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WORK COUNCILS: A CASE STUDY

by John Cliffe

A thesis submitted for the degree of DOCTOR OF PHILOSOPHY

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WORKS COUNCILS: A CASE STUDY

SYNOPSIS

The case study features an industrial relations problem in 1977/78 in an American-owned manufacturing company in South-Eastern England. There is a union recognition issue which is tackled by mounting a major programme of OD leading to the provision of a company constitution featuring a system of multi-level policy making councils. The system was then monitored for six years.

In general, the predicted outcomes were realised however, there were two unpredicted by-products of the programme.

- those involved in the original dispute (blue collar manufacturing employees) voluntarily withdrew from the union despite there being provision for union involvement in the Constitution
- it was found that the desire for a system of representative participation was not universal among all employees.

These findings - both the predicted and the unpredicted - are discussed and interpreted.

It is the second unpredicted by-product - representative participation's lack of universal appeal - which provides the most important outcome from the standpoint of theory development, on the place of constitutions in organization

design. This leads to the derivation of limiting conditions for their application in Section 3.

ACKNOWLEDGMENTS

I am indebted to GIM Limited for providing me with a platform from which to launch the original consultancy assignment, and to Lord Brown and Bill Southgate for their invaluable help in conducting it.

Equally, I am indebted to Professor Elliott Jaques for encouraging me to turn it into a piece of academic research and for five years of the most stimulating discussion around the emerging concepts.

INTRODUCTION

In contemporary society considerable attention is being paid to ways of improving the quality of working life. It is becoming increasingly widely accepted that concern should be shown not only for the material and economic aspects of employment, but also for the effect of work upon the well-being of individuals. Participation, in one form or another, is seen as a means of improving the quality of life. In countries such as West Germany, Yugoslavia, Norway and Holland participation has been legislated for by the introduction of formal systems of participation through such bodies as Worker's Councils and supervisory boards incorporating worker directors. The movement towards greater employee involvement has as its background the values of democracy. The principles that individuals have equal political rights, government by the consent of the majority, and people should be involved in decisions which affect their lives, are central to our culture.

On the other hand, economic performance is the specific function and contribution of business enterprise. It needs to get work done but work directed towards economic performance, objectives and results - which may not align well with the ideals of participation and democracy. A company is an economic organism created over and above the individuals who constitute it. This entity has a life of its own which often exceeds in length that of its human members. Further, it will always stress the corporate need

over that of any individual working for it.

The field of worker participation is plentifully supplied with ideas, institutions and opinions but it is rather short of hard evidence. There is a need to study the responses of employees to participative systems which have been designed and implemented to meet their expressed desires. Questions of interest to be answered, cover both the effects of the system upon employee attitudes and the practical aspects of implementing and running the schemes. The Company X case which follows provides useful evidence about this kind of programme.

1.0 COMPANY X CASE

In August 1977 a firm of management consultants and trainers, GIM Limited, was engaged by a manufacturing company to examine, and if possible solve, an industrial relations problem they were experiencing. I was appointed to lead the project team.

The Company (we will call it Company X) is a small part of an American-based multi-national enterprise which employed at that time 30,000 people in 24 countries and is one of the world's leading producers in its chosen field.

X is the world-wide scientific division of the multi-national with manufacturing facilities in East Anglia, Connecticut and California. The division is split into five geographical areas in Europe, North America, Latin and South America, Middle East and Far East. The European headquarters is in East Anglia and it is this and the nearby manufacturing plant which provides the focus of this case study.

At its headquarters there were 100 people engaged in such things as administration, accounting, legal services, data processing and sales. The manufacturing plant was located seven miles north with 200 people and there was a third site five miles south of headquarters. The third site contained two distinct departments: Business Development with 50 people and

a machine shop also with 50 people. Business Development was a multi-disciplinary department containing market development, product development and manufacturing development. Organizationally the machine shop reported to the manufacturing operation.

1.1 DEVELOPMENT OF LABOUR RELATIONS

The Company's Personnel Manager briefed me on 6 September, 1977 in the following terms:

'A substantial number (70 it is claimed) of blue collar workers at the manufacturing site have joined TASS, the white collar section of AUEW and have claimed recognition. When the Company refused to recognise them (a, because they are not representative of the workforce as a whole and b, because a white collar union is not competent to represent blue collar staff), the Union members took their claim to ACAS, who conducted an enquiry and a ballot. The result is expected later this month.

Another substantial number of employees, principally white collar, when faced with the ACAS ballot, decided that TASS was not the only alternative to our present system and formed themselves into a committee. It is this committee that the Company now wishes to promote and use as a foun-

ation on which to build a new industrial relations structure'.

I first visited the company on 12 and 13 September 1977 and met the five members of the committee and the Company's Personnel Manager. After a quite long discussion with these people, exploration continued by examining organization charts, touring the three sites and in doing so meeting key members of staff, looking at production processes, factors affecting status such as canteens and company cars, and finding out about such things as job evaluation and pay systems, the power exerted by the American head office etc. Much general information was obtained but the following seemed of particular relevance:

- Excepting those people who were unionized representative roles did not exist in the Company.
- Most of the employees in the machine shop had been unionized for some time but were not active. They were members of AUEW.*
- That there was potential division and conflict between pro and anti-union groups.
- That the General Manager (chief executive) and Business Development Manager (both Americans and assigned to Company X on two to three year tours

* Amalgamated Union of Engineering Workers.

from a Head Office pool of top executives) were of a liberal disposition and human relations oriented. Both seemed very well trained and of high capability.

- That the Works Director (an Englishman inherited from an earlier takeover) was of a more conservative and autocratic disposition - very able however.
- That the Company had engaged GIM because of its knowledge and experience of Glacier-type works councils.

My overall impression of Company X was most favourable.

Further discussion with the committee revealed that they thought that representative roles were now inevitable in the Company, and if well-structured, they could be of use to the Company as a means of obtaining feedback. It was jointly decided by the Company's top management, the committee and me that more detailed information was needed about the situation as the workforce perceived it and that GIM Consultants should conduct a communication programme. I decided that the form this should take would involve meeting the entire workforce in small groups with the aims of tracing the root causes of the problem being experienced, and more accurately ascertaining their needs with respect to communication and, representation. Internally this programme was variously called OD and "talk-in".

It was also agreed that, whilst this was going on, attendance should be offered to all employees at a one day GIM public seminar "Participation and Industrial Democracy". The purpose of this activity was to open the eyes of employees to what occurred in other companies and to stimulate discussion whilst the investigation was being carried out. A useful aspect of this event was the inclusion of a visit to the Alperton site of The Glacier Metal Company to see their long-standing works council in operation.* Eventually, forty two members of staff were to attend these meetings.

1.2 ENVIRONMENTAL ISSUES

The political situation in Britain should be borne in mind when considering this case as it can affect people's attitudes. A Labour Government had been returned in 1974 which was pledged to supporting trade unionism and creating a climate with the balance of power lying firmly with the unions. The circumstances that Company X was facing were typical of many such disputes going on at that time. For instance, the Grunwick case (looked at later on) had similarities with this one, had occurred recently, and had received much media publicity.

*Made possible due to the open nature of Glacier's council permitting spectators.

1.3 IDENTIFYING NEEDS FROM THE TOTAL WORKFORCE

What was to be the first stage of the OD programme was conducted by two GIM consultants, Bill Southgate and me, at Company X on 20, 26 and 27 September 1977. The sessions were kept reasonably brief (1½ to 2 hours duration) and the groups small (10 to 25 people) to facilitate two way communication. There were two objectives at this stage. First, to give the workforce a better understanding of the nature of representative roles (essentially a teaching task) and second, to obtain information from the groups as to the nature of the problems facing them. The entire workforce of 400 people was met in this way and mainly the level of discussion was satisfactory.

The views of the groups varied somewhat, but the greatest differences and groupings, was noticed on the basis of the different sites. These were as follows:

Headquarters

- The site as a whole was distinctly anti-union.
- They were not particularly interested in representative roles and it seemed possible that they felt that representation would reduce their status in the Company.
- They felt that their situation was different from either of the other two sites.

Business Development/Machine Shop

- The Machine Shop felt that it had more in common with the manufacturing operation than the business development department it shared the site with.
- Employees in the Machine Shop felt a need for some form of more institutionalized representation (they had been unionized for a long time). They also felt that sub-groups, such as toolmakers should have separate representation.
- Business Development Department, although wanting representative roles, were anti-union.

Manufacturing

- Here a need was felt by people (mainly blue collar and mainly the union group) to substantiate their "rights".
- A large number of people felt that membership of a trade union was essential if representatives were to be taken seriously by management.
- They felt a lack of communication.
- They felt that their problems were distinct from those of other sites.
- They distrusted management as a whole and disliked the autocratic style of the Works Director and some of his management team.

In addition to this programme, I spent several days talking to various key personnel including on 4 October 1977 the Chairman of the TASS group (a young woman). I floated with her the idea of a representative council embracing all levels and all groups. She indicated that she would need to consult her membership, but as an individual she favoured the idea. At the same time, she made it quite clear that her group would not assist in setting up such a council until after ACAS had made a recommendation regarding recognition.

I came to the conclusion that the problems facing the Company in the industrial relations sphere were wide-ranging in the sense that they affected all parts of it. Clearly the primary end result to be aimed for initially was the resolution of the unionization and recognition dispute. But there were problems beyond this affecting the longer term. For instance, there was potential, and probably actual, conflict between various groups in the firm on a functional, site and hierarchical basis. There was poor communication, and understanding, between sites. There was a feeling of mistrust in some areas.

Labour relations were beginning to move towards a stance of confrontation, which had apparently been absent before. If the Company recognised TASS, then unionization would spread among the uncommitted and collective bargaining would develop. Although this

would enable the Company to move to a pluralistic system, and get better alignment with conditions in much of the UK, it has been seen in much of British Industry that a confrontationalist culture tends to go hand in hand with collective bargaining. This can result in a battleground between two groups: "Management" and "workers". Additionally, if Company X were to recognise the TASS group it would prove to be disruptive with its large and important anti-union groups found at headquarters and in business development.

By this time it had become clear that a root cause of the trouble in manufacturing stemmed from the adoption of an inappropriate style of management by the Works Director. This was termed by many as, "autocratic", and in many places in the seventies such a style could cause problems of the kind experienced here.

It is of interest to compare this situation with that of Grunwick (Rogaly 1977) as there are certain similarities. Both involve a unionization dispute in a unitary system. Both developed into a recognition issue involving ACAS. Both are within 70 miles of each other and the timing is close (Grunwick in 1976). Perhaps most significantly both were triggered by autocratic managers.*

* Malcolm Alden, Grunwick's supervisor of the Mail Order Department (where the dispute originated) was described as being a strict disciplinarian and having inter-personal problems with his department.

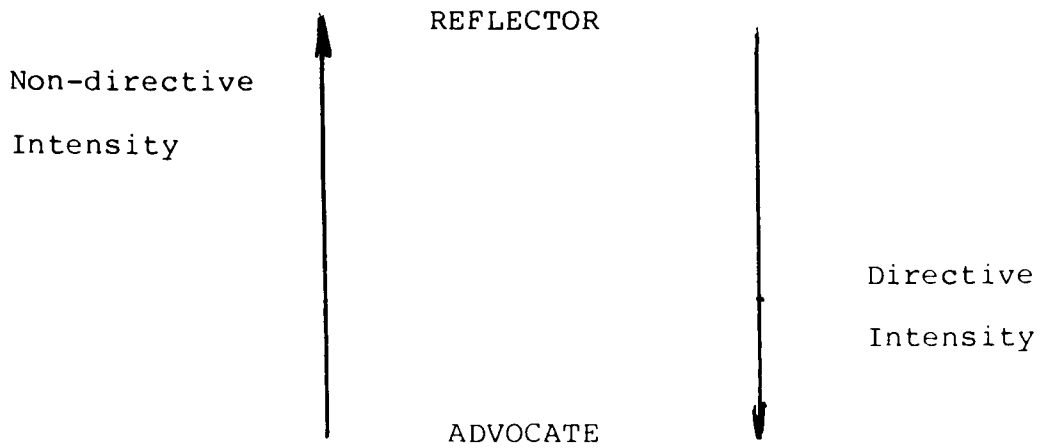
The conclusions of the inquiry into Grunwick headed by Rt.Hon. Lord Justice Scarman stated: 'they wanted some body independent of management with the knowledge to advise them and the strength to make some impact on the Company. Their discontent and grievances arose from the Company's lack of a properly developed industrial relations policy including effective machinery for the examination and redress of grievances.'

Both Grunwick and Company X were faced with a choice from two alternatives: to recognise the union, and in doing so encourage the movement, or to resist the claim. In both cases the immediate response was to resist. The difference was with respect to the way resistance was dealt with: Company X attempting to find out what was wrong and to offer something in place of union recognition. Grunwick just resisted.

Perhaps at this stage it will be worthwhile to look at the consulting role and what alternatives are available to the consultant.

