

**PARTNERSHIP, EMPLOYABILITY
AND
COMPETITIVE ADVANTAGE.**

by

**Peter Cressey, University of Bath
Graham Dietz, University of Eindhoven
Gillian Shapiro CENTRIM Brighton**

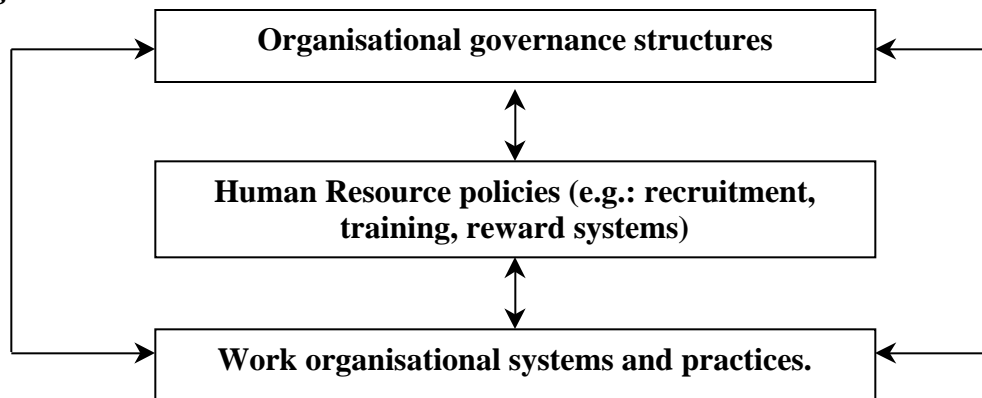
INTRODUCTION

Prosperity and employment growth in the modern economies are increasingly dependent upon the creation and sustainability of high performance organisations with a highly skilled and adaptable workforce. In Europe the approach on the whole has tended to regard high skills, training, good communications and a consensual organisational regime as a part of the competitive advantage of firms. In the current context, however, this is being challenged by contradictory strategies, emphasising de-regulation, hire and fire, and combining low skills with low wages. Such approaches do not see the central importance for enterprises of investment in its workforce, nor of mechanisms for social dialogue. These free market ideas, unitarist impositions of change and downsizing policies are competing with the European social partnership models of organisational change that demands considerable skill enhancement and significant levels of social dialogue. These have been characterised (Totterdill, 1999), with ideological bias prominent, as the ‘high road’ approach, namely partnership, and the ‘low road’ based on short-term horizons, cost-driven expediency and limited consideration of “mutual gains”.

Why some companies elicit enhanced commitment, cultural renewal and genuine dialogue between the parties whilst others are trapped in a downward spiral of mutual distrust and conflict is the subject of this paper. Underlying our argument is the hypothesis that the ‘high road’ - social dialogue and partnership - can be the decisive factor in an organisation’s performance and development. The management regime, the way companies involve the workforce and their representatives, what joint forums are created, and how the necessary cultural transformation is portrayed and achieved are all key to a deeper understanding of why some companies succeed while others fail.

This paper seeks to describe those instances where genuine partnership has been developed successfully, and how these successful companies have revamped their representational and governance structures on a partnership basis. Our argument follows Mintzberg’s configurational analyses and prescriptions for organisational change, in emphasising how the need for there to be an alignment of governance structures with the human resource policies of the firm, and the work organisational practices at the workplace or office (see Figure 1):

Figure 1:



The days when structures, policies and practices could operate separately in their own domains and adopt unconnected policies, implemented with crude command-and-control mechanisms, are surely over. The current economic conditions, with turbulence in the markets, production regime changes, deregulation, networking and introduction of new technologies has increasingly rendered such a Taylorist imperative both redundant and potentially harmful. Organisations that get the right mix of participative governance structures, supportive human resource policies and active and high involvement work practices will be those that achieve win-win outcomes. These outcomes will deliver tangible benefits to both the firm and to the workforce across a range of factors, including bottom line performance, rewarding work conditions, quality of working life, employability and innovation. The existing literature on new forms of work organisation suggests that such “partnership”-style programmes have the potential for both positive and negative impacts on performance and on employees. The critical variable would appear to be the strategy adopted and the approach of its implementation.

It is also clear that there is an economic rationale for partnership as organisations within Europe are operating within a rapidly changing and developing economic context. Most OECD countries are faced with market maturity as well as increased competition and fragmentation of markets, together with customers that are demanding smaller quantities of more customised products (Maskell, 1999; Business Decisions, 1998). Dramatic innovations in information and communication technologies also frequently require changes in work organisation to be fully exploited (Swedish National Board for Industrial and Technical Development, 1996).

“Our people are our greatest strength”?

The basis on which firms compete has begun to move away from the traditional ‘hard’ factors such as access to physical and financial resources, economies of scale and

expenditure on research and development, towards 'soft' factors including core competencies, speed to market, knowledge and innovation, reputation and service (Hamel and Prahalad, 1994; Porter, 1990). Many companies now seek to differentiate themselves on the basis of added value, high quality and a unique value proposition for customers rather than low costs. At the same time many still face the challenge of matching global standards of cost and flexibility (Business Decisions, 1998).

These challenges have led some organisations to seek out and implement new forms of work organisation in order to remain competitive (Pettigrew and Fenton, 1999). New process and product techniques and management tools and philosophies have become readily available to firms, offering new ways of satisfying customers and producing goods and services. Many such as continuous improvement (Bessant, 1995), lean manufacturing (Womack et al, 1990) and agile manufacturing (Preiss, 1997) are based on new forms of work organisation.

It has also led to calls from the European Commission for more organisations, and in particular small and medium sized enterprises (SMEs), to develop their understanding of, and ability to implement, new forms of work organisation (Commission of the European Communities, 1997).

Partnership – a definition.

Partnership - as it is developing - is viewed by its adherents as a new form of workplace governance (though its principles and practices both have illustrious histories). The term refers to means of managing the key employment relationships for mutual success shared among all constituencies. The argument is that partnership-style forms of work organisation can yield both performance improvements *and* benefits for employees' quality of working life. Although it is a contested term, with many different definitions in need of consolidation, partnership generally refers to relations between employees and employers, or between trade unions and management teams at the level of the organisation or individual workplace (an organisation's *intra*-relations). In most of the existing definitions partnership is presented as a model for managing an organisation's employee relations with a set of organisational principles based on establishing mutual trust, complemented with a "bundle" of specific HR practices. And allowing for the implementation of innovative work practices.

A more detailed definition and conceptualisation is offered in section two. However, to introduce the idea here, broad convergence of agreement is developing on a set of key components that partnership arrangements *ought* to feature:

- The principle of joint commitment to the success of the enterprise

- The principle of joint commitment and effort to develop and sustain *mutual trust* among the organisation's constituencies
- Policies and practices addressing the issue of employment security in exchange for flexibility in work practices
- Policies and practices allowing for information-sharing (if not transparency) and representative consultation with the workforce
- Provision of quality training programmes
- Policies and practices for sharing the success of the organisation.

In each of the other strands of the UKWON programme, the process of securing employee support for, and input into, changes in work organisation is considered vital to success. Thus partnership involves organisational change processes, behavioural shifts and substantive outcomes and bottom-line improvements.

In the first section we discuss research on the impact of these new forms of work organisation on employees. This is followed by a section where we provide our conceptualisation of partnership. The definition outlines partnership's key procedural and substantive elements – the principles, policies and practices that initiate and sustain successful partnership. In the third section we present three short case studies of partnership organisations drawn from diverse sectors of the economy. Complementing the discussion of the impact on employees in section one, Section four reviews the available research on the performance impact and outcomes of partnership-style arrangements, providing a compelling business case for introducing such relations. We conclude with the final section that identifies key questions for further research.

1 NEW WORK ORGANISATION AND EMPLOYEES.

Whilst new forms of work organisation offer the potential for improved competitiveness of firms in Europe the EC's Green Paper on work organisation published in 1997, notes how some categories of staff may have more difficulty in adjusting to new forms of work organisation. These may include older workers, younger workers with low levels of qualifications and workers who live in areas of high unemployment and are not mobile. The Green Paper also draws attention to the fact that employment in traditional male jobs with traditional work organisation such as heavy manufacturing industries is declining but is growing in the service sector, where women have a stronger position and where new ways of working are more developed. It poses the question that given the inequality between men and women that remains within the workplace how can new work organisation that emphasises social skills, broader skills and multi-tasks contribute to the development of equal opportunities.

This paper begins to explore the details of the challenges and questions posed by the Green Paper on work organisation. It does this firstly by reviewing the relations between new work organisation and employees within the literature.

Two clear themes emerge from the new work organisation literature in relation to employees. The first and most dominant theme is the fundamental role of employees in meeting the improvement and innovation goals of new work organisation. The second less discussed theme is the potential impact – both positive and negative - of new forms of work organisation on the quality of employees' working life.

There is a clear role for partnership within each of these themes. However, as this section illustrates, the role of partnership in achieving the goals of new work organisation and ensuring a positive impact on employees' quality and quantity of working life is seldom discussed within the current literature. The closest the literature gets is discussion of the role of involving employees – their experience and creativity – in organisation-wide improvement processes in order to achieve strategic objectives (Crosby, 1979; Ishikawa, 1985; Steininger, 1994; Pfeffer, 1994).

Employee Involvement in Organisational Change.

