

THE POTENTIAL FOR EMPLOYEE INVOLVEMENT IN AN ESTABLISHED IRISH BRANCH OF A US MULTI-NATIONAL

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Introduction

Employee involvement is a gradual but radical delegation of control to employees closest to the process. The concept covers, for example, employee participation and employee empowerment, and means significantly more than mere communication. It involves the transfer of ownership of a task or situation to an individual or group, with the ability and willingness to accept it (Burdett, 1996; Moon and Swaffin-Smith, 1998; Tripoli, 1998). Management gurus and academic writers see employee involvement as a key factor in achieving best business performance in an environment of continuous change. The literature identifies the main themes in employee involvement thinking as: the "strategic view", which links it with high performing organisations; the critical factors in implementing involvement; and the impact of involvement both on managers and employees (Peters, 1987; Kanter, 1994; Sako, 1998; Guest, 1999).

On the strategic imperative, many writers insist that a flexible empowered workforce is vital to surviving the cataclysmic change in conditions that has faced industry recently. International competition demands not only lower prices but also quality, innovation and customer responsiveness. These depend not on capital investment, but upon people. Long-established industries such as brewing, car manufacturing, papermaking and the mail service have generated significant performance improvements through employee

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involvement initiatives (Peters, 1987; Williams, Dobson and Walters, 1993; Ulrich, 1998). Kanter (1994), Kappelmann and Prybutok (1995), and Monks (1999) write that winning in the current business environment requires greater flexibility and closer partnership with employees, and that successful organisations are flatter, less complex and more responsive. There is now more awareness among employees, unions and management that they need to act as partners; but there are dilemmas in respect of the issues of reward, retention of the most skilled employees, and employee stress.

It has been argued that the same organisational structure is not right for every company. Reported research has found evidence that companies with low-cost strategies are more likely to have high-control, low-involvement human resource (HR) policies, whereas companies with differentiation strategies were more likely to have high-involvement HR policies. It has been found that when a company's focus has been on quality, variety or service, gaining high employee commitment was required (Handy, 1989; Youndt, Snell, Dean and Lepek, 1996; Purcell, 1999). In Ireland, the UCD study found that intensity of involvement was positively associated with high-tech workplaces, financial services and the production of customised goods and services (Geary, 1998). Research carried out in the UK involving organisations with over 1,000 employees (Guest, 1999), showed strong employee support for involvement. However, there has been criticism of employee involvement: Keenoy (1990), Willmott (1993) and Legge (1995) are concerned that employee involvement initiatives promote a unitarist perspective, and aim to exploit and control workers by gaining their commitment to business goals.

A significant body of research exists on the implementation of employee involvement. One of the important factors seems to be combining representative and participative involvement (Sako, 1998). Representative involvement is employee participation in broad decision-making and does not necessarily involve trade unions, while participative involvement relates to employee decision-making closer to the productive process. Sako's 1998 research on the British and continental car industry showed that representative involvement without participative involvement was not significantly better in terms of its outcomes than no involvement whatever. Participative involvement operating alone has better results, but best performance is achieved when participative and representative involvement are found together. Combining both forms of involvement also correlates with greater willingness to share ideas on improved work methods. These findings are supported by the Involvement and Participation

Association (IPA, 1997) and by Kochan and Osterman (1994) and Huselid (1995).

Integration with other business and HR practices is critical to the successful implementation of employee involvement (Peters, 1987; Kanter, 1994; Tripoli 1998 and Argyris 1998). Involvement demands long-term cultural change rather than being a source of instant gains, and it must be supported by investment in skills, commitment from management, strong communication, an open environment, and labour market structures and reward systems that address job security. Contradictions between involvement principles and the position on the ground must be identified and addressed, if real progress is to be made. Although the potential is huge, research shows that many organisations have not yet got beyond "talk" or pilot programmes. (Wilkinson, 1992; Marchington, 1995; Holden, 1997; Argyris, 1998; Hickey and Casner-Lotto, 1998; Briggs and Keogh, 1999).

The impact of employee involvement on managers has been addressed by several authors in the literature (Hall, 1987; Holden, 1997; Argyris, 1998; Buchanan, Claydon & Doyle, 1999). Senior management of an organisation has a responsibility to provide a challenging environment in which people will want to work. Introducing an employee involvement initiative requires sustained leadership at a high enough level to change the way people think. However, Argyris (1998) finds that senior managers often subtly undermine empowerment. The traditional "command and control" model is what they know and trust best. Geary (1998) argues that management is not just about controlling employees; it is also about releasing their discretionary effort and creativity. Kenny (1999) and Fonda and Guile (1999) write that new management skills must centre on mobilising commitment. Getting people's active co-operation and commitment, they say, is one of the key managerial challenges of the 21st century. Further, rising performance expectations may mean something fundamental has to change in organisations. These writers suggest that the traditional systems of managing people are handicapping, rather than contributing to, value. A challenge and support environment is required and it must be encouraged and continually reviewed by managers.