1.4 THEORETICAL CONSIDERATIONS REGARDING CONSULTING STRATEGY.

The consultant's role with respect to his client (or client group) may be viewed along a 'directive' and 'non-directive' continuum.



The more directive consultant role behaviour will result in the consultant assuming leadership and directing the activity, where in the non-directive mode, he may provide data for the client to use or not. Lippitt (1979) thinks that these behaviours are not mutually exclusive and the position on the continuum will be chosen according to need.

Sinha (1979) goes a stage further in providing a model.

		CONSULTANT	
		High Influence	Low Influence
CLIENT	High Influence	Collaborative Model	Engineering Model
	Low Influence	Clinical Model	Survival Model

In the collaborative model, the relationship between

consultant and client is one where there is mutual information and joint determination of goals. Consulting is sometimes seen as a learning experience with both problem identification and the derivation of solutions being conducted in a spirit of enquiry. A form of the collaborative model is process consulting (Schein 1969) where the intervention by the consultant is to help the client perceive, understand and act upon events which occur within his organization, helping the client to recognise the problem himself should it reappear, and to transfer consulting skills to the client. According to Schein this approach is based upon the assumption that managers do not know what is wrong and need special help in diagnosing what their problems actually are: that consultants could not without exhaustive and time consuming study, learn enough about the culture of the organization to suggest reliable courses of action and must work jointly with employees who do from having lived within it; and consultants must be expert at establishing an effective helping relationship.

The clinical model of relationship implies that the consultant has high influence over the client. The relationship is determined by the quality of professional expertise of the consultant and stresses diagnosis - the diagnostic ability of the consultant being a distinctive characteristic. In this model the client provides data and responds to questions while

the consultant on the other hand, diagnoses and articulates the problem and suggests ways of solving it. The consultant relies heavily upon expert power to gain acceptance of his solutions.

In the third, engineering model of consulting, the client has high influence over the consultant and tightly defines what he wants him to do. Usually this type of work involves the consultant in gathering data or conducting a survey; the client wants information and the consultant's job is to provide it.

The fourth, survival model of relationship is based on low mutual influence between client and consultant. This is not a desirable form and usually arises where a consultant is imposed upon the client and the client is disinterested in him. The relationship is one of co-existence.

The type of client - consultant relationship which is appropriate depends upon the nature of the assignment and the problem to be solved. A source of difficulty in the relationship arises when an inappropriate consulting style is adopted in a particular set of circumstances. For instance, outside the field of OD, it will be quite appropriate for a competent lawyer to be directive in guiding his client through a tricky business contract. On the other hand, if the purpose is to increase the client's own capacities and is essentially a learning activity (as in Action Centred

Learning), then the consultant will be non-directive and act as an educator or facilitator and provide learning situations.

The consulting strategy chosen at Company X was a mixture of the collaborative and clinical models. It was to be directive at times with the consultant making key decisions but encouraging employee participation in the aims, planning and implementation of the programme. An essential part of this collaborative approach was to use their inside knowledge in a creative way, encouraging public debate on the issues and in doing so legitimizing decisions.

The classic Coch and French (1948) study clearly showed that (at least in their particular set of circumstances) decisions worked out by a group are more acceptable to the group than those imposed by authority. Further, Coch and French (implementing change in four different groups using three different methods - total participation, representative participation, and no participation) found total participation to be most effective. At Company X a total participation approach was used.

The client group was treated as being all company employees although of course top management was the paymaster. The implementation strategy used as its basis shared responsibility for change; in which those at the top and those at lower levels were jointly

involved in identifying problems and developing solutions. Top management does not decide everything nor do they attempt to abdicate authority and responsibility. In this strategy there is continued interaction between top, middle and bottom levels with a process of mutual influence occurring.

The change process itself involves three specific mechanisms: the situation must be unfreezed, changed, and then refreezed.

To promote an unfreezing of a situation there must be sufficient dissatisfaction with what exists at present felt by important people and groups. At Company X the recognition issue provided this. Because of its importance to the functioning of the Company it also ensured that the intellectual and emotional commitment of the Company's chief executive was obtained. A vital factor.

The second stage is the change process itself. To effect change it is necessary to reveal to the person or group new information, new concepts, or new ways of looking at old information. This process can be aided if the person or group can be encouraged to identify with a role model or mentor and can learn to see things from that other persons's point of view. One of the most powerful ways of learning a new point of view, or concept, or attitude, is to see it in operation: this process can then be followed by

scanning for information specifically relevant to one's own circumstances. At Company X the public nature of the Glacier Works Council provided this opportunity and gave "hands-on" experience.

As an aid to refreezing it is important that the group create and design their own system even if in fact this is limited to detail change of an original concept.

These ideas were to be incorporated into the consulting strategy.

1.5 DIAGNOSIS

In looking at a Company there are three elements to be taken into account: environment, structure and processes, and people.

Environment may be defined as the external conditions with which the Company must deal and includes market, technology, investors, governmental regulations, and the social culture and values in which it operates.

Structure and processes are the formal mechanisms and systems of the organization that are designed to channel behaviour towards corporate goals and include organization structure, job descriptions, information systems, policies, and appraisal and reward systems.

When considering people we must take into account

their abilities, needs, values and expectations.

Organization development may perhaps most usefully be seen as a process which diagnoses organizational problems by looking for incongruencies between environment, structure, processes and people, and then aims at getting a better fit between them (Beer, 1980).

In choosing a solution to alleviate the Company's problems, the congruence concept was brought into play. As we mentioned earlier, the environmental conditions in England in 1977 were influencing the values and expectations of a significant number of the Company's employees. It will be remembered that a Labour Government was returned to power in 1974, committed to supporting trade unions and ensuring that much power rested with the unions and labour. There was also much media publicity given to recognition issues - Grunwick being a prominent case.

I judged that if the Company developed a written constitution, which explicitly recognised the power of representative groups, and which incorporated a policy-making works council, then this would provide both a structure (and process) in line with environmental needs and people's aspirations, and be a powerful enough alternative to gain the acceptance of reluctant parties.

This kind of remedy was not new to the Company as they

had expressed an interest in Works Councils when approaching GIM. Additionally, feedback from the 26 people who had by this time attended the "Participation and Industrial Democracy" seminars was quite positive and indicated a general interest in the concepts discussed and what was seen of the Works Council at Glacier. However, the latter was not without criticism with two factors contributing to this. First, the unusually poor quality of the Glacier agenda on the first two visits, and second, comments made by the Glacier convenor at the seminars to the effect that a Works Council cannot operate satisfactorily unless it has 100 per cent union membership (which Glacier had at that time). This gave Company X people a problem as it seemed very unlikely that the Company would become fully unionized on all its sites and in all its departments.

It was decided in late October 1977 (mainly by top management but also involving the representative committee) that the Company should move towards developing a Company Constitution.

1.6 DEVELOPING THE CONSTITUTION.

The OD programme proceeded into its second stage with further meetings of the small groups and embracing as far as possible all employees. These sessions occurred on 31 October, and 1, 2 and 3 November 1977.

They operated on a similar basis to the first series but instead of being led solely by a GIM Consultant now they were jointly conducted by me and the Company's Chief Executive. There were three objectives:

- to develop thinking on the representative council idea
- to identify possible constituencies from which representatives should be elected, and
- to enable the chief executive to meet the entire workforce both to hear their views and to answer questions.

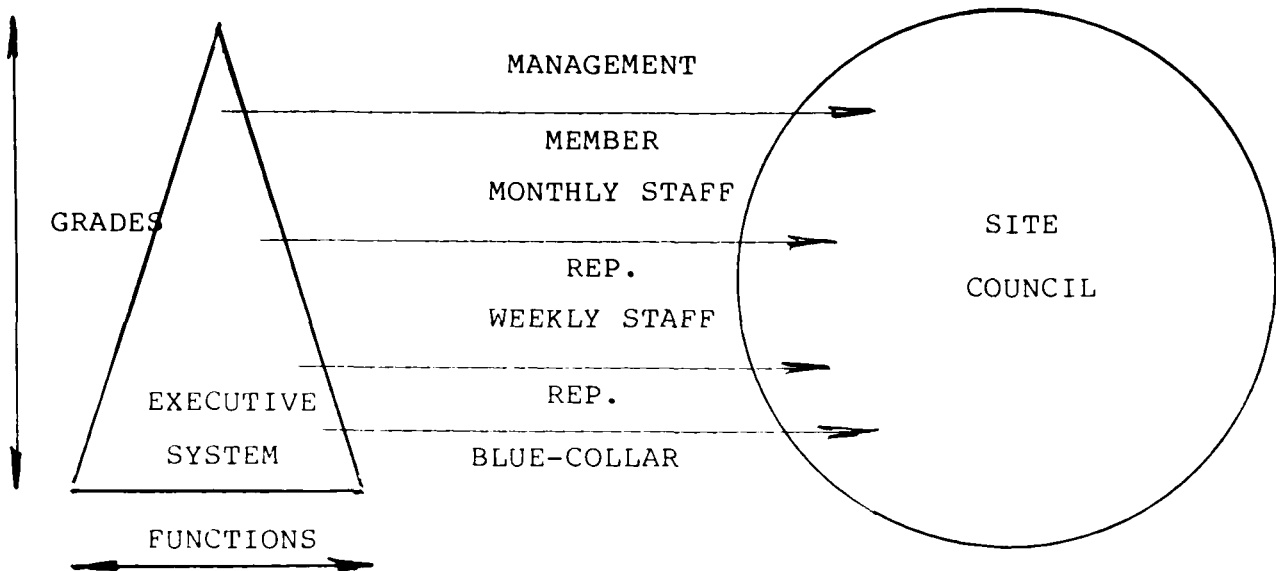
The idea behind this implementation strategy was to involve those who were to be governed by the constitution in its design, planning and implementation with aims of overcoming resistance to change, of making the constitution more effective and of legitimizing the decision. It was a total participation approach (as in Coch and French) and although very time-consuming, it is thorough.

It was most useful having me and the chief executive working together. My role was to provide ideas, to stimulate discussion, most important, to build up constituencies by passing information from group to group. The chief executive learned of problems and added legitimacy to the process.

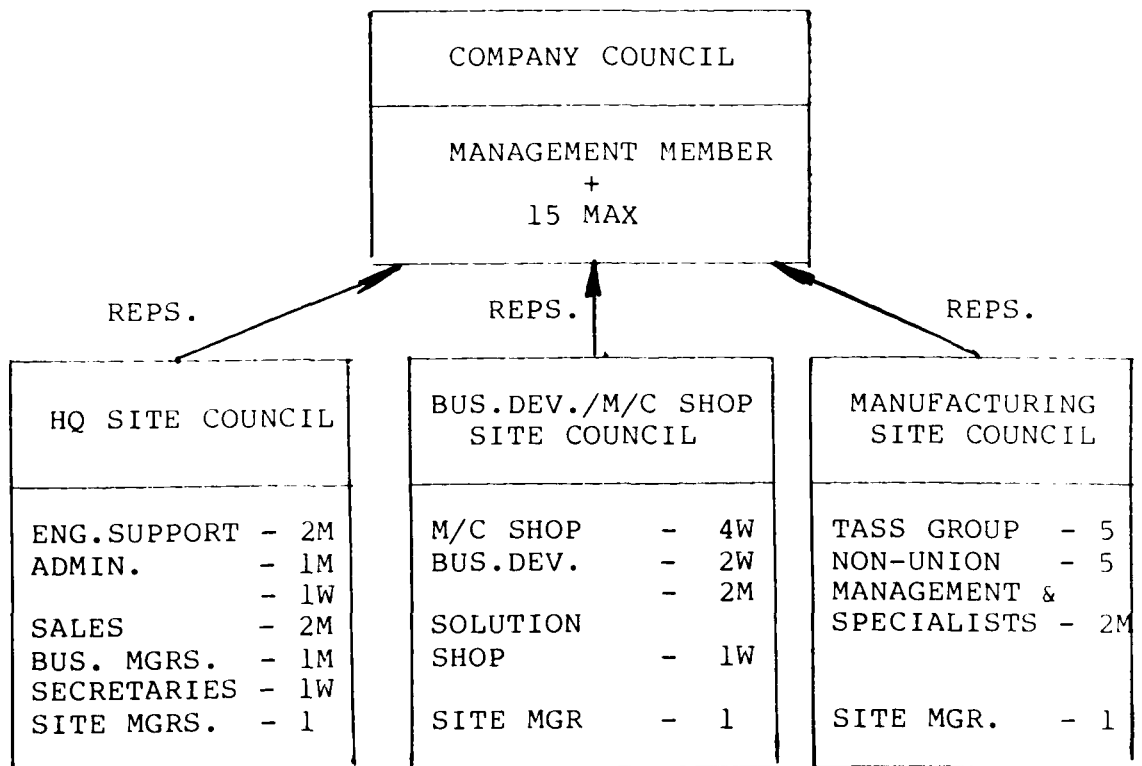
The meetings demonstrated that the majority of employees supported the notion of setting up a form of council. It became apparent from these discussions that two levels would be needed. Three Site Councils to deal with local issues and with the site manager as management member, and, a Company Council to deal with multi-site issues. Management member in this case should be the chief executive or his nominee. The idea of site and company councils tackled as far as possible the danger of rank and file members feeling rather remote from the real strings of power. The principle was discussed that decisions should be taken, and matters considered, at the lowest possible level.