Traditionally in the UK, employees have been involved in decision-making processes through indirect participation. Employees' interests are represented by democratically elected representatives who negotiate with employers on their behalf on issues that concern the terms and conditions of work. Negotiation is carried out through collective bargaining with trade unions.

Recent developments in process innovation have led to an increase in growth of direct employee involvement across Europe (Geary and Sisson, 1994). Furthermore, there has been a shift from indirect communication with employees through collective channels (unions or works council structures) to direct communication with employees as individuals, for example, through newsletters and team briefing sessions (Brewster and Bournois, 1991; Mahoney and Deckop, 1986). At the same time, some unions have pushed for greater direct participation for their members in order to enhance the quality of working life and, therefore, make a greater contribution to organisational success.

Although there have been past experiments with direct employee involvement, there are differences in the characteristics of this current wave of direct involvement. Firstly, the motivation is different. Previous direct participation initiatives were largely concerned with improving quality of working life, in order to combat problems such as labour turnover, absenteeism, recruitment and retention. In contrast, current employee involvement developments are primarily concerned with enhancing business performance and are linked to strategic goals such as innovation, customer satisfaction and flexibility (Geary and Sisson, 1994). This link with strategy indicates that the impetus is now coming from management rather than trade unions (Marchington et al, 1992). In the search for competitive advantage, management has focused on employees' contribution to business performance and so on the need to gain consent and commitment rather than just compliance (Geary and Sisson, 1994).

Employees are directly affected by moves towards more flexible and less hierarchical working methods including flexibility in working time and location; multiple skills, flexibility in job content and greater use of part-time and fixed term contract staff.

Despite the rhetoric highlighting the importance of employee involvement, studies have shown how several company quality and improvement programmes have failed or have not reached their full potential due, in part, to problems in gaining and sustaining employee involvement (Wilkinson and Witcher, 1991; Lengnick-Hall et al, 1993; Godfrey et al, 1996; Wilkinson, 1990; Hill and Wilkinson, 1995; Pfeffer, 1994). Recent literature has begun to link these problems with the tendency for organisations to value, train or communicate with some groups of employees more than others, and the failure to recognise the various factors that will motivate diverse employees to become involved. For example, part-time workers, administrative or shift staff often receive less training and communication on company performance levels than full-time permanent, professional or senior staff (Ahlbrandt et al, 1992; James, 1991; Ketchum and Trist, 1992). High and sustainable levels of employee involvement are dependent on creating an organisational environment that values, develops and motivates *all* employees. Thus, valuing, developing and motivating different individuals or groups of staff to varying degrees appears in contradiction to, and may lead to difficulties in achieving involvement objectives. In light of this argument it is

interesting to note how key aspects of new forms of work organisation such as flexibility and flattening hierarchies can have a double edged effect depending on the approach taken to its implementation - offering the potential to have both a positive and negative impact on employees.

In the past flexible forms of work organisation have been introduced primarily to cut labour costs. Temporary workers, part-time workers, many home-workers and sub-contracted services have all been used by employers in the UK throughout the 1980s and 1990s as ready sources of labour, which have not involved a high level of commitment in terms of pay and job security to the individual. Often, little or no attempt has been made to integrate or support these workers into the organisation (Leighton and Syrett, 1989).

This tradition is being challenged - not only by shifts in the basis of competition leading to a greater focus on innovation, creativity, customer satisfaction and added value as discussed above - but also by social and labour market changes. These can be summarised as:

- Declining numbers of new entrants to the labour market and an increase in the number of women entrants (Department for Education and Employment, 1998)
- More dual earning / career couples (Harman, 1998; Lewis, 1996)
- More men, women and young people seeking a better balance between work and home life (Ceridian, 1998; Lewis, 1998; New Ways to Work, 1995)

That is, future growth in the labour market is predicted to come predominately from new women entrants as well as women returning to work after childbirth, making women an increasingly important resource for organisations. However, many of these women with caring responsibilities are seeking organisations that can offer them flexible policies to enable them to combine their work and family responsibilities (Lewis and Lewis, 1996). In addition, research indicates how more men with and without family responsibilities are also seeking flexible policies that better enable them to balance their work and private lives. This is also a factor that may lead male managers, for example, to leave their company for another with better work life balance policies and culture (Ceridian, 1998).

These changes combined have led Littek and Charles (1995) to note that:

“The nature of work and the organisation of labour processes are undergoing fundamental change. Human labour has once more become the centre of attention. The focus has switched to human beings and human creativity, which are no longer assumed to be replaceable by automation and computer programming.” (p4)

It should be noted that companies' motivation to make use of labour's tacit skills, energy and creativity is more often driven by enhancing productivity and retaining and improving a competitive position in the market, than from quests for the humanisation of work or quality of working life or equal opportunities. However, the interests of management in achieving required levels of innovation, quality, customer satisfaction and added value are far more dependent on the creativity of labour. In addition, it is popularly believed that creativity and worker consent can no longer be obtained by control and coercion but that they now depend more on increased collaboration between all workers in the enterprise (Hall and Parker, 1993; Ahlbrandt et al, 1992; Ketchum and Trist, 1992; James 1991).

It is therefore argued that changes in work organisation cannot be effectively achieved if played out as a power game between management and labour with the gain of one at the expense of the other. The new forms of work organisation should be designed and implemented to meet the needs of both the organisation and its employees. Indeed, although a number of partnership initiatives have been restricted to certain subsidiaries within larger parent companies, the partnership ethos and model is intended as a broad programme of cultural change encompassing all employees in a given work unit, whether it be one site (cf. Birds' Eye Walls, Humberside) or one constituency (cf. British Airways with BALPA), or throughout an organisation (cf. St Lukes, Emhart Fastening Teknologies).

Organisational Re-structuring.

A removal of management layers and a restructuring of the organisation based around teams is another sign of the changes in work organisation currently taking place within many firms. Team working and the greater decentralisation of decision making have traditionally had as their core concern quality of working life (Buchanan, 1994; Blumberg, 1968; Davis and Trist, 1972). However, it appears that team working is now moving towards an emphasis of being the main organisational design parameter to improve product quality and enhance productivity and performance levels as well as provide the key elements of flexibility and responsiveness (Oliver et al, 1995; Tranfield et al, 1999). Indeed, some lean production proponents argue that focusing solely on the 'softer' side of team working is unlikely to produce improved performance (Oliver et al 1995).

Similarly to flexibility, team working and flattening the hierarchy appears to offer possibilities for both reciprocity but also uneven gains between employees and the organisation. On the one side it has been argued that teamwork can result in the intensification and increase in workload for employees (Delbridge et al 1995). In addition, the traditional power positions and relations that were embedded in the hierarchical structure may be reproduced within the team structure (Shapiro and Austin, 1996). Conversely, team working and in particular self-managed teams offers

the potential for development of a wider skills set that can improve employability and a higher degree of employee control (Smith and Tranfield, 1982). It can enable team members to share knowledge, skills and expertise and facilitate improved creativity through interdependence and mutual adjustment (Nonaka and Takeuchi, 1995).

New Forms of Work Organisation and Partnership.

Partnership, it is argued by its adherents, has three rationales that make it worth pursuing. Such collaborative arrangements bring competitive advantage through better organisational decision-making, improved management-workforce relations, and increased employee commitment and performance. The programme is very much in line with the “social partnership” ambitions of both the UK government and the EU. Both endorse the development of long-term relationships between employers and employees, characterised by stable processes for conflict resolution within organisations and other means of encouraging employee participation.

2 WHAT IS PARTNERSHIP?

Partnership, according to its advocates, is an attempt to manage the conflict inherent in the “*structured antagonism*” (Edwards, 1986) of the employment relationship through some form of “*mutual gains*” arrangement (Kochan, Osterman, etc). In Fox’s categorisations of strategies for managing employee relations, ‘partnership’ best fits the “*sophisticated-modern*” approach: eliciting strong commitment from the workforce to the company’s goals through a ‘constructive’ relationship with employees, typically via trade unions incorporated fully into the organisation (Blyton & Turnbull, *ibid*: p80-81).

The concept of managers and employees co-operating and collaborating willingly, seeking mutually agreed solutions to common problems, is by no means a recent phenomenon. Both ‘Mondism’ in the late 1920s and the wartime productivity committees are examples of short-lived national initiatives. The John Lewis Partnership, the Quakerist traditions of Cadburys and Rowntree and workers’ co-operatives are all long-standing examples of partnership-style arrangements in employee relations. What these organisations shared were immutable foundations formed of a deeply-held set of democratic principles for the management of the employment relationship, passed down through generations of staff, usually from a charismatic founding father, and inculcated into the very culture of an organisation.

What is being promoted as partnership now is arguably similar in form and content, and indeed shares several of the principles of its predecessors, but has emerged from a very different commercial environment and with a very different rationale, namely that partnership can improve employee relations and so facilitate the implementation of new forms of work organisation for competitive success.