The final theme addressed in the literature is the impact of employee involvement on employees. It centres on building commitment towards organisational goals by linking them with employee interests (Argyris, 1998; Geary, 1998; Ulrich, 1998). Ulrich (1998) argues that the competence and commitment of workers is

critical for business, as people are its most valuable asset. Having a clear business strategy and strong communication, providing challenging work, increasing employees feeling of control, and the training and development of people – he believes – all help build employee commitment. The processes of downsizing, outsourcing and restructuring reduce employees' commitment and change the psychological contract between employer and employee. Mutual trust, as well as employers' delivery of promises, are important factors (Robinson and Rousseau, 1994; Stiles, Gratton, Truss, Hope-Hailey and McGovern, 1997; Martin, Staines and Pate, 1998). The challenge for organisations is to maintain and increase commitment, while competitive environmental factors change the psychological contract.

Research Context and Methodology

The research objective was to explore the potential for employee involvement at an Irish branch of a US multinational, operating in the electronics sector. The company concerned faces intense pressures, both in the broader electronics industry and from within the organisation itself globally. Recognising the need to improve performance, the company introduced a partnership initiative in 1997 that generated interest among many employees in the plant, but it faltered without achieving significant change either in performance or the way in which work was organised. Improving organisational performance became increasingly important; involving employees is often promoted as best practice; and the literature highlights that it is most successful in organisations that have many of the features of the company studied.

The organisation is a high-technology company, operating in a niche market of the turbulent electronics industry, and its products are highly customised. In addition to its manufacturing activities, it is the European spares logistics centre and the European training centre for its products, with the majority of customers actually visiting the plant. The electronics industry is highly-competitive and organisations must compete on cost efficiency, quality, innovation and customer responsiveness. In the 1980s, the company had huge profit margins, its products had over 60% market share and its digital technology pushed it far ahead of competitors. By the early 1990s, an economic downturn hit the market and created demand for less expensive products, at a time when competitor products were bridging the technology gap. The company is still the dominant

player in its market, but at a price. Its profit margins are much reduced and the company is under severe pressure to reduce costs further and hold market share.

The company has operated in Ireland since the early 1970s and grew its workforce to over 200 employees. However, changes in technology and economic pressures in the 1990s resulted in several redundancy programmes, gradually downsizing the workforce to around 50 employees. With revenues of over \$30m, the core activity of the company is now in the highly-skilled technical area of software engineering, calibration, test and integration, although approximately 25% of the workforce is currently involved in assembly or semi-skilled work. The plant is partially unionised, with some 30% of the workers being trade union members. Significant change has occurred in the technical systems and support area and there is evidence of teamworking, without the formal introduction of teams. However, there is also evidence of pockets of high resistance to change, particularly in the assembly area. Finally, the company's management culture is "open door", with a non-hierarchical approach.

The primary research was informed by the literature and followed a case-based qualitative approach. It was carried out using semi-structured open-ended interviews and included a stratified sample of employees and managers from all areas – systems, assembly and support. It explored opportunities and issues identified by employees and managers, the willingness of employees to be involved and the willingness of managers to manage in an involved environment. It assessed whether the necessary skills and conditions exist at the company and also examined the levels and limits on involvement preferred by employees and managers.

Findings

The overall research objective was to explore the potential for employee involvement at the company. In answering the above question, information was gathered relating to the broad themes already referred to. Some of the most interesting findings were to do with:

- Strategic views on involvement
- The opportunities and the issues involved in implementation
- The levels of involvement
- Degree of organisational support

- In relation to managers, their views on the processes for managing people.

Strategic Considerations as Regards Involvement

A consensus existed amongst both managers and employees on the challenging and turbulent nature of the electronics industry in which the company operates. Some respondents were optimistic about the future, citing the high level of technical expertise in the plant as being a positive factor for the business – a view that is supported in the literature by Peters (1987) and Handy (1989) who identify the strength of technical expertise as a critical factor for the survival and growth of companies. On the other hand, some respondents were concerned, firstly, about the number of research and development engineers who were leaving the corporate parent plant in the US and, secondly, about the implications for the organisation, including the Irish entity, of such knowledge loss. Overall, the need for organisational transformation, with people recognised as central to the business, was identified by all respondents as being key to the continued existence of the plant, which fits with Geary's (1998) findings on Irish high-tech workplaces where customised goods and services are produced.