The groups made good progress in identifying constituencies. The normal constituency base for site councils was by department and function, with between nine and thirteen representatives involved in each. Division by function embraces the idea of there being representation from different hierarchical levels as the figure shows.

A major difficulty in setting up representative councils is in ensuring that all groups are represented and that all groups are prepared to meet together in such a Council. In Manufacturing Site Council it was necessary to recognise the TASS group as a separate power group.



It was also decided that Company Council should be elected from the various site councils, the constraints being a maximum number of 16 people with representation from all groups.



M = Monthly paid

W = Weekly Paid

On 14 November 1977 I was reminded that Company X was a subsidiary of a multi-national enterprise when the Vice-President responsible for it visited from the General Office in New York to find out what was happening with respect to industrial relations and particularly GIM's part in it. There was rigorous discussion with him before he fully accepted and endorsed the idea of representative councils. He was in favour of recognising TASS right away but the General Manager refused.

At this time I supplied Company X's General Manager with a copy of a GIM publication, 'Draft Procedure Agreement', with the understanding that he would draw up a Company Constitution based on it. We discussed the detail design on a couple of occasions as the document was being prepared. The Draft Procedure Agreement is shown in Appendix I.

On 25 November 1977 a management training programme was run in a local hotel by myself and a fellow GIM consultant, Eric Laws. The purpose of this activity was to acquaint senior managers with the new structure, their roles in it, and differences in behaviour which may be exhibited by people in their executive and representative roles. On 1 December, Bill Southgate ran a skills training course on hearing appeals. I also prepared a representative training programme but this was not run.

1.7 COMPANY X DRAFT CONSTITUTION

GENERAL PRINCIPLES

1. The management and employees of Company X have a common objective to ensure the continued success of the operations of the company in the development, manufacture and marketing of its products and in ensuring the efficiency of those operations in the interests of employees, shareholders and customers.
2. Management must possess authority to make decisions about the operation of the company. The bounds of that authority, however, are limited by policies set out by the parent company on behalf of shareholders, policies established in the contracts negotiated with customers and policies agreed between management and employees.

Thus management recognises the power of employees to set limits to the extent of management decision making authority while employees recognise that within those limits management has the authority continuously to make decisions (subject to individual appeal) which are necessary for the efficient operation of the enterprise.

3. It is recognised that continuous changes in the policies bounding the decision making authority of managers is inevitable and that where they affect the interests of employees they cannot be changed without the agreement of all who might be affected. Accordingly, a policy making institution shall be established in the form of 3 site councils, each composed of the site manager and representatives of all employees on the site and a company council composed of the General Manager and representatives of all employees.

4. Effective agreement on policy changes requires that all members of a council shall individually possess the right to veto proposals from other members until such modifications have been made as to render them acceptable to all, and that the status quo shall prevail until agreement is reached. It is recognised that if a member of a council threatens to use power in an attempt to force change upon others then such an act is a breach of the constitution established by this procedure agreement.

5. An individual employee shall have right of appeal to higher authority against his manager's decision if it is felt to be unfair or unjust to the individual or not in keeping with the terms and spirit of agreed policies.

6. Every employee shall have personal right of access to the manager who allocates work to him, has personal knowledge of his performance and who has the authority to make decisions about him based on that knowledge.

SECTION 2 NEGOTIATING PROCEDURE

INTENTION

1. The company and its employees agree that it is in their mutual interest to observe a negotiating procedure by which all issues arising between them can be resolved as speedily as possible.
2. The use of power or the threat to use power either by managers or representatives in an attempt to force through a proposition at any stage of the negotiation is a breach of this procedure.
3. Issues which affect one person only and are questions of felt unfairness within existing policy will be dealt with under an appeals procedure.
4. Issues which affect one section only and are not felt by other representatives to affect other sections will be negotiated between management and the representative or representatives of that section.

5. General issues affecting all sections within a site will be referred to the site council. General issues affecting more than one site will be referred to the company council.
6. Normal earnings will be paid to employees in respect of time spent in meeting management to resolve issues.

PROCEDURE

1. Employee Representative/Section Manager.

- 1.1 If the employees are not satisfied with the conditions on their section the representatives will raise the matter on behalf of their constituents with the section manager.

- 1.2 The section manager concerned must meet the representatives with the least possible delay and will use his best endeavours to resolve the issue consulting with other members of management if he feels this to be necessary.

2. Representative/Higher Management

- 2.1 In the event of the section manager being unable to reach agreement with the representative rapidly he will refer it to a higher

level of management and the negotiations will continue there.

- 2.2 If, at the beginning of the discussions between the section manager and the representative, the section manager realises that the changes sought are outside his personal authority, then he will ascertain who is the manager possessing the required authority and refer the matter to him immediately.

3. Council

- 3.1 If discussions between the representatives and higher management fail to resolve the issue then at the discretion of either representative or management, the matter will be placed on the agenda of the next meeting of the appropriate council.
- 3.2 Issues which involve more than one section or site or which can affect other sections or sites may, at any stage in the Negotiating Procedure, be referred to the appropriate council.
- 3.3 Should the issue in question require urgent consideration then either the representatives or management may call for an extraordinary meeting of the appropriate council.

4. Group Industrial Relations Manager/Trade Union Official.

4.1 If at any stage of negotiation either party to the discussion feels that the presence of a personnel officer and/or a trade union official would assist in clarification of the issues, then he or they will be asked to attend the negotiations.

4.2 Should the most senior personnel manager feel that the issues under negotiation are of importance to other areas of the group, then he has the right to be present.

4.3 Management will refrain from agreeing changes with trade union officials without the presence of elected representatives of the employees who may be affected.

5. Trade Union Representation

If the majority of members in a department vote a union member as their representative and that representative wants an official of the union to assist him in discussion with management, the management will meet that official.

1.8 COUNCILS IN OPERATION

The site and company councils first met early in 1978

without the TASS group.

On 16 January 1978 I arranged a meeting between the general manager, personnel manager,* myself and Wilfred Brown at the latter's home in London. The reason for this was that Brown had spent 25 years as chief executive of The Glacier Metal Company (from 1939 to 1964) and thus had faced problems very similar to those which then faced the general manager. Brown indicated that at Glacier all councillors (except management member) were by now union members. He firmly advocated the idea that the Company should do a deal with TASS, recognise them, and actively encourage unionization in return for participation in councils.

It was my view that constitutional councils could operate equally satisfactorily if representatives were not unionized. The major advantages of this are in respect of openness, the likelihood that information will remain confidential and a simplified power structure that does not have to take into account union policy. However, at this stage my first priority was to get councils operating and I thought that to achieve this would mean recognising the TASS group. I was of the opinion that once they were operating satisfactorily (which would take time)

* Late in November 1977, the Company replaced the original personnel manager with a Scot with experience of working for the multi-national in the United States.

people would value the institutions so highly that they may see union membership as being unnecessary.

On 17 January 1978, the report from ACAS was received by the Company recommending it to recognise TASS with respect only to blue-collar employees. The Company rejected the recommendation. During the early part of 1978, the various councils continued to meet. This placed individual TASS members in a position where they had to make a choice between participating in the new Company Constitution, which they knew the majority of their colleagues wanted, or to remain in the union - as the TASS group leadership would not take part unless the Company accepted the ACAS recommendation. The matter was brought to a head when the Chairman of the TASS group led a strike involving some 30 blue-collar manufacturing employees. The issue was her refusal to sign a merit form (a procedure agreed in council). She was suspended by the Company. The strike, of very short duration and in effect token, was broken and within two weeks she left the Company of her own accord.

With her leadership lost, TASS members gradually decided to take part in the Constitution and in time gave up their membership of the union. During this period, I gathered that the Company applied a certain amount of pressure for this to occur. The more militant members - part of the leadership group - voluntarily left the Company.

During 1978 Company X continued to send their members to the GIM participation seminars and visit to works council. In all over ten percent of the workforce attended. The Constitution was operated and developed over the next three years. Surviving changes in the Company's top management.* My involvement over this period was from a distance.

It became apparent to me by 1981 that things were going quite well at Company X and warranted further investigation. I arranged to interview some of the key people from all sites on 20 February and 16 April 1981. The main findings were as follows:

In general, the organizational model is respected in the Company and recognised by all the groups I met (more on this later) to make a useful contribution to Company effectiveness.

The particular benefits of councils generally agreed to be of importance (in order of their strength) were:

- an improvement in communication within the Company
- more consultation over issues facing the Company
- a sharpening up of management with managers "thinking more before acting."

* Both the general manager and the business development manager were moved to other parts of the multi-national as their assignments at Company X terminated.

- a change in management style which had become more informal and involved.*
- a better understanding between sites.

During the programme it was possible to examine the minutes of various council meetings. It was encouraging to find that a number of policies and procedures have been agreed in Council. These include:

- a policy on merit payment for hourly and weekly paid employees
- a policy on redundancy entitled "Security of Employment"
- a policy on holidays
- an appointments procedure operating on the basis of internal candidates first
- a policy concerning the application of work measurement
- a procedure dealing with absenteeism
- Contracts of Employment
- a policy for regulating hours of work.

* In this connection it transpired that the Works Director had been moved sideways into support role.

It was also found that the Company was developing a Policy Handbook which will be issued to all concerned.

Of the policies mentioned above perhaps the most important, in terms of increasing organizational effectiveness, is that dealing with the rating of merit to be conducted by managers down to shop floor level. This was the issue that so incensed the TASS leader, and is a control factor now rarely found in British Industry.

The council minutes reveal not only what has been agreed but also give an indication of how wide-ranging are the issues discussed and the nature of the meetings. The first observation is that in all cases council minutes are produced to a high standard and in a very professional way. It is clear that an important part of the meeting is the presentation of the business position by Management Member (as in the Glacier case). Here there is information given about such things as sales performance against forecast, forward load, profitability, cost comparison with American plants, inventory levels and "the Return on People Ratio." There is not, however, any evidence of other representatives questioning Management Member. I noticed that my planned visit to conduct the feedback programme was reported and a decision taken as to who should be interviewed. I also noticed, that there is exchange of information on various matters and that at a manufacturing site council meeting the site

manager was asked to justify a lavish dinner given for some employees at a well known local restaurant. Two of the chairpersons were women.

It is understood by all concerned that at these meetings any issue may be put on the agenda for discussion although evidence could not be found which would disclose their source. I gained the impression that most initiatives were management based although the councils are not formally management led (there are independent chairmen). The appeal procedure seemed to operate satisfactorily and the Constitution had remained stable over the period considered although some constituencies had changed with circumstances. The withdrawal of TASS as a power group was such a factor.

Observable faults in 1981 were few but I drew the attention of the Company to four things. First, the irregularity of Company Council meetings, these being convened at management whim (site councils met monthly). Second, the delay (usually two days) in the publication of minutes causing representatives to be better informed than managers and supervisors who were not themselves representatives. Because of this, representatives were expected to convey the results of meetings back to their constituents when this should be done through the executive system. Third, the personnel manager filling the role of Chairman of Company Council was not felt to be requisite by

various representatives I met. It was felt by them that he was not sufficiently independent. Finally, there was the lack of representative training.

Although trust is a difficult element to quantify, it is an important factor in building good industrial relations. In 1977 quite a large number of people at Company X said that they distrusted management. The question of trust was specifically introduced into the 1981 interviews and, without exception, interviewees now said that they trusted the Company and its management.

NOTE

At a meeting with Company X's Personnel Manager which occurred on 3 February 1984, I learned that Councils were still operating well and highly valued in the Company. Trade unions were still absent.

2.0 DISCUSSION.

In reviewing this case study one is conscious that it involves two different, and in some ways, conflicting things. On the one hand there is an immediate need to solve an industrial relations problem, with a longer term aim of making the Company more effective in operation. On the other, we are touching on political matters involving the rights of people at work.

A fundamental question is, 'How can organizational policies or social practices be developed which will permit some reasonable matching of human needs and organizational demands?'

The case study powerfully demonstrates that a programme of organization development has the potential to alleviate this dilemma, and indeed in this application, it achieved everything that was aimed for. The first part of this discussion will examine OD itself - what it commonly involves, its aims and its potential.

Perhaps the most interesting aspects of this study are two findings connected not with OD but with the operation of constitutional councils. It was not predicted at entry either that the TASS group would leave their union or that the desire for a system of employee participation would prove not to have universal appeal. These two findings are explored in

more depth in the second and third parts of the discussion.

2.1 ORGANIZATION DEVELOPMENT.

The twentieth century has seen the emergence of "bureaucratic" organizations as the primary means of bringing together and utilizing capital, labour and technology for the production of the goods and services required by a developed economy. In the interests of competitive efficiency it has emphasised standardization and control resulting in an organizational form that created many simple and routine tasks that did not rely on high levels of individual competence.