Partnership’s first public appearance in Britain in the 1990s is usually traced back to the dissemination of a joint GMB/UCW publication, ‘A New Agenda: Bargaining for Prosperity in the 1990s’. The position paper proposed a European-style tri-partite approach “*to create successful industry, a strong economy and a caring, sharing society*” (the three parties being management, trade unions, and the State). For employers this necessitated restructuring the management of UK workforces “*for mutual flexibility... free from abuse and exploitation*” and investing more in training and quality programmes. For trade unionists the new partnership approach meant abandoning their traditional “*reactive*” position of sceptical resistance to management initiatives, and instead “*reclaiming the employee relations agenda*”. Partnership emerged as a distinct theme and aspiration, if not as a fully-formed model:

“By working together in partnership both sides of industry can create a highly flexible, highly efficient and highly paid economy” (GMB/ UCW, 1990; p9).

Amid the welter of criticism resisting tri-partite economic management, the report’s other core theme - of management and unions working in ‘partnership’ - was largely overlooked. Yet ‘A New Agenda...’ served as a catalyst for debate within the trade union movement. A few senior trade unionists found in the report, and in the few fledgling partnership deals struck around that time, a reassessment of traditional tactics and a potentially viable opportunity for the “*reinvention of trade unionism*” (Haskins, quoted in Goodman, 1997: p7).

‘A New Agenda...’ also sparked a supplementary initiative at the Involvement and Participation Association (IPA). In September 1992 the IPA concluded a two-year consultative process seeking to define a new agenda for British industrial relations, involving leading industry figures and union leaders. The resulting publication, ‘Towards Industrial Partnership’, constituted an attempt to move British industrial relations away from the traditional adversarial atmosphere of conflict and strife toward a more collaborative relationship between management and employee groups, and presented the first articulated concept of ‘partnership’, complete with rationale, principles and practices.

Since then, many models for partnership have been devised and made public. The concept urgently requires a consolidating definition. However, it seems that what partnership arrangements *ought* to feature are presented in Table 1 below. The exact nature of these arrangements will differ from organisation to organisation, according to circumstance. We do not wish to be prescriptive at this stage.

That said, it is important to reclaim the word ‘partnership’ from the myriad of weak and indeed almost Orwellian employment situations to which the word has been

Table 1: Principles of Partnership.

- The principle of joint commitment to the success of the enterprise
- The principle of joint commitment and effort to develop and sustain *mutual trust* among the organisation’s constituencies
- Policies and practices addressing the issue of employment security in exchange for flexibility in work practices
- Policies and practices allowing for information-sharing (if not transparency) and representative consultation with the workforce
- Policies and practices for sharing the success of the organisation
- Provision of quality training programmes.

presence of several specific employee relations principles and practices; it is not a set of “*warm words*”. The arrangements ought to present each constituency (owners, managers, employees and trade unions where present) with a commitment to each other’s success, a commitment to working together to solve problems together to mutual satisfaction, structures and mechanisms providing *significant, joint* influence over the content and co-ordination of the organisation’s activities, and the opportunities for all to benefit from any subsequent success achieved by the organisation.

Creating Partnership.

The typical process for creating a viable partnership is as follows: a set of partnership *principles* is agreed among the organisation’s main constituencies. For a partnership to be successful and durable, these principles need to be firmly-held and passionately-defended rather than fine words on a mission statement. In Schein’s model of organisational culture, these commitments will be firmly rooted in the “*organisational beliefs*” about the nature of the employment relationship. In Mintzberg’s work on organisational structure, the commitments correspond to the need for an “*overarching ideology*” informing the organisation’s behaviour. Achieving either takes time and requires trust among the constituencies to be built up over a sustained period.

From these principles a set of specific partnership *practices and policies* can be introduced to regulate the employment relationship, and control work activities. These are designed to establish and maintain the *mutual trust* between management and the workforce (whether mediated through trade unions or not) that is at the core of partnership. Mutual trust in turn should allow for productivity improvements to be introduced, in order for the organisation to be successful. Partnership is thus an ‘enabling’ agreement only.

The four building blocks are robust and effective HR policies and practices, and can be categorised as procedural and substantive. The first comprises substantive policies that “*recognise the employee’s need for employment security and the company’s need to maximise flexibility*”. In survey after survey (especially those conducted by the GMB), employees place “employment security” above pay and terms and conditions in their list of priorities. Managers similarly recite their desire to create flexible and committed workforces, to meet the challenges ahead. Thus, for business to seek to marry successfully the two makes sense. It satisfies the business need for pursuit of profit and expansion while providing for the protection of employees’ income, at least as far as possible.¹

¹ *Shareholders’ short-termist demands on company performance often militate against the provision of employment security promises (see Hutton, 1995).*

This commitment is not a job-for-life. Most practitioners would argue that 'employment security' means, ideally, a multi-year pay deal and a no-compulsory redundancy package, complemented with the careful management of employees' expectations and needs should redundancy become a *fait accompli*. The IPA describes the arrangement as providing "a stable employment framework" (IPA, *ibid*: p2). This element, if carefully planned and implemented, can foster a sense of common purpose among employees, a feeling of all working under the same conditions (and the same threat). It demonstrates a long-term commitment on both sides, and encourages employees to be flexible and innovative safe in the knowledge that they are not "turkeys voting for Christmas". Hueslid's ground-breaking research, linking HR policies to improved business performance, cited employment security as one of the essential components of successful organisations (Hueslid, 1995).

Poor management of employment security and redundancy in a partnership, however, can fracture trust in an instant and divide workforces, sending companies back to 'square one'²: "*Mishandling of the security issue has damaged companies more than they expected*" (IPA, *ibid*: p8). The IPA concedes that it is precisely the fear of breaking such a trust that deters companies from working toward employment security, lurching instead toward 'tough talk' and 'no promises'.

The second building block - "*Informing and consulting the workforce at the workplace and company level*" - can, if implemented proactively to a high quality at all levels within the organisation, foster a sense of unity, greater understanding of organisational issues and opportunities, produce better solutions to problems, and smooth the process of change management. The consultation needs to be sincere, consistent, and two-way in order for the workforce to confer upon it the legitimacy that is its oxygen, and it is best initiated at the "*glint-in-the-eye*" stage of policy formulation. The extent to which this happy mix is realised reflects the style and the philosophy of the company. (Other HR policies, such as consistent use of employee attitude surveys, support this, rather than compensate for its absence.)

Unions argue that such arrangements must necessarily involve trade unions. They maintain that only trade unions can provide the legitimacy, independence and wealth of networking experience that can yield effective consultative arrangements throughout a business. The CBI argues that partnership need not involve unions at all.

² *Oddly, none of the traumatic reversals in fortune in identified partnership organisations have resulted in strike action. Indeed, a union official from Allied Distillers reported that, though his members were disheartened by the closure of their factory, they nevertheless maintained exceptional performance levels throughout. Similarly, when Barclays followed the launch of their own partnership agreement with Unifi with 6,000 redundancies the next week, there was no reported fury from the workforce; indeed, the union described the Barclays redundancy management as "a model for the industry". It struck me as a paradox, as I listened to one account of a best-practice 'partnership'-based redundancy programme, that perhaps the universal quest for ultra-competitive employee relations that 'partnership' aids in fact only raises the bar higher and higher for firms throughout the market. Eventually the other deficiencies in the UK economy (low skills, low investment, City short-termism) will mean the standard is too high for even the finest 'partnership' of all. The IPA hint as much, when they cite training*

Certainly, examples of meaningful, more-than-cosmetic consultative arrangements are rare in non-unionised settings, but there are examples: the John Lewis Partnership, of course, and the advertising agency St Lukes' Communications (see the case study below).

“Sharing success within the organisation” – the third building block - is taken to mean not just financial reward but other measures of success. It is held to *“assist businesses in breaking through barriers holding back flexibility”* (IPA: pXX). The principal means are employee share ownership and profit-sharing. If companies can manage to avoid disparities of reward among grades within the organisation - the often-observed phenomenon of senior executives receiving vastly superior bonuses and share options to their sub-ordinates - then fair and transparent profit-sharing can clearly be a valuable, unifying building block for partnership, providing an incentive for employees to embrace flexible work organisation for improved productivity and performance. Once again, it falls to the implementation of the scheme before one can assess the depth of the company's *“belief”* in partnership. Single-status terms and conditions and harmonisation are also important for the *“symbolism”* the effort displays, that all of the firm's employees are valued equally. It can unify all employees, to all be positioned along the same single pay spine, and subject to the same criterion for promotion. Harmonisation can yield a greater contribution to partnership than the uncertainties of profit-sharing. As Scottish Power discovered, it serves as a valuable starting point for partnership.

Finally, underpinning these should be a comprehensive training programme in, for example, joint problem-solving and working in teams, as well as regularly upgrading the technical skill requirements of the workforce to maintain performance.

3 CASE STUDIES.

Partnership as defined above remains rare. The TUC has claimed 50 partnership companies (Monks, TUC “Partners for Progress” Conference, May 1999), but after closer enquiry this was found to be “a guess-timate” (conversation with TUC researcher, June 1999). We consider there to be no more than 30 examples of genuine, IPA-style partnership organisations in Britain.³ Here we offer in a shortened format three instances of good partnership working.

ST LUKES’ COMMUNICATIONS – “*The New Business DNA*”.

The advertising agency St Lukes Communications is, by any criterion, an extraordinary organisation. Often cited as embodying what is meant by the new so-called knowledge-based, “thin-air” economy, its chairman Andy Law boasts, “we have changed the DNA of business”.

The 100% employee-owned SME claims to be the world’s only ethical advertising agency. It was born in 1995 when, disgusted at the prospect of selling out to mega-corporation Omnicom, 37 employees of the Chiat/Day agency “mutinied”. They offered to buy themselves out of their contracts for £1 each with the promise that their new firm, named after the saint of creative thinkers, would pay Omnicom £1.5m after five years.

