers, that approves in a positive way of the engagement of the members of a works council and that is willing to elaborate a joint agenda is an (almost) absolute condition for the adequate functioning of worker representation.

The problem is that managers often see indirect participation as time-consuming and a costly administrative burden. Even in the Netherlands, with a national tradition of works councils since 1950, I had to conclude in 2003 that 40% of the employers interviewed expressed serious doubts about a positive contribution of their works council and were therefore not convinced that the benefits outweighed the costs. Another 17% were straightaway of the opinion that the benefits did not counterbalance the costs.

However, in the same research, the employers interviewed endorsed the opinion that, the more a works council had the capacity to reflect on and contribute to a range of policy issues, thus fulfilling a broader role beyond the classical issues of health and safety and HRM, the more the characterization 'useful' was appropriate (Cremers 2008).

The range of positions formulated on the employers' side went from the 'need to develop a knowledge coalition between management and labour' to 'no crop will flourish on concrete'[‡]. It is not so long ago that the term 'people's manager' was quite fashionable. Is he or she still there and, if not, where did he or she go?

5. Conflict management and the search for the people's manager

In the Dutch literature several attempts have been made to elaborate scenarios for the future role and impact of workers' involvement. In a recent publication the dynamic between the representation of the workforce and the HRM management was an integral part of the extrapolation (Van der Meer *et al* 2010). Interesting in the formulated ideas is that they highlight the contribution that the interaction between management and labour can deliver to social innovation. In that respect these publications are closely related to several German publications that want to bring in company culture (for instance Oechsler 2001 and Nerdinger *et al* 2008). Similar notions also play a role in several consultative social policy projects initiated by French transnationals.

The authors share the view that a mix of direct communication and indirect representation has to be set up as a 'vital infrastructure' for successful social innovation. A basic assumption in the underlying human capital approach is the idea that organisational development is related to the knowledge that can be mobilised in a company. In this context managerial theory is as important as the practical understandings present in a company. As a consequence, the necessary conditions for success in the long term will not be present if labour is only seen as a commodity.

The debate about the sustainability of a company in Germany has related already for more than a decade the 'company culture' with co-decision and the impact of indirect, representative involvement of workers (Bertelsmann Stiftung/Hans Böckler Stiftung 1998). The starting point is not the recognition of the fact that a positive climate will lead to higher competitiveness and a better image. Beyond this, several authors consider worker involvement and other 'soft' values strategic factors for success. In the joint activities of the Bertelsmann Foundation and the Hans Böckler Foundation German co-determination is even characterized as a competitive advantage that should be strengthened by employers, unions and political actors.

The authors admit that this has not led to a situation where complaints about time-consuming decision making and poor compromises have disappeared. And indeed, further improvement of the legislative frame for co-determination has not been reached (neither in Germany nor in the Netherlands).

[‡] A Dutch manager about the attitude of his fellow-managers with regard to worker involvement.

Nevertheless, this way of thinking about HRM is dominated by the conviction that a company's survival, adaptability and ability to change do not depend in the first place on technical aspects and hierarchical capacities and competences. To a certain extent this is also a pragmatic vision: the human factor can be influenced and the social climate can be shaped and reshaped, whereas all other production factors are more and more equally available on the market and their distinctive competitive dimension is vanishing. The human factor is the starting point that has to work with, form and reshape these 'hard' factors.

The social and personnel policy in a company, therefore, being at the crossroads of the purposes and aims of the company and the workers, can only be successful if workers and their representatives can bring in their interests and their know-how in a structural manner. For this reason Reppel (2001) calls German co-determination the 'turntable and flywheel' of the modelling of Human Resource policy; a policy based on this notion can serve as a building block for the worker participation and engagement in change, and for an innovative agenda.

The challenge is to elaborate a cooperative 'design' task, with management, works councils and workers as the designers and bearers of organisational progress and change. Managerial thinking has to go beyond the plain thinking of workers as a 'reservoir' for know-how and labour. In a dialogue with the workforce the complexity of problems (and of their solutions) has to be scrutinised. Decision making based on processes of worker involvement and elaborated in a (sometimes painful) fundamental dialogue will not only lead to greater acceptance, but probably also to better and faster implementation.

In the German context these notions have led to research dedicated to the added value of worker involvement (and even to calculations of the economic benefits). In the Anglo-Saxon research tradition the (rather instrumental) approach has mainly been to examine the interaction of direct and indirect types of involvement and the effect on labour efficiency and productivity. In that approach, indirect involvement is identical with trade unions and direct involvement stands for group dynamics and team involvement. Recently some authors found that a combination of low team and low representative involvement leads to inferior labour efficiency compared to other conditions. They also found a negative interaction between team voice and worker representative voice, supporting an interpretation that these types do not complement each other with respect to worker productivity. According to Kim, types of voice can interfere with, or neutralise, each other and this occurs more frequently than the mutual reinforcement some might expect. Nevertheless, the combination does ultimately have a positive impact on economic performance, consistent with the thrust of recent European policy-making, and in contrast to the 'direct-voice-only' trends in the US and UK (Kim *et al* 2010).

The last word has not been said in this debate and strong research-based evidence that a concept of participation culture has a positive long term and sustainable effect on the innovative capacity of a company is still lacking. In some research, however, an indication is found that participative company practices lead to successful adaptation to new circumstances and to an improved climate for innovation (Nerdinger *et al* 2008).