The emergence of the union movement in the 1800's was an early indication of the human costs associated with bureaucratic organizations. Workers challenged their economic contract with the company and renegotiated it through collective bargaining. For a time more money seemed to allow organizations to function well (the American term for pay, "compensation", perhaps gives a better feeling for the part money played in this), but in more recent times more and more costly labour settlements have obtained minimal levels of commitment. Although these problems are mainly restricted to blue collar workers, problems of commitment, turnover and unionization have spread to certain white

collar areas.

The most important reality of today is a world of ever accelerating change in markets, technology, and sometimes values as well, which has placed a strain on bureaucratic organization. Organization development has emerged in the last twenty years or so and been used to help organizations to change and to improve their effectiveness.

Organization development (OD) is defined in various ways. For instance Burke and Schmidt (1971) 'Using knowledge and techniques from the behavioural sciences, organizational development is a process which attempts to increase organizational effectiveness by integrating individual desires for growth and development with organizational goals. Typically, this process is a planned change effort which involves a total system over a period of time, and these change efforts are related to the organization's mission'.

Or a definition with a less behavioural emphasis Winn (1969) 'The term Organisation Development ... implies a normative, re-education strategy intended to affect systems of beliefs, values and attitudes within the organization so that it can adapt better to the accelerated change in technology, in our industrial environment and Society in general. It also includes formal organizational restructuring which is fre-

quently initiated, facilitated and reinforced by behavioural changes.

The definition of OD I will offer is:

A planned, systematic programme initiated by a Company's management with the aim of making the organization more effective and based upon the assumption that organizational effectiveness is enhanced to the extent that the programme facilitates the integration of individual and corporate objectives.

The general characteristics of OD include the following:

- it is a system-wide change effort
- it typically places equal emphasis on solving immediate problems and aiding long-term developments
- it places more emphasis than other approaches to a collaborative process of data-collection, diagnosis and action for arriving at problem solution
- it sometimes seeks the creation of self-directed change to which people are more committed
- it features an agent of change who brings knowledge about organization design and management practice to the situation as well as acting as a facilitator.

OD is a problem oriented activity and requires the designation of an end result, the selection of a method to achieve that end result, and the implementation of the method. However, before this process can commence and an end result be identified it is likely that quite a lot of data will need to be gathered.

The entry process usually involves only the leaders of the organization. If a decision is reached to proceed, and this will be based on limited information, then the next stage will be to collect data from a wide variety of people and parts of the organization leading to diagnosis. The kind of data which is needed is historical, structural (policies, communications patterns, methods of decision-making, personnel systems, etc.) and interpretive data (attitudes, atmosphere and relationships). There are four basic methods for collecting data on how organizations function and how people in them feel and behave.

Questionnaires are a form of indirect, structured interviewing. They can be administered to an entire workforce or to a representative sample, and may be purpose designed or one of many standardised forms developed in recent years. A major advantage of them is that a lot of data can be easily collected; a disadvantage is that of obtaining adequate feedback. The attitude survey is a form of questionnaire which

permits the respondents to evaluate such things as the quality of management, pay and pay-related items, working conditions and other job-related factors. The questionnaire is often completed anonymously so that employees can express their views freely and without threat, whether real or imagined.

The simplest and most direct way to find out what is going on in an organization is to talk to people. Interviews may be either structured or unstructured. The structured interview has similarities to the questionnaire as the interviewer asks very specific questions and tends to guide answers into pre-determined response categories. In many ways unstructured interviewing is preferable as it is likely to throw up some of the less obvious factors affecting the situation.

A lot of useful data can be gained by observing what people do and how they behave at work. The examination of secondary data such as memos, notices, reports and organization charts can also provide useful background information.

The data collecting process and the analysis which follows it should aim not just at providing a measure which shows, for example, that "65% of people in manufacturing think communications are poor whilst only 25% of those in marketing and administration agree". This is of limited usefulness on its own and

would benefit from a description and explanation of the causes, for it is this that can lead to action.

The diagnostic process is critical to the eventual success of the OD programme yet it must be recognised that the problem may be rooted in either the formal or informal components of the organization. The formal components are more readily observable and rational comprising such things as job descriptions, spans of control and hierarchical levels, operating policies and production efficiency. The informal components are, on the other hand, not so readily seen and may include power and influence patterns, interpersonal relations, intergroup relations, perceptions of trust, credibility and emotional feelings. Although these behaviours can sometimes be affected by changes in structure, they are often deep-seated and need additional changes.

The diagnostic step should specify objectives for change which should be as explicit and measurable as possible. This will aid the choice of a method (the solution) and evaluation of outcomes. Experience and judgement are critical to this phase - one reason why change agents are frequently specialist external consultants.

The methods, that is to say solutions, employed in OD are numerous but they can be categorised into those mainly concerned with structure, or processes, or

people - although a clear line cannot be drawn between the three categories as they interact so much.

Structural change will mainly involve organization design and job design. For instance, a change in company strategy may cause it to change its structure from one which is functionally-based to a divisionalised, or in other circumstances, to a matrix form. This change may bring in its train a need for more business managers with general management skills, or in the case of matrix, a need to be able to cope with having more than one manager and greater role ambiguities.

Any change in the width or level of a work role involves a structural change (albeit quite a small one). Increasing the width of a job by adding additional operations to it or by allowing rotation is usually termed job enlargement; raising its level by allowing more discretion is job enrichment. Both techniques are used in OD to improve job interest.

Management by objectives (MBO) has been widely discussed and used during the last two decades. The original work of Drucker (1954) and subsequent writings by others (Odiorne 1965, Reddin 1970, Ivancevich et al 1975) provide the basis for three guidelines underpinning MBO:

- superiors and subordinates meet and discuss objectives which if met would contribute to corporate

goals

- superiors and subordinates jointly establish attainable objectives for the subordinates
- superiors and subordinates meet at a predetermined later date to evaluate the subordinates' progress towards the objectives.

The exact procedures employed in implementing MBO vary from company to company and from unit to unit, however, the basic elements of objective setting, participation of subordinates in objective setting, and feedback and evaluation are essential parts of any OD programme. The intended consequences include greater role clarity, better integration of individual efforts into corporate objectives and improved attitudes. MBO, and performance appraisal systems in general, are what I will classify as organizational processes.

Changes in organizational structure or processes is likely to require skill development in such areas as appraisal interviewing, influencing, running and attending meetings.

OD programmes centreing around behavioural development methods delve deeply into group and individual behaviour processes; intergroup, intragroup and individual behaviours are often confounded by emotional and perceptual processes which interfere with effective organizational functioning. Behavioural develop

ment has received the greatest amount of attention from OD specialists and a considerable number of methods have been devised for attacking these problems.

One of the most controversial OD approaches, sensitivity training, is designed to increase the awareness of individuals with respect to their own motivations and behaviour patterns as well as those of others. This is accomplished through the use of training groups (T-groups). In the extreme, the technique uses a group confrontation method to achieve its fundamental goal of increased awareness by individuals of their own behaviour (Smith 1966, Bradford, Gibb and Benne 1964).

To attempt to achieve its objectives individuals who volunteer (or are sent to) the T-group meet at a location away from the workplace and may be complete strangers coming from different organizations, or they may all come from the same firm. The groups, usually 10 - 15 people, typically meet for 7 - 10 days: there is no set agenda or required material to cover as in a typical structured seminar, instead the members are faced with a very unstructured situation in which the decisions as to what direction to take must be made by the group itself. The sessions are moderated by a "trainer", whose function is to clarify the basic goal of the session and to assist the group in their functioning but to offer no leadership.

In an environment like this there are high anxiety levels in the group as some members attempt to impose structure on others. Conflicts of this sort are used as a background for group discussions of individual behaviour as they relate to the particular problems.

Another widely used behavioural approach is Grid OD based on Blake and Mouton's Managerial Grid (1964). The grid is a two-dimensional framework with one dimension representing a concern for production and the other a concern for people. A scale from 1 (low) to 9 (high) makes it possible to quantify a manager's concern for production and people.

Grid OD is a long-range effort programmed for three to five years and aims at moving an organization to a "9,9" management culture, one that has a high concern for both people and production. Such a culture is characterised by shared goals, an understanding of those goals by everyone, high commitment to work accomplishment, high collaboration and high trust (Blake and Mouton, 1969).

There are six developmental phases:

Phase 1: A one week laboratory training programme for all members of the organization in which they study managerial grid concepts and use these concepts to learn about their managerial style, group decision making and OD. People at the top

of the hierarchy are expected to attend first.

Phase 2: Concentrates on team development for all groups in the firm, starting at the top.

Phase 3: Using grid concepts groups examine their relationships and develop plans for improved coordination.

Phase 4: Using an agenda specified by Blake and Mouton, the top management group meets for several days to develop an ideal model of the firm (structure, processes, culture). A plan for OD is made.

Phase 5: Task forces are formed to implement the organizational changes specified in the plan.

Phase 6: Measure changes that have occurred and stabilize and achievements. Set new goals for OD.

The grid programme starts at the top, moves down through the whole organization, comes back to the top for the development of a change plan, and again moves down for the implementation of the plan. It operates on the basis of creating a critical mass of individuals and groups who have been exposed to the same concepts and who share the same beliefs and values about management. It aims at improving teamwork and changing management style across the whole company.

These then are some of the tools of OD. Let us now

look at the change process itself.

Kurt Lewin (1947) was the earliest pioneer in identifying three phases of change: unfreezing, changing and refreezing. To promote an unfreezing of a situation present behaviour or attitudes must be disconfirmed over a period of time. The individual or group must discover that his or their assumptions about the world are not validates, or that some behaviour does not lead to expected outcomes and may even lead to undesirable outcomes. Such disconfirmation can arise from a variety of sources. There must be some discomfort felt for there to be motivation to change.

The second stage is the change process itself. To aid change it is necessary to reveal to the person or group new information, new concepts or new ways of looking at old information. This process can be further aided if the person or group can be encouraged to identify with a role model or mentor and can learn to see things from that other person's point of view. One of the most powerful ways of learning a new point of view, or concept, or attitude, is to see it in operation. This process can then be followed by scanning for information specifically relevant to one's particular problem, and maybe adapting the original concept to suit. The process of adaptation is important, not only in deriving a better system, but in helping to refreeze the new situation that results.

One of the most important studies into overcoming resistance to change was conducted by Coch and French (1948) in a clothing factory. To describe it briefly. The two researchers worked with four different groups of factory operators who were being paid on a modified piece rate basis. For each of these four groups a minor change in the work procedure was installed by a different method, and the results were carefully recorded to see what, if any, symptoms of resistance occurred. The four experimental groups were roughly matched with respect to efficiency ratings and degree of cohesiveness; in each group the proposed change modified the established work procedure to about the same degree.

The work change was introduced to the first group by what the researchers called a "no-participation" method. This small group of operators was called into a room where some staff people told the members that there was a need for a minor methods change in their work procedures. The staff people then explained the change to the operators in detail and gave them the reasons for the change. The operators were then sent back to the job with instructions to work in accordance with the new method.

The second group of operators was introduced to the work change by a "participation-through-representation" method - a variation of the approach used with the third and fourth groups which turned out to be of

little significance.

The third and fourth groups of operators were both introduced to the work change on a "total-participation" basis. All the operators in these groups met with the staff men concerned. The staff men dramatically demonstrated the need for cost reduction. A general agreement was reached that some savings could be effected. The groups then discussed how existing work methods could be improved and unnecessary operations eliminated. When the work methods were agreed on, all the operators were trained in the new methods, and all were observed by the time-study men for purposes of establishing a new piece rate on the job.

The researchers reported a marked contrast between the results achieved by the different methods of introducing this change:

No-Participation Group.

The most striking difference was between Group 1, the no-participation group, and Groups 3 and 4, the total-participation groups. The output of Group 1 dropped immediately to about two thirds of its previous output rate. The output rate stayed at about this level throughout the period of 30 days after the change was introduced. The researchers further reported:

'Resistance developed almost immediately after the change occurred. Marked expressions of aggression

against management occurred, such as conflict with the methods engineer, ... hostility toward the supervisor, deliberate restriction of production, and lack of cooperation with the supervisor. There were 17% quits in the first 40 days. Grievances were filed about piece rates; but when the rate was checked, it was found to be a little "loose".'

Total-Participation Groups

In contrast with this record, Groups 3 and 4 showed a smaller initial drop in output and a very rapid recovery not only to the previous production rate but to a rate that exceeded the previous rate. In these groups there were no signs of hostility toward the staff people or toward the supervisors, and there were no quits during the experimental period.

Without going into all the researchers' decisions based on these experiments, it can be fairly stated that they concluded that resistance to method changes could be overcome by getting the people involved in the change to participate in making it.

It is characteristic of OD that change management is often collaborative and participative in nature but it is not always the case. Many organizational changes are implemented through the authority of the top manager's position. The manager defines the problem based on information that is gathered by others and

develops the solution by himself or with the help of a limited number of people. The information may be gathered by his immediate subordinates, members of a staff group and/or a consultant. The solution may be recommended by them but the top person makes the final decision. Once a decision is made, change is communicated and activated by command.