Partnership mechanisms.

The guiding ethos behind the company is to foster a culture of personal responsibility: to one’s work, to one’s colleagues and to the company and its principles. “*People that are entrusted become trustworthy,*” its spokesperson argues, “*but if trust is abused, the consequences can be traumatic*”.

³ They include: Allied Distillers, Alstom Gas Turbines, Birds’ Eye Walls (Humber-side operations only), Birmingham Womens’ Hospital Trust, Black and Decker (Spennymoor operations only), Blue Circle Cement, BorgWarner Automotive, Bristol City Council, British Airways (with BALPA & T&G), the Co-operative Bank, ChiRex, Elementis Chromium, Emhart Fastening Teknologies, English Welsh and Scottish Railways, Hickson Fine Chemicals, HP Bulmers, Hyder/Welsh Water, John Lewis Partnership (predominantly non-unionised), Legal & General, Leyland Trucks, National Westminster Bank, Robinson’s Drinks, Rolls Royce Cars, Scott Bader Commonwealth, Scottish Power, Scottish Widows, Southampton Container Terminals, South & East Belfast NHS Health and Social Services Trust, St Lukes Communications (non-unionised), Tesco, Transco (Yorkshire operations only), Unisys and Vauxhall Motor Company.

To join the St Lukes' team is to demonstrate commitment to the ethos, as the recruitment process takes on average six months of panel interviews with every employee/ owner. Thereafter the mutual trust culture is reinforced constantly. Traditional status symbols and artefacts of hierarchy have been removed: nobody has their own desk, let alone office. At the start of the working day, each employee collects from their pigeon-hole a mobile phone and documents, and finds a space to work. This can literally be anywhere (it can even be at home, via the internet). Because all information on all aspects of the organisation (current projects, as well as HR policies and financial records) is stored on every computer, available to everyone, there is no secrecy and no secretaries. Rooms at the firm's HQ are dedicated to each client, and decorated as such (the Clark's Shoes room looks like a shoe shop, the room for Boots' No17 like a teenage girl's bedroom). Project teams are self-managing under the supervision of the Account Manager, and cross-fertilisation across different work groups is encouraged. (There are no job descriptions.)

St Lukes' has no Board. It is instead 100% employee-owned, and the forum for co-ordinating business strategy is the QUEST, the legal body entrusted with the direction of the company, the quality of its output and adherence to its internal values. Six employees are elected by their peers for a two-year tenure on the QUEST. Every Monday morning they report directly to St Lukes' version of a works council, comprising all 100 employees. The QUEST seeks democratic support at a variety of forums for major decisions, and occasionally from the entire workforce. The spokesperson admits that 100 Managing Directors can be frustrating when decisions are needed, and the firm's democracy can pitch admin staff against senior founder members. But, while there is a discernible "hierarchy of opinion", the Personnel manager is convinced that the results are better, and importantly the ethos of the firm is not compromised but strengthened.

Shares are administered by the QUEST representatives, and are distributed equally: the cleaner receives the same number as the Chairman. Basic wages are set above market median, and staff set their own performance targets and salaries, subjecting both to peer review. All terms and conditions are harmonised, and the company provides generous paternity and maternity benefits. As for employment security, the company has committed itself to "*any other strategy*", including universal pay cuts, in order to avoid redundancies.

For staff development, the firm operates a self-assessment process and makes funds available – subject to general approval - for subsidised learning outside work (under its "make yourself more interesting" programme). It allows four-week sabbaticals for employees that have been with the company for more than five years.

Outcomes.

The firm has secured highly lucrative contracts for household names. Voted Agency of the Year in 1998 (although it refused to collect the award on principle), it is presently valued at £40m, with £85m worth of contracts billed for in 1998. In an industry renowned for high employee turnover (an average of 27%) St Lukes' is one quarter of that. (For a detailed account see Andy Law, "Open Minds", 1998.)

EMHART FASTENING TEKNOLOGIES – The *New Initiative*.

Emhart manufactures rivets and fasteners – some 7 000 million per year - for customers in industry (mainly within the automotive industry). They operate from three factories based on one huge 11.7 acre site in Birmingham. The firm employs around 400 staff, whose average age is 47, and average length of service is over 19 years. The shopfloor workers are all represented by the T&GWU, the toolroom workers by the AEEU (again 100%), and the MSF cover the 'staff' grades (around 60%).

In the early 1980s, Emhart bore many of the hallmarks of a typical west Midlands engineering company. Over-manned, with men rigidly demarcated along functional lines and engaged in narrowly-defined piecework tasks, theirs was not an efficient production process. Furthermore, their 100 pay scales, more than 60 bonus schemes, and 10 different job evaluation methods led, unsurprisingly, to near-continuous stoppages and disputes.

The catalyst for change was a strike in 1987 over a derisory pay offer imposed at the insistence of a new and inexperienced General Manager. When the workforce returned, three weeks later, all parties conceded that nobody had 'won' the dispute, but that everyone had lost money. The senior steward who had led the strike invited the management to discuss alternative ways of working together, and they leapt at the chance, establishing a working party, with the conviction that "*we need to get the culture, attitudes and style of the company appropriate to a successful company for the year 2000 and onwards. There will be no real advance in conditions for any of us unless we can make this sort of deal.*"

The discussions lasted, on and off, for six years. It was methodical and careful, not rushed, with a number of sub-committees reporting on key elements. At one stage, the working party sought the workforce's endorsement for the discussions to continue, and regular reports were posted up. The end-product, signed in 1994 with a 78% backing from the workforce, was 'New Initiative', Emhart's partnership deal in all but name. It comprised a classic exchange of concessions for benefits on both sides: a more flexible workforce willing to do away with the old restrictive practices and to be re-trained toward a vision of multi-skilled, self-directed, teams in exchange for an

attractive single-status salaried pay deal (set in the upper market quartile) and improved terms and conditions (flexible holiday arrangements, flexi-time, full sick pay for all, and facilitated access to private health schemes).

Partnership mechanisms. *New Initiative's* main points were:

- No job losses as a direct consequence of the new agreement.
- Single-status terms and conditions harmonised across the staff and shopfloor workers, with the 100 pay scales reduced to 11 salary bands.
- A hugely popular system of flexi-hours, described as a “*responsible self-determination of hours*” based on a credit/debit account.
- A new disputes procedure and a single negotiating body.

The agreement therefore sought to meet business needs and to move from a culture of “*them-and-us*” toward a spirit of teamwork and, though the term was not used, ‘partnership.’ References to increased trust and understanding, and working together toward common goals, pepper the text of the explanatory booklet. Interestingly though, the agreement does not formally commit either party to enter into a binding partnership with the other. It is felt that a formal partnership agreement would tie hands, rather than hearts and minds.

Perhaps the most distinctive feature of partnership at Emhart, and of special interest to SMEs, is its informality, such that the Joint Negotiating Committee (JNC) meets “*as and when required, for the major issues only.*” In recent years this has meant meeting only once every two years to set the two-year pay agreement. There are no formal committees below the JNC, except for one dealing with health and safety matters. This fluid approach to consultation, and the key players’ marked preference for informal discussion, particularly between employees and the production managers, enables the company to respond quickly to problems. There are no other formal negotiating committees, no consultative committees and no works council. Other systems of communication include team briefings and a company newspaper. The terms and spirit of the ‘New Initiative’ agreement still serve as a useful touchstone should any discussions or negotiations deviate from the ‘partnership’-inspired joint problem-solving approach that has developed.

Outcomes.

The firm is the market leader and in the published accounts for 1997, Emhart reported sales of £34m, with a total profit of £7m.

Almost all of Emhart’s 400 employees cite the implementation of ‘New Initiative’ as the defining moment in the improved performance and atmosphere within the company. Most report enthusiastically the new honest, open and trusting relations, and appreciate the regular communication and consultations and increased sense of

ownership of operations. The disgruntled, when pressed (by their own shop stewards) for evidence of mistrust, or when invited to compare their terms and conditions to similar companies outside, “*usually fall silent.*” The company enjoys exceptionally low employee turnover.

Productivity improvements have been implemented with enthusiastic co-operation. Functional differences and hierarchical constraints have been replaced with a team-based structure, delegating responsibility for quality to the employees. It allows the workers to engage with each other in finding solutions to the hassles and restrictions that had frustrated and irritated them, but that had previously been viewed as “*management’s problem.*” The multi-skilled operator teams now take on the complete set of production tasks, without additional pay. In 1995 ‘kaizen’ was introduced, driven with almost evangelical zeal by the T&GWU who trained their own members and even wrote a Kaizen Mission Statement. In 1997 Emhart achieved the industry standard QS9000.

The agreement on Hay-based job evaluation and the new factory lay-out along cell-based lines were all conducted on a joint basis. The in-house company magazine was given to the employees (via the unions) to revitalise and re-launch. That the company has entrusted its employees with a key communication mechanism is indicative of the ‘partnership’ at Emhart. (For a detailed account see the IPA case study, 1998.)

Bristol City Council: The ‘Time of our Working Lives’ project.