The relationship between the plant in Ireland and the corporate group in the US was deemed to be critical. The current position was viewed as one where little local autonomy existed and where decisions that were believed by local managers and employees to be in the interest of the business were not allowed to be implemented, or even seriously considered, by US management. This, in turn, created an environment in which the development of high levels of employee involvement was seriously hindered. For such an initiative to move forward, it was generally agreed that the relationship between the branch and the corporate group would need to be reviewed. In particular, what was needed was a move towards more flexible local-level management decision-making.

Opportunities and Issues related to Employee Involvement

The findings echoed significant claims in the literature (Williams, Dobson and Walters, 1993; Hickey and Casner-Lotto, 1998; Tripoli, 1998) as regards the opportunities presented by employee involvement. Responding employees and managers all identified both the direct and indirect opportunities for the organisation. General benefits included "hard" items such as process and product improvement, as well as "softer" factors such as better job

satisfaction, an increased sense of ownership amongst employees, improved morale and the development of a climate of openness.

Management respondents, in particular, identified a significant opportunity for the better use of the improved "management resource" generated by employee involvement – affording them more time to focus on the "bigger picture". This, in itself, would create a further impetus for improving organisational performance and giving an overall better strategic focus. Managers also raised the issue of the need to enhance the skill-base of employees through training, particularly for some of the non-technical employees, should employee involvement be embraced by the organisation.

For employees, the area of reward was seen as a key issue in implementing involvement. The previous partnership and involvement initiative of 1997 had failed to address reward, and the process eventually ground to a halt as a result. For employee involvement to develop fully, this reward question would need to be resolved, in combination with a formal feedback mechanism on performance encompassing reward and recognition for ideas and innovation – a finding again supported by Hickey and Casner-Lotto (1998).

Levels of Involvement

The previous experience of employee involvement, from 1997 to 1999, had a significant bearing on the level of involvement preferred. The findings showed that participative involvement – involvement in the decision-making close to the process itself – was the favoured option for employees, with only 20% indicating a preference for combining this approach with representative involvement – participation in broader organisational decision-making. This finding was at odds with Sako (1998), who reported that best performance was found in plants where both forms were in operation. Employees were clearly influenced by the failure of representative involvement to generate improvement and change, supporting observations by Buchannon, Claydon and Doyle (1999) on the legacy of previous involvement experiences.

It was concluded in the present case that all future initiatives will need to be focused on participative involvement at process level, and that, as this develops, the option of adding representative involvement could be reviewed again with the employees.

Interestingly, managers foresaw a higher level of involvement for employees than employees themselves. The majority saw joint

decision-making as being the best model, something at variance with Peters (1987) and Kanter (1994), but in keeping with Geary's 1998 findings in Ireland, and with Argyris (1998), who claims that employees who have worked in a controlled environment for much of their working lives will not quickly embrace high empowerment. However, managers envisaged employees gradually being able to make more and more decisions themselves without management involvement. Obviously then, an employee involvement initiative would need to focus on building skills, confidence and trust so that such a transformation could be facilitated.

Organisational Support for Employee Involvement

Peters (1987), Kanter (1994), Argyris (1998), Geary (1998), Hickey *et al.* (1998) and Purcell (1999) all indicate that serious organisational support is necessary for the successful implementation of employee involvement. Organisational support includes management commitment, an open environment, and integrated business practices in the form of reward strategies, job security and open channels of communication. The present research found that the company was stronger in some aspects than others but, overall, the required support framework did not exist. Management commitment to employee involvement was found to exist in pockets due to the individual preferences of some managers, but there was no conscious of deliberate policy from the top. Managers felt involvement was gradually increasing and diffusing, but without the support of organisational leadership, serious involvement could not be undertaken.

This research found no single reward strategy at the plant. While some employees are on performance related pay (PRP), others are on a grading structure without PRP – so once employees reach the top of their grade incremental scale, there is no way to reward outstanding performance. There are no award, recognition or gain-sharing schemes to encourage improved performance, something which clearly contributed to the failure of the previous partnership experience of 1997. The research concluded that the current reward strategy would not support sustained employee involvement and recommended that reward be reviewed prior to any new involvement initiative – in keeping with Hickey *et al.* (1998).

Also found was a perception of low job security in the assembly and support areas of the company, and this affected, to some extent, employee motivation to become involved. Job security was seen by

most employees as being mainly in the hands of the US parent. There was no evidence that increased productivity had led to less job security in the Irish plant. Indeed some employees said that *failure* to increase productivity in some areas in the past had contributed to less job security, as some assembly had had to be outsourced or moved to other plants.