At the opposite extreme to top-down unilateral approaches are bottom-up changes where almost complete responsibility for defining the problem and developing a solution is assumed by people at lower levels of the organization. This responsibility may be delegated by top management, or the initiative may be taken by a group or an individual who sees the need for change. The frequency of this kind of process is limited and is most likely caused by some external stimulus such as a training course.

The top-down and bottom-up approaches represent extremes on a power distribution and involvement continuum. In the middle lies an approach to change, in which those at the top and those at lower levels are jointly involved in identifying problems and/or developing solutions. Top management does not decide everything nor do they abdicate authority and responsibility for the change to lower levels. In this shared strategy there is almost continual interaction between top, middle and bottom levels and a process of mutual influence occurs.

The shared responsibility approach usually takes longer to implement but results in a more realistic solution being chosen and more commitment. Perhaps the best example of its widespread use - although not necessarily in the context of formal OD - is in Japan where consultation prior to changes takes a great deal of time, but generally results in high commitment and rapid implementation.

Organizations are social inventions designed to achieve economic and other purposes while at the same time fulfilling member (employee) needs. The two things go hand in hand.

The process of OD aims to bring about a better fit between the environment, structure and processes, and people - where each element is of equal importance. The organization's environment may be defined as the external conditions with which it must deal and includes markets, technology, investors, governmental regulations, and the social culture and value system in which it operates. Structure and processes are the formal mechanisms and systems of the organization that are designed to channel behaviour towards corporate goals and include organization structure, job descriptions, policies, information systems, and appraisal and reward systems. When considering people we must take into account their abilities, needs, values and expectations.

OD may perhaps most usefully be seen as a process which diagnoses organizational problems by looking for incongruencies between environment, structure, processes and people and then aims at getting a better fit between them. Examination of my role in the Company X study provides one way of successfully introducing change in organizations. Initial entry into the company was a delicate process with an explosive industrial relations situation to deal with.

My initial stance to all parties in the Company aimed at encouraging their confidence in me and the consultancy I represented. Once the nature of the problems was discovered it was clear that we needed to give clear direction to the project. In other circumstances, as for instance in Action Learning (Revans 1982), my stance would have been less directive and more reflective; my role then being more to facilitate and create a climate for learning. However, in this study such a purely collaborative approach did not seem requisite.

Despite the need to give direction to the programme, I preferred to adopt a strategy of seeking active participation from the people concerned in working out a solution, but realised that before a shared strategy can be successful, the right conditions must exist. For instance

- Managers must be open-minded to subordinates' suggestions

- Managers must feel secure otherwise they will perceive any participation by subordinates as a threat to their authority and undermining their status
- Employees must want to become involved and have the capacity to participate.

These conditions seemed to exist as well at Company X as in any other company I had experience of so we decided to use a participative strategy. Time and cost to the client is an important consideration in consulting work. In approaching this task, had a full representative system been available in the Company, then one would have been strongly tempted to use it to bring about change. As it was not there was no alternative other than to use a total and direct participation approach. As Coch and French found over thirty years earlier, it proved to be most effective.

The key reasons, of course, for using a participative approach were to minimise resistance to change and to maximise commitment to the chosen solution. The process was to involve public debate in small groups with me and my colleagues generally facilitating and stimulating ideas and discussion, but leading towards a general solution. The real participation of all employees was not in choosing the general solution, but in adapting the original conceptual model to suit their own circumstances. This process of adaptation

was of great importance in gaining acceptance of the new system, in overcoming resistance to change, and in refreezing.

The case study did draw to my attention two pre-conditions which must exist if a major programme of OD is to be carried out. Both existed at Company X.

First, there must exist a condition within the organization which causes sufficient discomfort to key members for them to want to change.

Second, it is vital to obtain the whole-hearted commitment of the unit's chief executive to what is proposed.

I have seen, and been involved in, other large scale OD programmes which have not been so successful and I now realise that a major reason for their failure was that one or other of these pre-conditions did not exist.

2.2 UNION INVOLVEMENT IN COUNCILS.

It was not my intention when the constitution was being derived to exclude people from union membership. It was my belief that this kind of social institution could operate equally well with or without it and examination of the Company X Constitution shows that provision is made for it. Further, in January 1978 Lord Brown strongly urged the Company's top management

to encourage trade union membership at all levels and in all functions as a means of getting the TASS group to accept and participate in the proposed system. The Glacier model which Brown had experience of strongly features several unions.

We will now proceed to examine whether in fact all union, non-union or partial union involvement in policy making works councils makes a great deal of difference. Before looking at this question we should first acquaint ourselves with some background information about the nature and needs of companies, and the sometimes conflicting needs of the people they employ, in both cases taking into account the effects of their environment.

2.2.1 THE NATURE OF COMPANIES AND FACTORS INVOLVED IN MAKING THEM SUCCESSFUL.

The field study explores managerial problems experienced in a small part of an American-based multi-national corporation. Very large, sophisticated and diversified firms of this kind have reached a position of dominance in all the world's technologically advanced market economies. Although they share some similar characteristics with much smaller companies there are important differences, and because multi-nationals in many ways display what could be considered ultimate

characteristics of companies, and because the case study is involved with one, we will concentrate our attention on this form of company.

One thing which distinguishes these large business firms from their smaller, more traditional brethren is that they contain many distinct operating units. Each unit has its own administrative office, its own full-time salaried manager, and its own set of accounts which can be audited separately from those of the larger enterprise. Theoretically, each could operate as an independent business enterprise. The traditional firm was a single unit enterprise, with an individual or small number of owners operating a shop, store or factory out of a single office. Normally, this type of firm produced or sold a single line of products, and operated in one geographic area. The modern, multi-unit enterprise, in contrast, has come to operate in different locations, often carrying out a number of economic activities, and producing or selling several lines of goods or services. The activities of the small firm are controlled by market and price mechanisms whereas in large firms, business units are monitored and coordinated by the decisions of salaried managers at corporate level and some processes, which would have been directly subject to market pressures, are inter

nalised. A second salient characteristic of the large enterprise is that it employs a large-scale hierarchy of salaried managers and specialists.

Large business characterised by multiple operating units, varied activities and managerial hierarchies are now at the heart of the leading market economies; historically however, they are a recent phenomenon. The hierarchical organization typical of big business has had a long history in the military and state bureaucracies, but only since the late nineteenth century has it been used extensively to organize industrial activity. It appeared with surprising suddenness. As late as 1840, there were no middle managers in the United States and very few in Europe; that is, almost no salaried managers supervised the work of other managers and, in turn, reported to senior executives who were themselves salaried managers. Nearly all top level managers were owners, either partners or major shareholders in their enterprises.

Large firms sprang up in large numbers first in the United States with Europe lagging behind; by the 1920's however, big business had become the most influential non-government institution in these countries.

The rise of these large corporations was due to

fundamental changes in processes of production and distribution made possible by the availability of new sources of energy and by the increasing application of scientific knowledge to industrial technology. They developed primarily in industries and sectors where advancing technology permitted companies to provide goods and services in high volumes to large, geographically dispersed markets.

Industrial enterprises, which integrated mass production with mass distribution, began to appear in the United States in the 1880's in such industries as tobacco, flour, food and brewing, and machinery produced by assembling interchangeable parts. After the first World War many of these large enterprises adopted a strategy of product and geographic diversification, which in turn led them to develop a multi-divisional structure (rather than the earlier, functionally based and more centralised form).

In this type of structure - pioneered by Du Pont and General Motors in the early 1920's - divisions are set up so that they are usually market based, almost completely self-contained, and structured so as not to compete with each other. The Head Office formulates the enterprise's product-market strategy leaving the divisions to determine the strategies for given products/markets. Head

Office allocates financial resources, controls cash and critical support functions - in other respects divisions are autonomous and can make their own business decisions the results of which can be monitored. At present it is the diversified, divisionalised type of company (often multinational) which has become so dominant, and which has been shown to lead to superior economic performance (Rumelt 1974). This form of organization features in the case study.

In Britain the large enterprise which was common in the United States before World War I did not become a major force in the economy until the 1920's and 1930's and then tended to take a holding company form. Holding companies were corporations created for the purpose of holding stock in other incorporated enterprises. They, too, controlled many operating units but limited this to legal and financial aspects and did not use administrative devices. In fact, a holding company remained little more than a federation of autonomous operating subsidiaries: although its central office had the legal power to determine policies for its operating units, to co-ordinate and monitor their activities and to allocate resources for future production, it could not do so in practical terms as it lacked a corporate staff to implement its decisions. Until this was

done, formulations of policy and allocation of resources usually resulted from informal agreements among the constituent firms. Integrated divisionalised structures were virtually unknown in Britain until after 1950, and in the fullest sense, there are still very few of them today. What then are the ingredients that make large, and particularly diversified firms, more successful than their smaller brethren. A major factor is control.

Galbraith (1973) asserted that there is a tendency for all producers, whether individuals or firms, large or small, to seek to control their economic environment and not be subject to it. We see this if we look at why individuals join trade unions - 'The individual often rejects the opportunity of selling his services on the market and unites with others to sell through a union. The union thus gains power over the common price of such services, and through the control of membership, on occasion over supply' (J. K. Galbraith)

Although we have diverged a little in looking at the position of the individual in respect to the market, similar thinking applies to companies. The large firm that owns and operates a multi-unit system, and that relies on a managerial hierarchy to administer it, is able to get better control of its business units by internalising activities and

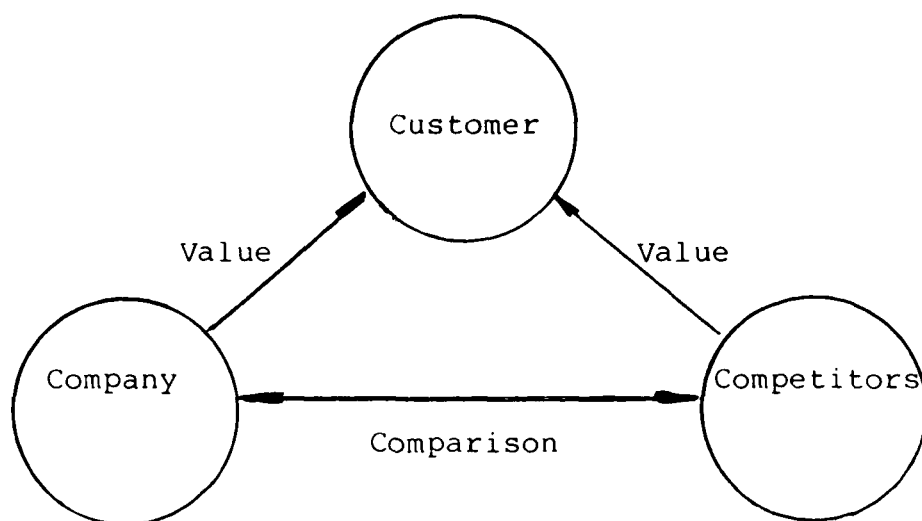
transactions which for a separate, independent business would be very subject to market pressures. An element of this is the better way administrative co-ordination of the units is able to ensure a steady flow of funds - both cash and investment funds. Various economies of scale can be effected with respect to production, purchasing and distribution (this is usually an important competitive advantage in the kind of industries involving big business); in diversified firms the risks are more widely spread; as enterprises grow, and as the number of executives increases, managers become more specialised and more professional.

The ability to deploy advanced technology is of crucial importance to many of these firms. Big business is likely to have the edge over its smaller brethren both in its ability to generate the investment funds needed for this, and in having available the specialised manpower to utilise it. Of the various factors mentioned here, technology and control may be the most crucial - we will return to the control aspect later on.

Businesses, large or small, operate in a competitive environment and must seek competitive advantage. In other words, they must gain a sustainable edge over their competitors. We have

seen that large businesses have certain competitive advantages over smaller firms, however that does not by any means eliminate the competition. Crucial to a company striving for competitive advantage is its strategic planning.

There are three main elements to be taken into account in this connection: the Company itself,



and the Competition.

The Company must ensure that its strengths match the needs of a clearly defined market and that it can achieve superior performance, relative to the competition, in the market sector. If the company's approach to the customer is identical to that of the competition, the customer will be unable to distinguish between their respective offerings (in this situation price cutting is likely with damaging effects upon profitability

and the long-term future of the company). A successful strategy is one that ensures a better matching of corporate strengths to customer needs than is provided by competitors.

The company must analyse itself and decide how it wants to compete and what it wants to offer, both now and in the future. For instance, should it stress product leadership or adopt a strategy of following, using tried and trusted technology to offer a particularly reliable product; or should it offer a low volume, exclusive product at a high price; or should it offer flexibility; or short delivery; or reliable delivery; or above average after sales service. These strategic choices will influence a number of things including the calibre of manpower needed, organization structure and the technology employed.

Having developed a strategy and made plans it is then equally important that the company is able to carry them out. To reach its goals it will need to organize and to ensure that it has an effective command and control system.