The project in Bristol City Council was animated in large part by the social partners at the national level, in this case the Trade Union Congress and the Local Government Management Board (now the Employers’ Organisation for Local Government.) The City Council was a pilot authority for the national Best Value review and was keen to develop and enhance its already good employment policies and practices. Furthermore, it was open to widening the scope of flexibility beyond working time and equal opportunities into questions of working arrangements, work location, service enhancement and employee and community development.

The prospects of partnership were enthusiastically embraced by the female chief executive, from management and trade unions and by key political members of the council, who saw this as the way to respond to the manifold pressures of delivering better services, improving work life flexibility and putting in place robust mechanisms/processes for agreeing and implementing them. External social partner involvement, in the form of EU funding, TUC and EO sponsorship, did give the project credibility from the start in the eyes of the actors and meant that the project had a national profile. This supplemented the serious intent of the senior management

to achieve real outcomes and the dissemination process to follow concentrated the minds of all involved. The use of TUC educational facilities, seminars and outside speakers, and the exchange of experiences from other local authorities helped to spread the project throughout the organisation in a manner not possible if managed by the internal actors alone.

Partnership mechanisms.

One aspect that had to be defined early was the creation of ground rules governing the working of the partnership (see Table 2 below). Whilst there were still differences of opinion and some robust discussion, the ground rules did cement a basic agreement that lasted through the course of the project and is continuing beyond the end date in a similar format.

The creation of a Steering Group mechanism where national, organisational and local actors were present enabled many initial problems regarding aims, expectations and management to be sorted out. The Steering Group initiated a project plan, provided day-to-day supervision, inaugurated a regular newsletter dissemination system and brought together seminars on national and international experiences. As one of the union parties to this forum commented:

“It proved invaluable insofar as it was essential (especially at the beginning) to have external people giving direction when required, and ensuring that local ‘misunderstandings’ did not become major eruptions. As important, it helped all group members to achieve timescale targets and assisting the path to progress the project.”

The Steering Group also oversaw the creation of sub-groups in the two areas - Leisure Services, and Health and Environmental Services - where the action research projects were designated.

Table 2 - Bristol City Council’s Partnership Principles/ Ground Rules:

Transparency	Aims will be clear with no hidden agendas
Voluntary	Any group or individual will participate on a voluntary basis and will not be coerced to be involved
Communication	This will be open with regular two-way feedback between staff and management
Services	These will be enhanced and bring benefits to staff regarding their working time arrangements

Ownership	Responsibility for the pilots will be taken on by both trades unions and management
Experimental	The pilots projects are experimental and open to change by agreement of those involved after a reasonable time has elapsed
Approach	The pilot projects will address working time flexibility from a positive standpoint and in ways that confront existing equality issues

Outcomes.

A key outcome is that the process of partnership has resulted in a new, more constructive union-management relationship based on joint problem-solving.

One of the early decisions of the Steering Group was to identify areas where changes in work time, pattern and location might be undertaken. In each of the two areas a survey of staff was undertaken and 200 completed questionnaires were analysed. This information on actual and preferred forms of working was a valuable outcome in its own right and provided excellent information on which to plan the action projects and their content. This was later supplemented by information from a number of focus groups in the two sites chosen.

The project has also developed a joint management and union training course in collaboration with the TUC Education service, to further define, increase awareness and develop knowledge of flexible working and its possibilities. The outcomes here have been early drafts of a joint protocol on homeworking and self managed rostering for areas within the Council.

A further outcome has been the issue of a Council-wide newsletter and seminar series that has spread awareness of the benefits of positive flexibility throughout the Council and its staff. It gave opportunities to compare and discuss experience of national best practice and positive European ways of working. Employees were also kept abreast of the project through information in their pay notification.

The two selected project areas have created their own partnership groups with trade union and management participation. These have also benefited from assistance provided by the national social partners when needed, and survey assistance from outside. In each case they are developing concrete initiatives that are having a real impact. We can already identify the following:

- Development of a joint protocol on homeworking for interested staff

- Promotion and development of a scheme for Sunday opening in the Libraries that is now in operation using staff who have volunteered to work on certain Sundays.
- Development of a system for self-managed shift rotas in a pilot library site.
- Agreement on the introduction of a system for more flexible use of annual leave.

The creation of forms of partnership between the social partners has led to better and more sustainable forms of working relationships. The Bristol City project is a particularly exciting case as it sits within a context in national and local authority terms with little experience or history of social partnership. As pointed out above the overall project indicated the necessity of social dialogue across different levels when dealing with a complex social issue such as flexibility in work life. To leave it to individual organisations to agree an agenda misses many associated and determining issues. A blend of nationally agreed action, local/regional partnership and company bargaining is necessary to deal with the growing pressures for a 24 hour society that could be so detrimental to a balanced work and home life. Social dialogue in any one organisation can only partially capture all of the preceding issues and this again underwrites the importance of more strategic thinking, holistic thinking and ‘joined up policy-making’ in this area.

One of the aims was an improvement in the quality of working time use and a greater choice and control over employees’ working lives. Key to this is the issue of an improved work-life balance for both women and men. The project has awakened interest across the Council to the need for greater awareness of gender issues and positive flexibility especially among the political members. Also it has stimulated interest in the wider connections beyond the single enterprise that can delimit choice for women in particular. (For a detailed account of the project see ‘The Time Of Our Lives In Bristol’: TUC/ EO, 1999.)

4 PERFORMANCE IMPACT AND OUTCOMES.

The task of measuring the impact of partnership or indeed any employee participation in terms of organisational performance is not a simple one. There are multiple organisational variables to consider and their differential impact. Interdependent relationships within enterprises have to be teased out, and one must consider the variable contexts within which different organisations operate. All these factors have made the act of drawing definitive conclusions from a range of case studies difficult and has led to a certain reticence to press fully what might be called the 'business case' for partnership pointing instead to its impact in the slightly softer areas of industrial relations environment, attitudes and morale.

This is not to say that such a case cannot be presented but it does suggest that we need a more rounded approach to the issue of organisational efficiency than we have currently. In this section we outline some of the methods that have been used to gain purchase on the issue. We broadly divide these up between economic, industrial relations and work organisational approaches, and in the following Section we ask what kind of a tool/instrument could be usefully constructed by UKWON, bearing these approaches in mind.

Economistic Approaches.

Previous attempts to look at the issue of increasing efficiency and partnership have mainly arisen out of economic and accountancy approaches, concentrating on positive and measurable variables and how these have contributed to profitability. Qualitative and non-standard factors have not been given an equal emphasis.

The work of Leibenstein (1966, 1982, 1987) on 'x-efficiency' was some of the first to investigate seriously what critical distinctions were needed in this respect. He showed how economic thinking has focused upon what he called "*allocative efficiency*", to the exclusion of other measures (which he termed "*non-allocative efficiency*"). Simply to focus upon allocative efficiency (inputs/outputs) does not explain why enterprises with a very similar labour supply, technology and markets can exhibit quite different levels of profitability and efficiency. For Leibenstein much greater emphasis had to be placed upon internally-created enterprise conventions, styles of management regimes, motivational formats, and the processes of agreement/ dialogue. For it was in this area that the differences identified between enterprises could be explained, he argued. In economic language these conventions and regimes deal with sub-optimal dis-equilibrium within the enterprise. In essence, an understanding of rational choice theory only takes us so far if for any given level of profitability a great deal has to be attributable to qualitative and industrial relations-style issues.

This argument is similar to that of Baldamus (1969) who observed that the labour contract is essentially open-ended; on the labour market what one gets is a potential to labour not an exact measure of output. As there is no guaranteed level of productivity from any group of workers this still has to be elicited, managed and delivered. Hence for him, like Leibenstein, the nature of management regimes is crucial to determining actual productivity and profitability outcomes in the enterprise. Both bring to economics an analysis of management regimes, a focus previously left primarily to the industrial relations domain.

For Leibenstein 'x-efficiency' can have three distinct and significant elements. The first is intra-plant motivational efficiency as described above; the second is external motivational efficiency set by standards, laws, rules and conventions external to the enterprise, while the third element is non-market input efficiency, including elements within enterprises that have no current set mechanism for transaction, for instance, organisational, tacit or informal knowledge. Given these strictures means one analysing the enterprise in terms of both allocative and non-allocative elements. As such profitability and efficiency have to take into account a far wider set of variables qualitative and quantitative than narrow current accountancy measures provide. For example, Leibenstein attempted to give ratings to payment-by-results systems, incentive schemes and other motivational forms. Optimal performance then is a chimera if there is no consideration of the role and form of the management/labour

regime. This arises partly because the labour contract is incomplete, but also because not all of the elements of the labour process are marketable, because production processes are not completely specified or known in advance, and because interdependence and uncertainty constantly assert the need for large degrees of internal and external tacit co-operation.

Recent debates about the role of partnership, social responsibility, the learning organisation, knowledge management and internal flexibility show how much some of these issues have come to matter since Leibenstein first enunciated them. Applying his work to the past decade we can see how many the Human Resource Management (HRM) debate has picked up on these ideas, and attempted to lessen the uncertainties or galvanise performance in precisely these areas. Hence we have a greater concern for performance management (stipulating, standardising, rewarding and eliciting employee performance across the hierarchical range); for appraisal systems; knowledge-capture; recruitment and selection, and a host of other motivational factors. What is often being sought is a regime to better deal with market uncertainty, product uncertainty and technological variation. Human resource management attempts to do this through a particular combination of techniques and the forging of a new psychological contract within the firm. In some variants there is a high significance accorded to partnership and participation. However, “*harder*” variants of HRM commonly re-emphasise precisely those allocative efficiency areas with which Leibenstein began his critique. The case for partnership has still to be made and sold.