The research also found that channels of communication at the plant were not perceived as strong, even at management level, and there did not seem to be any framework for gathering communication for upward flow – as recommended by Hickey *et al.* (1998) and Tripoli (1998). Several channels existed, but in general they did not contain the information of substance that employees expected. There are some pockets of good communication, but they are few, and they rarely go all the way up and all the way down. It was concluded that for employee involvement to exist, communications channels needed to be reassessed, and the type of information shared and reviewed in conjunction with the employees.

New Processes for Managing People

The study also found that the current process of managing people (at least, in respect of the degree of involvement) was not consistent throughout the plant. Some employees had more freedom to get involved than others, depending on their ability and willingness as well as the views of their manager. The direction from the top was “command and control”, but some individual managers did encourage the involvement of employees. Furthermore, managers did not report or foresee any conflict of ideas between themselves and involved employees. Managers claimed they would have no problem relinquishing direct control to employees with skills and ability – a finding that contrasts with Leonard and Strauss (1997), who reported that managers have difficulties managing involved employees because ideas may “collide”. Some employees, however, felt that managers had difficulty dealing with ideas from employees that were different to their own, and said that their managers seemed to need to be involved in everything and had difficulty releasing any direct control. It was concluded that the issues of conflicting ideas and relinquishing control be raised and addressed by the company, with the involvement of managers and employees in this process.

Finally, in order to support managers in managing involved employees, it was suggested that the company focus training investment on problem-solving and decision-making as well as

continuing to broaden employee skills. The research found that different employees or groups of employees had different levels of abilities and willingness to become involved, but this needed to be dealt as part of a wider strategy. The overall conclusion in this area was that the company must have a clear centrally-determined strategy for managing people, one that ensured consistency across managers and groups of employees. Different groups would get involved at their own pace, and as their skills and confidence grew, but there had to be this clear philosophy and direction to the management of people.

Individual Interest

Overall, the research found definite management and employee interest in employee involvement, with all respondents saying that they would be open to the concept; managers and employees saw involvement as a more positive way forward for the company and for themselves.

Conclusions

The research objective was to explore the potential for employee involvement at the company, with the secondary objectives of identifying opportunities and issues associated with involvement, and establishing the views of managers and employees. It is concluded that there are opportunities for involvement both in improved business performance through efficiency, quality and innovation, and in terms of creating a more positive open environment and increased employee satisfaction and morale. It is also concluded that the main issue associated with the possible introduction of involvement concerns the lack of autonomy at the Irish plant; in other words, the potential for involvement will be limited if there continues to be no real decision-making power in the plant. Also identified was that successful implementation of involvement would not be possible without organisational support. There are deficiencies in the organisational support framework at the plant, particularly in the areas of commitment from managers and organisational leaders, reward systems, job security, communication channels, and an open environment supporting change.

It can also be concluded that the views of both managers and “shopfloor” employees on the different themes and aspects of employee involvement at the company are clearly influenced by the history of the plant and the previous partnership initiative. Overall,

both managers and employees were positive about involvement and all would be interested in direct involvement in the future. Managers did not feel that there would any real problems involved in managing involved employees, so long as there were the required supports of training and increasing employee skills, strong communication, and a clear framework of decision-making. They also identified no significant challenges in dealing with conflicting ideas or managing with less control; however, these were identified by employees as problematic and thus are matters that need to be explored further.

Looking Forward

The primary research was carried out in July 2000, and a year or more later the importance of involving employees is attracting even more public discussion. European economists such as Arie DeGeus, and Irish economists such as David McWilliams, are raising the issue of the scarcity shift from capital to high-skilled people in the Irish economy; as a consequence, the function of management is now increasingly being seen as creating the supportive environments for people to increase business knowledge and wealth, especially with room for participative decision-making. The business environment for the company is now even more demanding in terms of cost, innovation, quality and customer responsiveness. In addition, many high-tech multinationals are severely cutting back their European operations. This particular multinational has also experienced the turbulence of a failed high profile merger and resultant wide-ranging leadership and structural changes. Best performance at the Irish plant is even more critical for its survival and growth.

Since the research was carried out there has, by coincidence, been some transfer of decision-making to the Irish plant, although its potential and permanence are as yet uncertain. There has been further flattening of both the local and corporate structure as well as efforts to improve open communication. Low key efforts are being made too to encourage the increased involvement of employees in decision-making, and supporting this with a revised reward structure. Involvement principles are also influencing management information systems implementation activities and Six Sigma quality initiatives in the plant.

This Irish electronics company has still a long way to go to reach high level involvement, but that direction is currently underlying local decisions in terms of organisational structure, communication, training and reward. As much of the previous research found,

employee involvement is a gradual process at this plant – without obvious instant gains – but its further development will hopefully lead to an environment wthat ensures organisational survival, knowledge creation and the long term generation of business growth.

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