One way of looking at organization is by stressing that an individual working alone cannot usually fulfil his needs, as this is understood in a developed economy, as well as he could if he cooperated with others. Underlying this concept

of organization is the idea of the coordination of effort in the service of mutual help. Human Societies have found that they can best achieve their goals if they divide up among their members the various tasks that need to be accomplished on the basis of innate talents or skills.

Organization becomes more critical when we need to utilize the modern technology that can be brought to bear on products, and on the processes by which they are made. Organization goes hand in hand with technical advance and its employment requires the shared knowledge of numerous specialists.*

The company then, needs to get work done but work directed towards economic performance, objectives and results. For companies to be able to do this some people must be able to influence others. Power is needed (as well as formal authority) to direct and control the executive system. The need for influence and making decisions means that A must be able to exercise legitimate authority over B, and B over C, and so on down a hierarchy. A is B's superior. B is expected to carry out the instructions which should be within company policy and the law. There is a presumption here that

* The subdivision of tasks to accord with the area of knowledge is not confined to mechanical processes. It occurs in medicine, building design, accounting and legal practices and every other problem that involves an agglomerate of scientific knowledge.

there is a shared sense of legitimacy between A and B and that it rests on the willing compliance of B.

Authority is an institutional mechanism intended to define the relationships between individuals. Leavitt (1964) provides an additional insight into this. 'Authority is power that enters the two-party relationship through the organization. It is an institutional mechanism that aims to define which of two members of a relationship, A or B, will be the superior.'

He goes on 'Authority is potential extra power, given by a third party to some of its members in order to guarantee an unequal distribution of power. Formal authority is a delegable kind of power'. A useful notion is to think of authority as residing in the office and not the person.

It is in the nature of companies that they are structured on hierarchical lines with an ultimate decision-maker(s) at the top who, if he needs to, can overrule others lower down. This is the Command structure. In a company the corporate need is almost always given priority over that of any individual working for it* due to its extreme need to reach corporate goals. As Jaques observed

*In some societies, including some work organizations, the individual can enjoy quite a high priority in relation to the corporate body.

(1951), an executive system is composed of interconnected command groups, the subordinate in one being the superior in their own command group, with the exception of the bottom level.

Authority is an attribute of a role which gives the incumbent the right to exercise power. Power itself - we could call it leadership ability - is the quality of an individual which enables him to influence other individuals and groups by channelling and directing their behaviour in such a way as to help him fulfil his aims. Power attaches to the person and often hinges on the concept of credibility which is again closely linked to competence and the idea of sapiential power. Sapiential power is a very useful form as it gives the ability to cut right across the organization chart and is not restricted to formal channels. Additional to this is personal power which manifests itself in charisma and leadership. Power cannot, of course, be delegated and is the energy that drives a company - formal authority is only used when power breaks down.

The third part of execution is concerned with control. Control may be broadly defined as the process of measuring, evaluating and adjusting system performance so that it meets system goals*.

* The term system is being used here as 'a set of parts co-ordinated to accomplish a set of goals' (Churchman, Systems Approach, 1968.)

It may take various forms: financial, budgetary, production, inventory, quality, manpower, and so on. A major advantage of the divisionalised structure (compared with a functionally-based organization) is that it is possible to set financial goals for the divisions and measure their performance on a profit or loss basis. This sharpens the goal orientation of the division and gives a more realistic measure of performance than is possible in a functional department measuring actual against budgetted expense with rather negative connotations.

In organizing people to work it must be a primary aim to obtain their commitment to corporate goals and to ensure that they give of their best. Common principles of organization used by companies are those of accountability and delegation backed with authority. They will seek to create a situation where everyone (including managers) can be held accountable for the results of their work and that of their department (if a manager). Delegation and decentralization are structural concepts relating to this and are concerned with the transfer of responsibility and authority for task performance to one or more subordinates by a superior. When this is done authority is in effect decentralized, or removed, from the single central position it once occupied.

Continued decentralization has the effect of transferring authority and responsibility to successively lower levels of a hierarchy. When designing these jobs, tasks must be allocated that are feasible in terms of the individual's capability, as well as having adequate resources and authority attached. All of this is important in obtaining commitment.

There are various tools used by management to ensure control of behaviour including supervision (the span of control concept is important in this connection), performance appraisal and management by objectives (MBO). Participation is often used to aid commitment although Odiorne (1979) asserts that 'while participation is generally desirable in goal setting and decision making its principal merit lies in social and political values rather than its effect on production.'

At the time of the industrial revolution in England, companies (although relatively small at that time) changed from the earlier putting-out system, which was really a form of sub-contracting, to a factory system. There were two main reasons: first, the new technology of the time demanded centralization and second, it permitted the owner of the business to exercise tighter control of his workforce. However, it also led to a greater emphasis eventually being

placed on collectivism which usually expressed itself in unionization.

To be in control, present day companies must have the means of resolving conflicts between power groups without there being much likelihood that any of the parties will withdraw resources under their control. Control is likely to be enhanced if these industrial relations processes can be internalised, as at the very least, the outcomes will be more predictable.

In summarizing, company effectiveness depends upon a sound strategy that can be delivered. Delivery requires goals to be identified, tasks to be distributed among individuals, efforts to be coordinated and controlled to ensure that goals are reached.

Let us now turn to look at the needs of the individuals who work for companies, paying particular attention to participation and industrial democracy.

2.2.2 EMPLOYEE NEEDS

A fundamental question is, 'How can organizational policies or social practices be developed which will permit some reasonable matching of human needs and organizational demands?'

Industrial management is so organized that control is from the top down, with responsibility and authority delegated by the few to the many. The control by those at the top is exerted through the management organization through the formulation of policies that set limits within which action may be taken by the many. Top management policy is aimed at the promotion of a profitable enterprise and emphasises long range achievement. In promoting a profitable enterprise, management is likely to stress in its policy the necessity for freedom of action, and to feel that without it, control of the business is lost. In a managerial hierarchy, those at the top who have the final authority are usually the most capable.

Here we have a statement of the way companies are viewed by investors, customers and suppliers but the question of introducing employee participation and industrial democracy introduces a different viewpoint to the ways companies should operate, and possibly even to their purpose.

Managements, and the companies, need cooperation from the workforce - cooperation being the shared effort on the part of individuals and groups to achieve jointly desired goals.

In practice, much of British industry is in a state of conflict between managements and

workforces and this is exacerbated by collective bargaining. Collective bargaining is essentially a competitive process and characterised by conflict, whereas cooperation is characterised by mutual aid.

In union organizations control is ultimately from the bottom upward, with authority and responsibility delegated by the many to the few. The many who control are usually less capable than the leaders whom they control: the aims of the rank and file are likely to be relatively opportunistic and short range.

When a union is fighting with management for its existence, union-management cooperation is impossible. Its leaders are motivated primarily to get more and more from management through collective bargaining so that they will remain in office and the workers will remain in the union. When the union has achieved some form of security (for instance, through a closed shop) its leaders will no longer have to weigh every move in terms of what their constituents will have to say about it. They can cooperate more in the long-term interest although in doing so the rank and file will have lost control.

In the bulk of the managerial literature the terms 'participation' and 'democracy' are used

synonymously but really they have different meanings.

Pateman (1970) refers to democracy as being a political method or set of institutional arrangements at national level. Schumpeter (1943) suggests that the democratic method is the competition for leadership. He compared the political competition for votes to the operation of the (economic) market; voters like consumers choosing between policies (products) offered by competing politicians. Eckstein (1966) had a similar view seeing democracy as a political system where elections decide the outcome of competition for leadership.

In the context of a company there are perhaps two points to be made about this issue. First, the democratic method tends to emphasise competition and even conflict, where the offerings are at opposite ends of a scale (the daily happenings at Westminster show that the job of the opposition is to oppose the elected government almost irrespective of whether it agrees with the government's policies or not). A company will want to stress common objectives and pulling together - in other words cooperation. Second, the democratic method stresses the need for an opposition which at times rules. There can be no alternative government in a company and thus the term demo

cracy is false in that setting.

In a democratic structure participation is usually restricted to voting for policies and leaders, although in principle everyone is free to stand for leadership. Elections are crucial to the democratic method for it is primarily through elections that the majority can exercise control over their leaders. Responsiveness of leaders is ensured primarily through the sanction of loss of office at elections; the decisions of leaders can also be influenced by active groups bringing pressure to bear during inter-election periods. Political equality in the theory refers to universal suffrage. In industry, closed shop agreements may be advantageous to both company and union, but they do reduce the degree of control which can be exercised by an individual and they reduce democracy.

Perhaps the most useful definition of participation is the very simple one given by the Oxford Dictionary which says that 'to participate' is 'to share in'. This conveys the feeling of what is involved.

In Western countries the concept of the corporation is not conducive to this pro-participation idea for it sees the stockholders as the owners of the corporation and the workforce as

employed labour. It is easy for this concept to become conflict oriented, with management acting on behalf of the stockholders, and employees reacting by turning to collectivism to maximise their power and obtaining the services of a union to represent them.

Ohmae (1982) tells us that the Japanese concept of a corporation is fundamentally different from the Western model. In Japanese eyes a corporation is nothing but an assembly of people, each known as a "sha-in", or member (not an employee), of the corporation. The stockholders are a group of interested moneylenders and like banks, they are simply another source of capital, willing to invest in the collective viability of the corporation. Many Japanese chief executives, when asked what they consider to be their main responsibility, will say that they work for the well-being of their people. Shareholders do not rank much higher than bankers in their list of priorities.

Ohmae does stress that the situation just described is peculiar only to the older, larger and more prestigious companies. It is not found in smaller enterprises, which are seldom unionized and tend to hire and fire as their overall workload fluctuates. However, in this paper the focus is provided by Company X which is part of

one of the world's most prestigious multi-national corporations so the Japanese system is relevant to the discussion. At more detailed level it should be noted that large Japanese companies feature life-time employment, consensus decision-making and internalised "Company" unions. These things, and the group emphasis in their society, contribute to people's attitudes.

What then should a Western-type corporation do, without alterations to company law which might affect who were "insiders" and who "outsiders", to improve attitude, morale and trust with the company?

One technique which is used is participation. It will be helpful to examine the evidence which can be drawn from the academic literature on the subject with the aim of increasing our understanding and highlighting some of the pitfalls.

It is clear from the literature that the term "employee participation" has many meanings and that it can take various forms, some of which seem to be more effective than others. One way of looking at participation is to divide it into task-centred and power-centred forms as they have rather different aims.

The task-centred approach has stemmed mainly from the work of American academic behavioural

scientists and one of its aims is to increase job satisfaction. It is comparatively unstructured and relies upon the informal involvement of employees in the day-to-day decisions which affect them in their jobs. It requires a participative management style, which is receptive to the ideas and suggestions of subordinates and is prepared to involve them in routine decision-making. Dickson (1981) described this form of participation as 'a social technology employed by managers at their discretion'.

On the other hand power-centred participation is industrial relations oriented - quite a different field in the literature. This usually aims at increasing the bargaining power of the workers within the enterprise and at making managerial decision-makers more accountable either to the unions or to the workers.

These two forms may be classified another way. The task-centred approach is direct; the power-centred form must almost always involve representatives and tends to be concerned with wider issues - such as the government of the enterprise.

Another useful distinction between these two forms is to view them, as Strauss and Rosenstein (1970) did, in terms of immediate and distant

participation. Immediate participation refers to employee involvement in matters of immediate concern to the performance of his job, whereas distant participation refers to employee involvement in higher levels of organizational decision-making which usually would fall within the scope of top management and affects the organization as a whole. This must involve the use of representatives.

Using the framework of immediate and distant participation we will proceed to examine research evidence concerning the demand among employees for participation. Much of the empirical evidence appears to support the view that the desire of rank and file people to participate is greater if it is directly connected with their job (i.e. immediate) than if it is to do with more distant aspects. Pateman (1970) points out that much data from large scale empirical investigations into political attitudes and behaviour, undertaken in most Western countries over the past twenty or thirty years, has revealed that the outstanding characteristics of most citizens, more especially those in the lower socio-economic status groups, is a general lack of interest in politics and political activity. Again the Bullock Report stated 'The greatest enemy of participation is said to be apathy'.

This is supported if examination is made of research into attendance figures for trade union meetings. Roberts (1956), for instance, in the early 1950's, estimated that in British industry generally, the level of attendance among branch memberships was usually between 3 per cent and 15 per cent, with a heavy concentration between 4 per cent and 7 per cent. The figures for craftsmen were higher although still a minority. In their sample of workers Goldthorpe et al (1968) found a similar low level of involvement in trade union activities. Only 7 of 101 interviewed attended trade union branch meetings on a regular basis. A danger of basing a programme of participation on this kind of representation is that it may result in the active participation of a minority elite and non-participation of an apathetic rank and file.

In evaluating the desire for participation, perhaps it is necessary to distinguish between groups of workers and types of decisions. Goldthorpe et al asked their respondents whether they agreed more with the view that 'unions should just be concerned with getting higher pay and better conditions' or that 'unions should also try to get workers a say in management'. Of the interviewed craftsmen 61 per cent agreed more with the latter view, in contrast to 22 per cent of

process workers and 28 per cent of assembly workers, suggesting that the desire for participation is related to the type of worker involved.