One other approach used in the literature (Leibenstein, 1982; Cable, 1990) cites the role of co-operation as a central element in determining organisational efficiency. Use of the *prisoner's dilemma* from game theory illustrates how partnership and co-operation can gain better results over free-market or ‘hidden hand’ approaches. They demonstrate that real choices made by firms and by employees range between poles of self-interest and co-operation. The prisoners’ dilemma analysis suggests that where both parties choose self-interest the result will be dis-beneficial overall, whereas in the instances where the parties both choose co-operation there are definable gains and the possibility of learned co-operative behaviour that, reinforced consistently, improves performance over time significantly (Wilson, 1994; Levine and Tyson, 1990). In enterprise situations effort stabilising regimes or conventions take away from the firm and employees the ability to seek personal maximisation. However the costs of non-co-operation (never normally assessed) are minimised and benefits extended through prolonged and learned co-operative behaviour.

Industrial Relations Approaches.

Partnership remains primarily a *qualitative* approach to employee relations. The authors of the IPA's model for example are less concerned with outcomes than with the *quality* of the processes by which the outcomes are determined:

“[Partnership] *is not so much about institutions or methods, as about attitudes and culture. It is a question of building mutual trust, of recognising differences and finding common ground...*” (Coupar & Stevens, 1998: p145).

Following on from the more abstract approaches above is a body of work that seeks to pin down the relationship between partnership/ participation and performance by using available industrial relations data (Ferne and Metcalf, 1995; Mari Sako, 1997; Guest and Peccei, 1998). Here we find a more pragmatic but still methodologically balanced approach.

Possibly the most detailed of the research is that of Ferne and Metcalf (1995) who sought to test the relationship between employee participation and positive organisational outcomes. They did so by reviewing 1500 commercial enterprises from the 1990 Workplace Industrial Relations Survey. Ferne and Metcalf first distinguished the three operative elements they wished to follow, each comprising two sub-components:

- The first was an *employee involvement* area extracted from the data-set material on the forms of communications available within the enterprises, and information on the growth in provision of employee involvement.
- Their second operative element was *contingent pay*, made up of information on group and firm schemes for profit sharing or share distribution, and information on individual merit pay/ appraisal related awards.
- The third element was to do with forms of *collective representation*, the recognition and impact of trade unions and the existence of employee voice through channels such as joint consultation machinery.

They examined the measurable outcomes to see if the operative elements had had an impact, using six variables that mixed objective and subjective measures: three primarily economic indicators – productivity growth relative to other plants, changes in productivity over the past three year and changes in employment levels – and three indicators designated as industrial relations-oriented: the change in industrial relations climate, the employee quit rate and the level of absenteeism.

As there was no one definition of “good management” they created three ‘ideal type’ regimes: *the Employee Involvement firm, the Collective Bargaining Firm and the Authoritarian Firm*, each having a different mix of operative elements. They looked at each in terms of the outcomes specified above.

Overall the results proved positive for the employee involvement thesis. Where communications formats are in place and there have been efforts in the past three years to boost employee involvement there is a clear positive correlation, particularly in relation to the economic indicators. EI was seen to improve relative productivity, bring productivity increases and increase employment. It was also associated with a more modest but still positive increase in the industrial relations climate with neutral effects on the quit rate and absenteeism level. When comparing the data across the three ideal type management regimes this also took a positive turn. The EI workplace did better on all of the economic outcomes when compared to the other two. The role of representation (i.e.: the presence of trade unions) was found not to be positive in any of the economic outcomes but was in terms of lowering the quit rate. Forms of contingent pay showed a mixed picture as certain schemes were positive but others showed negative results across the board.

In terms of interpreting these findings the authors themselves admitted the use of cross sectional attitudinal data such as this does not allow for clear cut patterns of causality:

“It must be understood that it is very difficult to establish causality in cross-sectional work like this. It may be best to think of the results as evidence of patterns in the data – as associations amongst variables – rather than clear cut cause and effect” (Ferne & Metcalf, 1995, p 380).

A similar attempt was undertaken by Mari Sako who conducted a large-scale questionnaire survey, in addition to secondary analysis of data, within European automobile component plants. Her prime research question was whether we can determine that participation is good for business. Sako borrowed much from the Fernie and Metcalf analysis as it pertains to management regimes, while adding a fourth type of regime which she termed “synergistic” where management gives employees influence in both the day-to-day operation of the firm (usually the province of direct participation) and at policy level (usually only possible in representational participation). Her research used a single outcome measure to determine impact, product quality *“as measured by the proportion of products shipped to the customer which are rejected or voluntarily recalled”* (Sako, 1998, p7).

The results were again positive in companies where a range of employee participation initiatives was present. Quality defects were lowest in the synergistic firm that had both quality circle style groups *and* representational participation (for instance, JCCs) and it was appreciably higher in the authoritarian camp. Furthermore, in the synergistic cases there was an enhanced willingness by employees to share with management ideas about improving work methods. The research also traced an

increase since 1990 in the incidence of both direct and indirect participation in both the UK and the rest of Europe.

However the author also advocated caution over the research findings, pointing out that a ‘participation effect’ is difficult to measure and it is possible that variables other than the presence or absence of participatory mechanisms account for the results, and secondly that “*it is possible to demonstrate correlation, but not causation, although the latter is occasionally inferred*” (Sako, 1998. p7)

There has been just one large-scale research project into the extent of ‘partnership’ itself in the UK: Guest and Peccei’s benchmarking exercise of 82 avowedly partnership companies on behalf of the IPA (1998). They took into account the mixture of possible forms of participation but greatly extended the benchmarks principles and practices that characterise the partnership company. Again using attitudinal data they reached four broad conclusions:

1. The partnership process in itself brings benefits through the contribution of employees
2. There is greater employee commitment and identification with the organisation where partnership practices apply
3. In a large minority of the sample partnership is associated with improved quality and innovation
4. Management see the formulation of an improved psychological contract marked by a greater fairness of treatment, trust and sense of security.

Thus, in this research the authors indicated that overall there are few partnership practices that are *directly* linked to organisational performance, but they did report the importance of the *indirect* link of partnership’s impact upon attitudes and behaviour. While they were able cautiously to confirm a link between certain partnership principles and certain HR practices – the two strongest correlations being between job design and employment security (supporting Hueslid’s research findings, incidentally) – their research found comparatively little evidence of the “*essential building blocks*” of the IPA model. Such a dearth of major concessions on the part of management to their workforce, in exchange for flexibility, would seem to be hindering progress toward partnership, undermining management’s business aspirations (ibid: p8), and potentially exacerbating the very conflict of interests that partnership is seeking to redress. Guest and Peccei hint as much in their closing remarks:

“... *Organisations still have considerable scope to display greater trust in employees and greater direct participation and autonomy over work*” (ibid.: p43).

Take-up of individual partnership components is low in the country at large. The ‘First Findings’ of WERS98 report just 11% of organisations with a consultative

committee at both company and workplace level; 46% have none (Cully et al, 1998: p12). 14% of workplaces are covered by some form of employment security guarantee (p10). 15% of non-managerial employees (all in the private sector) are in an employee share ownership scheme; 30% take part in some form of profit-sharing (ibid, p10). WERS98 data finds just 12% of employees receiving a minimum of more than 5 training days per year.⁴

Work Organisational Approaches.

Work organisational approaches have in the post-war years been dominated by social psychologists adopting methodologies that concentrate on the interaction between individuals/ groups, and the organisational environment. Notable here has been the socio-technical school led initially by the Tavistock Institute. Their researchers sought improvement in organisational performance through the simultaneous optimisation of both the internal social world of the firm and its technology (Van Eijnatten, 1993). In this approach there was concern for the development of employee autonomy, semi-autonomous teamwork and high levels of involvement and communications within evolving technological situations. Technology was deemed important but crucially *not* in determining management style, organisation or human resources decision-making.

The School's thinking had a great impact in Scandinavia, with a number of iconic and successful instances – Volvo, Saab-Scania, ABB. Decades of successful competition and the levels of quality attained at Volvo forged a compelling link between their particularly active participative model and the company's long-term success.

More recently many of the elements of the socio-technical approach have been used to describe 'high performance' or 'high involvement' organisations (Buchanan & McCalman, 1989; Lawler, 1992). These are organisations that rely upon employee self-management and participative management styles that transcend representation. In opposition to the more Taylorist 'command and control', 'high involvement' management regimes devolve decision-making to groups or operators, develop routes for individual development and organisational learning, and revamp human resource policies in order to sustain commitment and active participation.

⁴ WERS98 data does not contain information on specific partnership arrangements. However, if one creates approximations of the IPA practices as follows - 'management strongly agree that employees are led to expect long-term employment within the enterprise' = employment security; 'contingent pay based on profit or some other measure of workplace or enterprise performance' = sharing in the success of the enterprise; 'the presence of a consultative committee, workforce briefings and employee involvement in problem solving at both company and workplace level' = information sharing and consultation; and finally for argument's sake, 'union recognition' = provision for an independent employee voice, then just 0.68% of all private sector workplaces have partnership

Recent UK research by Parker et al (1995) of SAPU has attempted to specify what it is about 'high involvement organisations' that make them successful. The overall hypothesis that they put forward was:

“The key to the success of initiatives in AMT (Advanced Manufacturing Technology), JIT (Just in Time) and TQM is likely to lie in an organisation’s orientation towards its human resources” (Parker et al, 1995: p1).