Bearing in mind the recent experiences during the crisis one could argue that this model has, in the meantime, proved to be sustainable. Some evidence can be found that companies (and countries) with stronger regulatory traditions and frameworks for their industrial relations have survived with less negative consequences, not only for the workforce, but also for the long-term perspective of the company. Future oriented innovative company policies benefit from improved and consolidated worker involvement. Mature industrial relations must be built on the notion that conflict management coincides with divergence and convergence of interests. Partners have to enter into conflicts, not to circumvent these.

The representative forms of workers' involvement do not disappear in this approach; co-decision structures and bodies change from a countervailing power into a pro-active partner in innovation. This is where HRM should come in again. For HRM policy the challenge is not simply to go beyond the notion that labour is not a commodity; the real challenge is to construct and stimulate worker participation in operational processes as well as in strategic decision making and to develop transparency in information and communication (Oechsler 2001).

6. Challenges for HRM and a new dynamic

In the Dutch context similar challenges can be described. Van der Meer and Buitelaar have summarised the historic relationship between human resources management (HRM) and employee participation, situated in the Dutch 'services industry' in an interesting book (Van der Meer 2010). They address the need for an interactive relationship between HRM and employee participation, converging in the learning organisation. After comparing and weighing various roles, HRM is considered as a complex intermediary function: as a 'knowledge broker'. This requires, on the one hand, a knowledge coalition between HRM and the works council, and, on the other hand, an employee-participation coalition between the works council and direct involvement in work-progress meetings. The cases described (high-tech ASML, chemical global DSM and steel group Corus) demonstrate the value of new forms of participation arrangements that are often combined with the modernised classical co-decision bodies in the role of structural guarantor and knowledge partner. Worker involvement is no longer limited to classical information and consultation; participation becomes an integral part of the company culture. HRM has to adapt to this situation, as a focus on knowledge management has important consequences with regard to the relationship between HRM and employee participation. It gives the HRM department large responsibilities, as this department should not only play the role of management's long arm, with an emphasis on the practice of 'human resource control' or 'human resource accounting'. It also has to act as a linking pin between different forms of participation. The authors conclude that the technological innovations, the increase in financial and organisational scale and the almost continuous reorganisations that can be observed in many firms and institutions give cause for a new perception of the tasks and roles of both the HRM professional and employee participation – a perception in which these two roles are more related to one another. Ultimately HRM and the works council have to develop a partnership (an 'employee participation' coalition) to facilitate a diversity of innovation coalitions in a firm, a service or an organisation.

Interestingly enough, the HRM challenges referred to in this chapter not only demand a new role of the representative workers bodies. Trade unions are also faced with these new challenges. The extent to which direct or representative participation mechanisms are effective may be influenced by the relative strength of unions (or worker representatives) in the workplace. This requires a policy of partnership, not of competition between the workers representation in and outside the company. In my longitudinal research I found some evidence that, in situations where the relationship between works councils and trade unions is based on mutual enforcement and not on competition, the functioning of the works councils improves. Trade unions were considered to be an important partner and crucial source of information and assistance (Cremers 2007).

The interaction between direct and indirect participation and the broader defence of workers rights already has led to interesting examples. For example, the European Metal Workers Federation was, jointly with European Works Councils (EWCs), a partner in European in-company negotiations in some transnational companies. In the Thales group two deals were concluded, one on improving professional and occupational developments and the other on career development).

The aim of these European agreements is to considerably strengthen the employability of workers within the Thales group of companies. This is done through the implementation of an annual anticipation process linked to future employment prospects in which employee representatives are closely involved. Thales' management stated after signing that the trade unions had demonstrated a high degree of open-mindedness and responsibility regarding the implementation of a negotiated European social policy. The negotiator Bart Samyn, Deputy General Secretary of EMF, made it very clear after the signature what the impact was for the EMF by stating that the agreement 'constitutes a milestone in the construction of Social Europe because of its rich and detailed content. The agreement illustrates the fact that employee representatives have an important role to play in the future management of employment trends' (EMF 2009).

In the former SUEZ group (that later on merged into GDF-SUEZ) a similar agreement was signed in 2007 between the central management, the EWC and the European Public Service Union (EPSU). The main aim was to reflect on internal mobility and recruitment policy in the group, and to anticipate qualification needs and an ageing workforce. But the agreement had also a chapter on precarious workplaces. Implementation took place in 2008 with first experiments in France and Germany. The implementation was a joint affair in which the national and the European worker representatives were actively involved. The agreement was renegotiated after the merger of SUEZ and GDF and signed in

February 2010. The content had two interesting dimensions: a collective and an individual. The collective dimension was about future labour market evolutions, both quantitative and qualitative, and created instruments for a collective dialogue with worker representatives. The individual dimension was dedicated to strengthening career guidance and stronger individual assistance. A second agreement in the same group envisaged several joint challenges: integrity of people and of company life, improvement of living and working conditions and the safeguarding of health and safety. Once again national and European trade unions joined forces with the members of the EWC and had dialogue with management, but also with labour physicians and occupational health experts.

Worker involvement is needed in order to tackle external challenges of adaptation to a world of change and to create internal and integrative consensus between the main actors. In the examples given the structural participation of workers becomes a crucial condition for success. And that is what sustainability and the Sustainable Company is all about: worker involvement as a cornerstone for the necessary strategic and long term changes of the work environment and the work organisation in equilibrium with environmental constraints and consumer interests. The fact that this path is strewn with thorns should be an argument to invest more in people, not to just worry about the improvement of the business environment and complain about administrative and regulatory burdens.

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