Holter (1965), conducting a study in Norway, indicated a limited commitment by workers to certain areas of decision making. She found that, although there was a widespread, but perhaps vague desire for more participation in decisions about the firm, relatively few felt a need to include decisions at top management level. Yet Holter did find a desire for participation concerning the worker's own jobs and immediate work environment.

Again Harris (1975) carried out a survey of 2083 employees in medium and large firms. This showed 26 per cent of employees (in the private sector) requiring more information from the top on what was happening and why, and 19 per cent to having a bigger say in the day to day running of the company; only 3 per cent required workers to have a seat on the board. The survey concluded '... they want a bigger say in the everyday running of the company, particularly as it affects themselves'.

Distant participation has for the most part resulted from government legislation and been based around political ideals. This suggests that workers should have a greater say in decision making at work as a means of extending democracy

from the political to the industrial sphere. Is is strongly expressed in the intention behind both the Draft Fifth Directive of the Commission of the EEC and in the Draft Statute for a European Company

'those who will be substantially affected by decisions made by social and political institutions must be involved in the making of those decisions'

And again regarding the nature of enterprises

'employees are increasingly seen to have interests in the functioning of the enterprises which can be as substantial as those of shareholders, and sometimes more so'

Studies of worker's responses to systems of distant participation that have been implemented have mixed results. For instance, Millar (1979) after researching the two-tier board system incorporating worker directors in West Germany says that they have little influence on employee attitudes probably due to its distance from them. She reports favourably on their factory-site-based works councils which she says helps in creating an atmosphere of harmony. Clarke et al (1972) also report a lack of interest among the rank and file with respect to board representation. Studies by Kolaja (1965), Kavcic et al (1971), Broeckmeyer

(1968) and Rus (1970) have all been critical of the degree of real participation actually achieved by the elaborate systems of worker's council in Yugoslavia. Despite often being called "self-management" they say councils at best only approve management initiatives. In Britain this would be known as joint consultation. Emery and Thorsrud (1969) looked at Worker representatives on company boards of directors in five Norwegian organizations and found that these individuals only played a minor role in decision making and that the extent to which they were representative was questionable since there was little evidence of feedback and communication with their constituents.

Empirical evidence with respect to immediate participation is generally more favourable both with regard to the desire for it and in its effects. Holter (1965), as mentioned earlier, analysed responses from 591 blue-collar and 397 white-collar non-supervisory employees drawn from eighteen Norwegian organizations. In answer to questions concerning changes within the firm, it was found that 'more cooperation with management' ranked first on a list of ten alternatives for blue-collar workers and was second most important for white-collar employees. In response to a second item, Holter found that 78 per cent of

blue-collar and 59 per cent of white-collar respondents felt that employees in general did not 'participate sufficiently in decisions that concern the management of the establishment as a whole'. These figures are made more relevant to our proposition when we look at their responses to another item on which respondents indicated whether: (1) they did not want increased participation; (2) they wanted more participation in decisions that directly affected their own job; or (3) they wanted to participate more in decisions concerning the whole establishment. 56 and 67 per cent of the blue and white-collar respondents, respectively, endorsed the second alternative, wanting more participation in decisions which directly affect their own work.

Similar findings from a sample of British male blue-collar industrial workers have been reported by Hespe and Warr (1971). They asked 243 individuals if they would like to have more influence in the running of their departments than they currently had, and 61 per cent responded in the affirmative. Hilgendorf and Irving (1970) studied the attitudes of over two thousand British Rail employees and found that 58 per cent wanted more say in the way in which their work was carried out.

Two investigations conducted in the United States

add to the general picture. Katz (1954) found that almost two-thirds of a sample of nearly 6000 workers in a single industrial firm reported that they had insufficient influence over decisions concerning how their own jobs were to be carried out. Slightly over half wanted to participate more. Morse (1953) reported that 70 per cent of the clerical workers in an insurance company indicated that they would like to be more involved in decisions on their own jobs.

The evidence provided by Wall and Lischeron (1977), who conducted empirical investigations over a period of five years into the attitudes towards participation of such diverse groups of workers as nurses, skilled and unskilled blue-collar industrial workers, and local authority employees, found a preference for direct rather than indirect procedures. Participation through personal interaction with management was the choice of the large majority of nurses and industrial workers and of most local authority workers. The relative lack of support for participation based on trade union representation was noted. Wall and Lischeron commented that among nurses this may be expected but for blue-collar workers (those in the sample were all union members and active) it was unpredictable. They attributed this to the idea that to most of these

workers, pay, security and disciplinary issues defined the normal limits of the shop steward's and trade union's activities while for participation in other areas they looked for other forms of involvement.

Considering the heterogeneous nature of the investigations the findings are reasonably consistent. They show that the majority of respondents in each study want more participation, with direct forms being preferred. They also show, and this is important, that not all people want to participate more.

The bulk of research has been directed towards establishing a link between participation and job satisfaction and most commentators have concluded that available evidence shows participation to be an important determinant of job satisfaction. In the influential writings of Argyris (1957, 1962, 1964), Likert (1961, 1967) Bennis (1966) and McGregor (1960, 1967) this assumption is strongly evident. Much of the evidence cited in support of the participation-satisfaction thesis comes from studies of leadership. Typically, investigators have looked for differences in leadership style across different situations and examined the relationship between style and people's attitudes and behaviours.

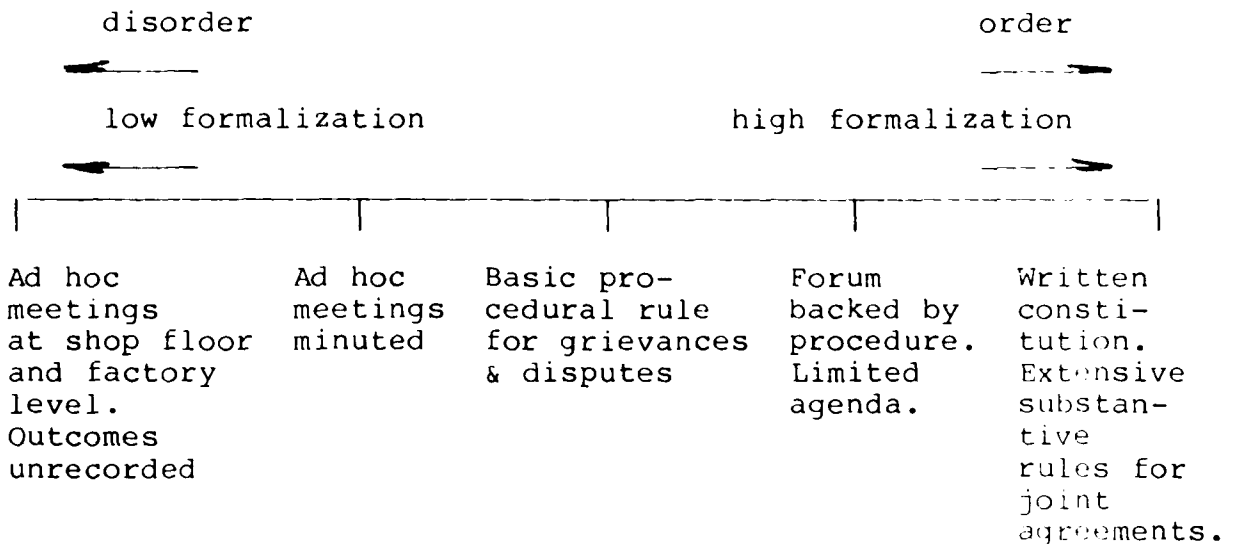
Before leaving this review of participation there are two industrial relations issues which should be looked at. Fox (1968) provides an interesting perspective on power and task-centred forms of participation by posing the question, "Is an industrial enterprise a unitary or pluralistic structure". He argues that a unitary system has one source of authority, one focus of loyalty and he suggests it be treated as a team. The patterns of behaviour expected of a successful and healthily functioning team are that - members strive jointly towards a common objective, each pulling his weight to the best of his ability

- each accepts his place and functions gladly, following the leadership of the one appointed
- there are no oppositionary groups or factions, and therefore no rival leaders in the team
- the members of the team have obligations of loyalty towards the leader which is reciprocated.

Fox is critical of this view, which he considers is a vision of what many employers and top managers think industry should be like. Rather, he recommends that the firm be viewed as a pluralistic structure or a coalition of interests. The trade union's role in the workplace is not

that of an invader of a private realm, but that of an institutionalised expression of sectional divisions already existing within it. In recognising union rights and freedom Fox maintains we are doing no more than accepting, in the industrial sphere, the expression of the basic principles of our society.

He highlights here a dilemma facing a company which it must overcome if it is to operate competitively. This dilemma is how to avoid conflict-based relations in a pluralistic structure. Purcell's model (1981) of degrees of order and disorder and formalization in an industrial relations system does perhaps provide an answer if we look at the right hand end



of the continuum. He calls this condition "Co-operative Constitutionalism". An advantage of cooperative constitutionalism - which features an

elaborate written constitution - is the particular effort made by the parties to abide by the constitution, once it is well established, which is seen to set-up mutual rights and obligations which should not be breached. Purcell also stresses that in time these meetings will enable a climate of trust to be developed between the parties which 'is clearly required if there are to be good industrial relations'. This kind of structure was employed in Company X.

2.2.3 ENVIRONMENT.

It is self-evident that firms operate within an environment and as open systems will be affected by it (in the case of multi-site companies and multi-nationals there will be several different environments). The term "environment" embraces a number of things, but of particular relevance to a firm's structure and management practice are two sub-groups: market/technological environment and social environment. Let us examine each of these in turn.

Market/Technological Environment.

This is defined by the type of product or service which an organization provides, the type of customer it serves, and the industry of which it is a part. Joan Woodward's influential South-East

Essex study in the 1950's (1965), has led to much further research into the impact on companies of their environment (Galbraith 1977, Goggin 1974, Burns and Stalker 1966, etc.), with particular emphasis on market and technological aspects by the above. The literature focusses on four environmental characteristics.

Stability: A company's environment can range from stable to dynamic. A variety of factors can make an environment dynamic including unstable governments, unpredictable shifts in the economy, customer demands for creativity or novelty, and a rapidly changing technology. In general, the more dynamic the environment, the more organic the structure. In a stable situation, a company can better predict its future conditions and standardise its activities.

Complexity: A firm's environment can range from simple to complex. The more complex the environment, the more decentralized the structure.

Product and Market Diversity: A company's markets can range from integrated to diversified. Diversity may result from a broad range of products, or from geographic diversity, or from a combination of these two things. The more diversified the company, the greater the propensity to split it into market-based units.

The Harvard multi-national enterprise research programme has shown quite clearly that diversification breeds divisionalisation (Stopford, 1968), and, as Goggin (1974) demonstrated, an extreme case of simultaneous area and product diversification, can lead on to complex matrix structures.

As the complexity and diversity of company goals increases, then so will the amount of knowledge needed, the amount of information to be processed, and the degree of uncertainty be increased. Fewer decisions can be routinized and more exceptions arise which must be referred upward in the hierarchy. As more exceptions are referred upward, the hierarchy will become overloaded and serious delays will develop. In this situation new organizational forms must develop.

With the quantitative and qualitative change in information to be processed it becomes efficient to bring the points of decision making down to the points of action where the information and expertise exists. This process is, of course, decentralization, and is accomplished by increasing the amount of discretion exercised at lower hierarchical levels. Increased delegation does face top management with a problem of co-ordination and control, and will require higher capacity people at low organizational levels.

The fourth environmental characteristic is hostility. Extreme hostility in its environment drives a company to centralise its structure whilst it is being endured. The causes of hostility might be such things as extreme competition, or relationships with unions or governments, and the rationale for centralization is the need for fast reaction.

Social Environment

Although in the majority of firms the greatest environmental impact will be felt through the market and technology, in the field study it was the socio-political aspect which was so important. The social environment in which a firm operates affects it directly through legislation and government regulations, and indirectly, through the expectations and values of its employees. However, the social, political and legislative factors are closely intertwined with the economic system also making an impact. Let us explore some examples.

We mentioned earlier how company law in different countries affects the concept of the corporation, where the Western model sees the shareholders as the owners of the corporation and the workforce as employed labour. In contrast, in Japanese eyes a corporation is nothing but an assembly of people,

each known as a "sha-in", or member. The shareholders are a group of wealthy and interested moneylenders, and like banks, are simply another source of capital. This concept affects the social climate (Ohmae, 1982).

Various writers (Yoshino 1973, Dore 1973, Ohmae 1982) have stressed the group nature of Japanese society starting in the education system which emphasises group harmony very strongly and creating a people with a unified value system. Western upbringing, in contrast, lays a much heavier emphasis on individualism. In the West, people are taught to state their views and defend their individual rights uncompromisingly and worry little about the effects of these values on social harmony. In Japan, Ohmae asserts, gifted children are taught to use their extra margin of intelligence to help-out slow moving classmates instead of, as in the West, to advance faster than the others. This attitude is carried over into the work situation.