It is clear that Parker’s team considered successful implementation of change as the desired performance outcome and from this sought to identify the aspects of the HR regime that best facilitated the change management programme. Such an approach goes beyond 'representational partnership' and into active elements of performance beyond even those characterised as 'direct participation'. This can be seen from their work inside an East Midlands electronics company where they conducted extensive interviews of management and employees. When looking for key performance indicators they came up with an initial nine performance-related categories:

Ownership of the production process

Goal/ task orientation

Employee flexibility/ adaptability

Ability to 'speak out'

Employee confidence

Effectiveness of communication within and across group boundaries

Team-working and co-operation

Degree of multi-skilling/ knowledge of whole process, and

Technical ability and competence.

The research group went on to refine these categories somewhat, but these basically indicate that for them management regimes have to align policies in such a way so as to encourage these performance related categories. Hence the work organisational approach takes us beyond very broad definitions of partnership and management regimes, going inside the 'black box' to key operative elements that effect performance.

Taking this theme one stage further we can introduce another work organisational perspective that asks a similar question: what sort of work organisation will be rewarding to staff, and will achieve an active co-operation between them and management? This question was raised through the KAL project (1999) undertaken by the Swedish Trade Union Confederation and developed into an evaluation tool for use inside individual organisations. The authors formulated 21 factors that they feel have a crucial bearing on co-operation and mutuality in the workplace:

Existing forms of authority

Work organisation planning process

Work organisation staffing process
Functional responsibility structure
Methods of Work Organisational development
Forms of work rotation in work groups
Team responsibility structure
Worker contact with customers, clients etc
Methods of continuous improvement
Welfare and inclusion regime
Training and development process
Staffing provision
Form of work evaluation
Use and application of information technology
Electronic and other communication
Rewards system
Development and appraisal schemes
Management training and development
Management commitment
Worker representation and Union involvement in work organisation matters

One can see from this list that the range of issues do not simply centre around pay and rewards. The Swedish unions are concerned with management training, application of new technology, implementation of JIT and other matters that are directly performance-related. The aim of this development tool is to engage the social partners in joint discussion about the current situation, about potential improvements and crucially how beneficial outcomes can arise across this range of issues. What makes this project interesting is that they append questions to each of these factors in order that in any company an employee, worker representative or manager can assess the positive or negative effect of each. For example here is the approach to factor one:

Copy sheet – here.

Such a rating procedure happens for each factor and in summation gives an overall score for each enterprise. The LO recognises that such a score is not the aim of the exercise rather it is the reflection, dialogue and co-operation that can then kick-start mutual efforts to change work organisation in a rewarding direction. The benefits from this change are seen as shared between management and labour, the former gaining more commitment, awareness and efficiency and the latter more autonomy, quality of working life and enjoyable work.

Discussion.

The question of proving a direct causal link between partnership (involvement, participation, etc) and organisational efficiency characterised by profitability is

extremely difficult given existing methodologies. The positivistic approach seeks to isolate variables, measure a given effect and offer a quantitative result in relation to a single outcome. Organisational reality, however, is an arena of human activity, of commitment, expectation and mutual interdependence. It has qualitative *and* quantitative aspects. Changes in human resource areas or governance may have powerful effects on a range of matters that only indirectly affect 'efficiency', but can be of enormous long-term importance to organisational outcomes. The discussion so far has indicated that for these reasons the empirical methodologies employed thus far allow us to state an 'association' between partnership and improved performance, but no more than that.

There are nevertheless important messages emerging from the various attempts to understand the relationship. The first is the importance of *management regimes* to performance – how the choices here have real and crucial impacts upon a range of organisational outcomes. The cumulative evidence indicates that adopting a partnership or participative orientation, with its associated shift from short-term thinking and the reification of the bottom-line, can be decisive. The reordering of the corporate culture, psychological contract or social/ governance approach towards mutuality and co-operation is a vital first step towards greater 'holistic efficiency'.

Following this is the need to align and have *consistency of human resource policies*, as the partial introduction of policies can lead to internal tensions and contradictions. Hence the introduction of a partnership forum or agreement in itself has no necessary effect if other policies are left unchanged (for instance, the matter of employment security, employee development, rewards, appraisal and so on).

The extent of partnership *synergy* becomes important, as we saw in Sako's work. Formal partnership institutions are often supplemented with direct or informal activities. This means that whilst formal partnership can have important effects there may also be added value to be gained by the existence of additional and other less formal avenues of involvement. These mechanisms may be especially relevant when dealing with workplace and work organisational change. (EPOC study, 1997, Marchington, 1990)

The work organisational approach emphasises that the role of partnership is not restricted to strategic matters or issues for representational discussion, but has to be *ingrained* within decision-making structures across the organisation, in the strategic, planning, operational and implementation phases. The range of factors that affect performance as identified in the work organisation approaches illustrates the opportunity and scope for dialogue, mutuality and partnership.

The notion of benefit is too restricted if we continue to think of bottom line as the only measure of organisational success. *Win/win outcomes* entail beneficial outcomes

across the board, where employees can gain monetary and non-monetary improvements with similar outcomes for the firm or organisation.

5 IMPLICATIONS FOR RESEARCH.

Research can usefully be conducted into the experiences of SMEs in establishing partnership arrangements, and the role of the UKWON network in initiating and supporting partnership in SMEs.

Such research would likely involve a longitudinal study using pre-and post-implementation questionnaires on the experience of establishing partnership, seeking to identify omissions, problems, success and opportunities for further research. It is hoped that this research will illuminate possibilities for the 'partnership toolkits'. The research questions include:

What is the relevance and usefulness of partnership for SMEs?

Evidence of partnership is largely confined to large organisations, concentrated in unionised sectors such as banking and finance, the NHS and long-standing manufacturing and engineering firms. Are there generic principles and practices that can be easily transferred into SMEs?

How can we assess partnership's contribution to: 1) Work organisation 2) Labour force adaptability 3) Human resource development 4) Employability 5) Initiating and sustaining innovation 6) Quality of production/ services 7) Quality of working life 8) Equal opportunities?

Research will begin to formulate measurements for assessing the impact of partnership-style arrangements on the outcomes above. Existing measurements include the European Foundation's "*Factories for the Future*", Guest and Peccei's IPA "*Partnership Benchmarks*" and the Swedish Labour Organisation's "*Rewarding Work Organisation*" checklist (see Section Five).

What are the key processes fundamental to partnership success?

For example, is information-sharing important, or the concerted efforts to build mutual trust? Which have the most impact?

What are the key structures fundamental to partnership success?

Is it necessary to re-configure the organisational structure around teams, and if so, of what kind? Are there certain representation structures that are essential for the long-term sustainability of partnership?

Does partnership contribute to the success of an enterprise?

As well as the overview above of available academic research into partnership-style arrangements (see also Purcell on joint working parties and Hueslid's bundles of HR

practices), research can also report the business improvements in partnership organisations.

What potential is there for developing 'partnership toolkits' for the following target constituencies: Middle managers? Employee representatives? Senior managers?

In terms of problems and issues facing organisations introducing partnership, these are 3 key constituencies who will, at the very least, be affected parties, but also from whom the change agents and/or likely forces of resistance would be expected to emerge. The research will look into the feasibility of creating a set of 'toolkits' or recommended best practice guidelines for each of these constituencies.

BIBLIOGRAPHY

- Ahlbrandt, R.; Leana, C. and Murrell, A. (1992): *Employee Involvement Programmes Improve Corporate Performance*, Long Range Planning, 25 (5), October. 91-98.
- Baldamus, W (1961): *Effort and Efficiency: An analysis of industrial administration*. Tavistock.
- Bessant, J. (1995). *Networking as a Mechanism for Enabling Organisational Innovations: The Case of Continuous Improvement*, in Andreasen; Coriat; den Hertog and Kaplinski (eds.): *Europe's Next Steps: Organisational Innovation, Competition and Employment*, Ilford: Frank Cass.
- Bielenski, H. (1993) *Teilzarbeit und Wettbewerbsfähigkeit – Erfahrungen von Managern Ausacht Europäischen Landern*, European Foundation for the Improvement in Living and Working Conditions, Dublin.
- Blumberg, P. (1968). *Industrial Democracy: The Sociology of Participation*, Constable: London.
- Brewster, C. and Bournois, F. (1991). *Human Resource Management: A European Perspective*, Personnel Review. 20 (6), 4-13
- Buchanan, D. (1994). *Cellular Manufacture and the Role of Teams*, in Storey (ed.): *New Wave Manufacturing Strategies*, Paul Chapman: London.
- Buchanan, D & McCalman, J (1989): *High Performance Work Systems: The Digital Experience*. Routledge.
- Business Decisions. (1998). *New Forms of Work Organisation: Case Studies*, Final Report, European Commission, Directorate General for Employment, Industrial Relations and Social Affairs.
- Cable, J and Fitzroy, F (1979): *Co-operation and Productivity: Some evidence from the West German Experience*. Warwick Economic Research Paper, 153.
- Ceridian Performance Partners. (1998). *The Price of Success*.
- Creagh, M. and Brewster, C. (1998). *Identifying Good Practice in Flexible Working*, Employee Relations, 20, 5, 90-503.
- Cressey, P. Bolle de Bal, M. Treu, T. Di Martino, V. and Traynor, K. (1987) *Participation Review* European Foundation. Dublin
- Cressey, P & Williams, R. (1990) *Participating in Change. New Technology and the Role of Employee Involvement*. European Foundation. Dublin.
- Crosby, P. (1979). *Quality is Free*, McGraw-Hill: New York.
- Cully, M et al. (1999): *WERS'98: First Findings*. Blackwell.
- Dalton, D. and Mesch, D. (1990): *The Impact of Flexible Scheduling on Employee Attendance and Turnover*, Administrative Science Quarterly, 35, 370-387.
- Davis, L and Trist, E (1972): *Improving the Quality of Work Life: Experiences in the Sociotechnical Approach*, US Department of Higher Education.
- De Roure, F. (1995): *Reconciliation of Family and Work, Workshop Proceedings on the Reconciliation of Family and Work*, held in the Pantou University, Athens, November.
- Delbridge, R. Turnbull, P and Wilkinson, B (1995): *Pushing Back the Frontiers: Management Control and Work Intensification under JIT/TQM Factory Regimes*, New Technology, Work and Employment.
- Delson, L and Huigen, F (1994): *Analysis of Part-time and Fixed-term Employment in Europe Using Establishments Data*, European Foundation for the Improvement in Living and Working Conditions, Dublin.
- Department for Education and Employment. (1998): *Labour Market and Skills Trends: 1998 / 1999*.

European Commission. (1997): *Partnership for a New Organisation of Work*, Luxembourg, Office for Official Publications of the European Communities.

European Work and Technology Consortium, (1998): *Work Organisation, Competitiveness, Employment: The European Approach*, Nottingham: The Nottingham Trent University.

EPOC Research Group (1997): *New Forms of Work Organisation: Can Europe realise its Potential?* European Foundation.

Fernie, S and Metcalf, D (1995): *Participation, Contingent Pay, Representation and Workplace Performance: Evidence from Great Britain*. British Journal of Industrial Relations, 33.3.

Geary, J. and Sisson, K. (1994). *Conceptualising Direct Participation*, Background Paper for the Proposal submitted to the European Foundation for the Improvement in Living and Working Conditions.

GMB/UCW (1990): *A New Agenda: Bargaining for Prosperity in the 1990s* (GMB/UCW)

Godfrey, G.; Wilkinson, A.; Marchington, M. and Dale, B. (1996). *Competitive Advantage Through People? Human Resource Policies in Firms Introducing Total Quality Management*, paper presented at *HRM – The Inside Story*, Open University Business School.

Guest, D and Peccei, R (1998): *The Partnership Company: Benchmarks for the Future*. IPA

Hamel, G. and Prahalad, C. (1994): *Competing for the Future*. Sage.

Harman, H. (1998): *Families and Business Are No Longer Separate Issues: A New Discipline of 'Human Economics'*, paper presented at *Energise Your Organisation: Equality and Innovative Work Organisation*, Rugby, April.

Harrick, E.; Vaneck, G. and Michlitsch, J. (1986): *Alternate Work Schedules, Productivity, Leave Usage and Employee Attitudes: A Field Study*, Public Personnel Management, 15, 159-169.

Hill, S. and Wilkinson, A. (1995): *In Search of TQM*, Employee Relations, 17, 3, 9-26.

IPA (1997): *Toward Industrial Partnership*. IPA.

Ishikawa, K. (1985): *What is Total Quality Control? The Japanese Way*, translated by Lu, D. Prentice Hall: Engelwood Cliffs.

James, G. (1991): *Quality of Working Life and Total Quality Management*, Occasional Paper, No. 50, November, ACAS Work Research Unit.

Ketchum, L. and Trist, E. (1992): *All Teams Are Not Created Equal: How Employee Empowerment Really Works*, Sage.

Kossek and Lobel (eds.): *Managing Diversity: Human Resource Strategies for Transforming the Workplace*, 221-244. Oxford: Blackwell.

Landsorganisationen (1999): *The Rewarding Work Organisation*. KAL project. Stockholm.

Lawler, EE (1992): *The Ultimate Advantage: Creating the High Involvement Organisation*. Jossey-Bass

Leighton, P. and Syrett, M. (1989): *New Work Patterns: Putting Policy into Practice*, Pitman Publishing.

Lengnick-Hall, M.; Heinrich, G. and Middleton, E. (1993): *Employee Involvement Makes TQM Work*, Personnel Journal, 72, 10, 108.

Levine, D and Tyson, L (1990): *'Participation, Productivity and the Firm's Environment'* in Blinder, A (ed): *Pay for Productivity*. Brookings Institute.

Lewis, S. (1996): *Rethinking Employment: An Organizational Culture Change Framework*, in Lewis and Lewis (eds.) *The Work-Family Challenge*, Sage, London.

Liebenstein (1966): 'Allocative Efficiency and X-Efficiency' The American Economic Review No 56.

Liebenstein (1982): 'The Prisoners Dilemma in the Invisible Hand: An Analysis of Inter-firm Productivity' in The American Economic Review (Papers and Proceedings), No 72.

Liebenstein (1987): *Inside the Firm: The Inefficiencies of Hierarchy*. Harvard University Press.

Littek, W. and Charles, T. (1995): *The New Division of Labour: Emerging Forms of Work Organisation An Internaitonal Perspective*, Walter de Gruyter.

Lobel, S. and Kossek, E. (1996): *Human Resource Strategies to Support Diversity in Work and Personal Lifestyles: Beyond the 'Family-Friendly' Organization*, in Mahoney, T. and Deckop, J. (1986): *Evolution of Concept and Practice in Personnel Management*, Journal of Management, 12, 2, 223-241.

Marchington, M et al (1992): *New Developments in Employee Involvement*, Employee Department Research Series, No. 2, May.

Maskell, B. (1999): *An Introduction to Agile Manufacturing*, BMA Inc. <http://www.maskell.com/agiart.htm>.

New Ways to Work. (1995): *Balanced Lives: Changing Work Patterns for Men*, New Ways to Work: London.

Nonaka, I. and Takeuchi, H. (1995): *The Knowledge Creating Society*, Oxford University Press: Oxford.

Oliver, N., Delbridge, R. and Lower, J. (1995): *Lean Production Practices and Manufacturing Performance: International Comparisons in the Auto Components Industry*, Refereed Paper, British Academy of Management Conference.

Parker, S Mullarkey, S and Jackson, P (1995): *Dimensions of Performance Effectiveness in High Involvement Work Organisations*. Human Resource Management Journal. Vol 4 No 3.

Pettigrew, A. and Fenton, E. (1999): *Process and Practice in New Forms of Organising*, Sage Publications: London.

Pfeffer, J. (1994): *Competitive Advantage Through People*, Harvard Business School Press.

Porter, M. (1990): *The Competitive Advantage of Nations*, Harvard Business School Press.

Preiss, K. (1997). A Systems Perspective of Lean and Agile Manufacturing, *Agility and Global Competition*, 1, 1, 59-76.

Sako, M (1998): *The nature and impact of employee's voice in the European car components industry*. Human Resource Management Journal. Vol 8 No 2.

Shapiro, G. (1997): *A Gender Analysis of the Career Progression of IT Managers*, PhD thesis, University of Brighton.

Shapiro, G. and Austin, S. (1996):. *Equality Driven Total Quality*, Business School Occasional Paper Series, No. 3, University of Brighton.

Smith, J. and Tranfield, D. (1982): *Sprinting for Success: Making Rapid Changes in Manufacturing Companies*, Occasional Paper CMRC Sheffield Business School.

Steinger, D. (1994): *Why Quality Initiatives Are Failing: The Need to Address the Foundation of Human Motivation*, Human Resource Management, 33, 4, 601-616.

Swedish National Board for Industrial and Technical Development, (1996): *Towards Flexible Organisations*.

Thomas, L. and Ganster, D. (1995): *Impact of Family-Supportive Work Variables on Work-Family Conflict and Strain: A Control Perspective*, Journal of Applied Psychology, 80. 6-15.

Tranfield, D., Passy, I., Wilson, S., Smith, S. and Foster, M. (1999): *Teamworking: Redesigning the Organization for Manufacturing Improvements*, Technology Analysis and Strategic Management, 11. 2. 143-157.

Van Eijnatten, F (1993): *The Paradigm that Changed the Work Place*. Van Gorcum.

Webster, J. (1999): *Participating on Equal Terms? The Gender Dimension of Direct Participation in Organisational Change*, European Foundation for the Improvement in Living and Working Conditions.

Wilkinson, A. (1990): *Managing Human Resources for Quality*, in Dale (ed.) *Managing Quality*, Prentice Hall International.

Wilkinson, A. and Witcher, B. (1991): *Fitness for Use? Barriers to Full TQM in the UK*, paper presented at British Academy of Management 5th Annual Conference, University of Bath.

Wilson, N (1994): *The Economics of Participation: An Overview*. In P+ European Participation Monitor, European Foundation.

Womack, J.; Jones, D. and Roos, D. (1990): *The Machine that Changed the World*, Rawson Associates: New York.