Japanese work organizations exhibit many group characteristics and executive work is oriented towards the group rather than the individual. According to Dore (1973), tasks are assigned to, and performed by, a group rather than by individuals and responsibility is shared by the group. Dore shows Japanese management organisation as

fitting into a pyramid arrangement of teams.

There is more informal participation than is common in the West. The decision making process known as the ringi system gives everyone concerned a chance to participate in making proposals and help in arriving at an ultimate decision. This causes delays but its strength is that once a decision is taken everyone understands and is in accord.

The changing values of Swedish workers fostered by higher levels of education and social legislation influenced Volvo's decision to experiment with more attractive and interesting alternatives to assembly line jobs (Gyllenhammar, 1977).

Labour legislation is another factor leading to differences between countries. In the United States, The Labor Management Relations Act 1947 (Taft-Hartley Act), which governs who may and may not be a member of a labour organization, expressly excludes from the definition of "employee" any individual employed as a supervisor. A case in 1974 is mentioned by Smith et al (1974) which also excludes managerial employees (those who are in a position to formulate and give effect to managerial policies) even though they may neither be supervising people nor be persons involved with labour relations policies. The effect of this is

similar to the typical company union found in Japan, where those classified as "managerial" (10 per cent at the Furusato plant of Hitachi) are excluded from union membership. In Britain everyone, at every level, is entitled to be represented.

The German Co-determination model is probably the best known example of a legalistic approach to ensuring that there is employee participation in companies. Mitbestimmung (Co-determination) is characterised by involvement in a supervisory board. The two tier board system for German joint stock companies is not new and has its origins in nineteenth century company law (Tilden, 1974). Under this law the annual general meeting of shareholders elects the supervisory board (Aufsichstrat) who in turn appoint the management board (Vorstand). The supervisory board is, as the name implies, a supervisory body. Its main function is to supervise the way the management board conducts the business. It is not the intention that the supervisory board in any way runs the company on a day to day basis - only to watch over it. Under Mitbestimmung the supervisory board consists of equal numbers of people chosen by the shareholders meeting and representatives of the employees.

Adams and Rummel (1976) consider that a major

benefit of this institutional form* accrues from 'continual contact and exposure to issues of common concern to representatives of labour and management who have come to trust and cooperate with each other to a much greater extent than was once thought possible'.

In contrast, in Britain there is a system of counterveiling power rather than consensus. This tends to permeate the entire Society - including the industrial society - and it could be postulated that it stems from the two party political system, with a government, and an opposition whose major role is to oppose.

In the Company X study it was hypothesised that the company's environment was a major cause of its internal difficulties. The pro-union climate in England in 1977, and the existence of recognition disputes like Grunwick, affected the expectations and values of Company X employees making it necessary to bring structure and processes into line.

* An important additional element is the works council which deals with more local issues. By law councils (composed exclusively of representatives of employees) are expected to work together with management so that decisions will be taken which benefit both employees and company.

2.2.4 THE CONSTITUTION: MANIFEST, ASSUMED AND EXTANT SITUATIONS.

To avoid confusion we will distinguish between three different organizational situations which may exist: the manifest, the assumed and the extant. The manifest is the situation as it is formally described and displayed. The assumed is the situation as it is assumed to be by individuals and groups involved. The extant is the real situation as revealed by systematic exploration and analysis: often it can never be known. Ideally, the manifest, assumed and extant should be the same. In practice there may be differences.

Examination of the Company X Constitution, which provides the manifest situation, shows that under it management and employees enjoy both rights and duties. In intention it reveals a corporatist stance to labour relations. 'The management and employees of Company X have a common object to ensure the continued success of the operations of the company in the development, manufacture and marketing of its products and in ensuring the efficiency of those operations in the interests of employees, shareholders and customers'. The subjugation of individual objectives to corporate objectives is a key issue in most OD programmes

and, as the literature survey shows, is generally an intention of employee participation.

Manifestly the Company X Constitution reveals a trade-off between the rights of management and the power of employees when it says 'Management must possess authority to make decisions about the operation of the company. The bounds of that authority, however, are limited by policies set out by the parent company on behalf of shareholders, policies negotiated in the contracts with customers and policies agreed between management and employees. Thus management must recognise the power of employees to set limits to the extent of management decision making authority while employees recognise that within those limits management has the authority ... to make... decisions'.

This is an important statement that goes to the heart of this social institution. Management is apparently gaining more control by means of the institution than it would commonly have without it. Examination of the agreed policy which enables managers to assess the work performance of their hourly and weekly paid subordinates and to reward them accordingly demonstrates that control has been increased. This authority is now rarely found at this level in British industry where collectivism imposes a common rate of pay for a

particular group, and in doing so, reduces managerial control.

If one takes the view that management, in more conventional circumstances, has unbridled authority, then employees are also gaining control by setting limits on managerial authority and then agreeing to allow managers to exercise that authority within the agreed limits. This is the legitimizing process referred to earlier. Also this argument confirms Tannenbaum's assertion (1968,81) that participation increases total control throughout the system.

Information was gained in the feedback programme that not only manifestly had management enhanced its authority under the constitution, but also extantly.

The constitution grants further rights and more control to employees, by recognising that changes cannot be made to existing policies which affect employees without the agreement of those affected. Thus, at least manifestly, a major issue which would be likely to have effects on employees, must be brought before council. The majority of people assumed it would and trusted their management to do so. One individual had strong doubts. The extant situation cannot be known until such a condition arises but this point will be pursued

later on.

Other rights conferred on individuals under the constitution are those of representation and to participate in an annual election procedure, and 'right of individual appeal to higher authority against his manager's decision if it is felt to be unfair or unjust to the individual and not in keeping with the terms and spirit of agreed policies.' An appeals procedure cannot be satisfactorily operated without written policies, procedures and standing orders - these appear to be gradually being derived. Representation, elections and the appeals procedure are all in operation.

Despite employees leaving the union, trade union representation is built into the Constitution. 'If the majority of members of a department vote a union member as their representative and that representative wants an official of the union to assist him in discussion with management, the management will meet that official'. However, manifestly the negotiating procedure is decentralized to within the company. 'Management will refrain from agreeing changes with trade union officials without the elected representatives of employees who may be affected'. This statement is also at the core of this institution which aims at localising issues.

Pateman (1970) defined full participation taking place 'Where two or more parties influence each other in making decisions and where a decision cannot be taken without the agreement of both parties'. This implies that the parties involved in the decision making have equal power to determine the outcome.

Under the Company X Constitution the manifest situation is that the power of all groups is equalised by the mechanism of unanimous voting. Any council member can stop any proposal for a change which is unacceptable by vetoing it. Modifications must then be made to the change proposal until it is acceptable to all - until that occurs the status quo prevails. The feedback programme demonstrated that this power distribution was assumed by all except one interviewee.

Earlier in this analysis we examined the place of authority and power in facilitating the functioning of managerial hierarchies in companies. All of this is fairly easily understood when viewed in terms of an executive system; but a representative system is separate from this and requires a different form of leadership. Bales classic work (1950) identified two separate types of leader: the task leader and the social leader. The representative falls into the latter category. His role consists of

understanding the common needs and aspirations of his constituents and helping them to crystallize group consensus. The power of any association or constituency will depend in part on the strength of consensus among its members, and the strength of their will to remain united around that consensus. The other part of its power, and probably the larger part, derives from the importance of the association to the other power group or groups with which it is negotiating. In the final analysis, the threat of withdrawal is one of the prime sources of the power of negotiating groups - always provided that what is being withdrawn from the exchange cannot be replaced.

At Company X in 1977, the leader of the TASS group provided them with effective leadership which enabled her to influence other individuals by channelling and directing their behaviour in such a way as to help her fulfil her aims. A strong representative may behave as though he were expressing the views of his constituents while in fact he may be pursuing either his own aims or those which he believes his constituents ought to be pursuing.

It should be understood that the representative's power base is his constituency and that all members of an association (which is what a

constituency is) are equal in the sense of having the same rights and none has formal authority to instruct any others to do anything. The representative is elected into office by his constituents and accountable to them. To lead in these circumstances requires considerable skill as well as strong personal characteristics. Leadership is ultimately a matter of matching up the personal characteristics of the leader with the characteristics of the group being led, the nature of the task, and the situation surrounding the task. Factors such as historical and changing circumstances must be taken into account.

Associations of people, whether they be a professional body or a trade union, unite to increase their power. They often seek to increase their power base by attempting to control membership and on occasion supply. The closed shop principle can aid this.

This leads on to the concept of withdrawal power. Withdrawal power is connected with the idea of having the ability to close down the company (or whatever other type of organization) by withdrawing the resources controlled. It is tied to the economic concepts of scarcity and of monopoly.

In the case of a top management group (as at Company X) it has the ability to close down the

company, with the agreement of its parent, by withdrawing financial or other resources. Or more simply by transferring the business elsewhere.

The question may be posed whether any other power group(s) also has this power source. A group of employees (or an individual) with sufficient know-how, information or expertise which is vital to Company X's operation may also have it but only provided that this know-how, information or expertise cannot be substituted. Low skill workers are usually easily replaced and can only increase their power by banding together with others, on a broad geographic basis, so that if they withdraw their labour it will not be replaced. Without unionization, which has the potential to give people control over supply of their labour, and it may be added, without strong leadership and a strong consensus, this is not possible.

Analysing the power structure at Company X in 1981 one finds that manifestly, according to the constitution, the unanimous voting principle ensures that the power of the various groups is equal. Looked at in physical science terms all the parties have equal potential energy i.e. energy possessed by a body by virtue of its position. In social science terms they have equal power attached to their role i.e. authority. The question at Company X of whether the parties have

equal kinetic energy i.e. realisable power, hinges on leadership, consensus and withdrawal power.

This analysis leads to the conjecture that the quality of policy-making councils will be enhanced if all power groups have equal potential and realisable power, which is provided not just by the Constitution, but also by having effective withdrawal power.

2.2.5 THE IMPORTANCE OF CONSTITUTIONS.

Whilst it is possible to argue that the quality of policy-making councils will be enhanced if all the power groups involved have equal potential and realisable power, I believe that this concept is both unrealistic and not in keeping with the purpose of this kind of institution.

The reason why it is unrealistic is that as power is constantly shifting it is not possible to maintain a state of equilibrium over long periods of time. Realisable power is dependant on at least three things. First there is withdrawal power. The reality of this form of power is that top management can usually command it by withdrawing the resources they control. However, other employment groups only have it if their commodity (labour) can be withdrawn without

substitution being possible, and this depends either on their skills being in short supply, or on a foolproof closed shop agreement - the latter depending on union involvement. In practice, and in the long term, top management's withdrawal power is likely to be stronger than that of other groups.

The second main factor, leadership power, will shift as those individuals filling representative roles change over long periods. In the Company X case most of the leading figures in the situation changed over the four year period under review. Third, environmental conditions change affecting attitudes within the company.

The concept of power equality as a primary objective of the institution is not only unattainable but also is not a characteristic to be stressed, as it suggests a conflict orientation in labour relations and embodies the institutionalization of capital/labour conflict. In contrast, the underlying philosophy behind this kind of constitution is one of cooperation and common purpose. It aims to bring about an attitudinal change in both employees and employers from the kind of conflict orientation found in British political and labour relations and exacerbated by the idea of an opposition which must always oppose at a political level, and collective bargaining in

the industrial arena. However, it is not intended to imply that in companies where this kind of constitution operates there is complete harmony between power groups but rather that consensus is needed.

Cyert and March (1963) and March and Simon (1958), in their highly influential studies of how organizations set goals and make decisions, reached the conclusion that an organization is, in reality, a complex coalition of individuals and groups with diverse goals, needs, desires and talents. In order to understand goal setting and decision making they put forward the view that there must be recognition that there exists within organizations a process of continuous bargaining. In this coalition members use various forms, of what could be called side payments, to induce others to join them in pursuit of their particular goals. For example, management attempts to induce investments by offering good dividends on shares of stock. Similarly, management offers such things as money, status and authority to induce employees to join and work for them. Simon's concept of the manager as one who reaches workable decisions i.e. satisfices rather than maximises is an important concept (Simon 1960). The goal setting process can be seen as one of bargaining.

This concept lies behind the Constitution which

has built into it mechanisms to allow bargaining between groups. Lord Scarman cited a lack of properly developed industrial relations policy as being a cause of the troubles at Grunwick, and 'procedural disarray' was found by the Donovan Commission to be a major cause of industrial strife.

Perhaps more importantly a constitution of the kind under consideration provides an example of a 'side payment' made by top management to other employees to join them. It would appear evident that if companies expect their employees to be committed and flexible for the sake of organizational effectiveness it is in effect asking them to be morally involved in the enterprise and to be committed to corporate goals. If a company expects this kind of commitment, it must for its part provide reward and conditions consistent with such involvement.

Cadbury (1983), when interviewed about the forms of representative participation which have been used for a long time in his company (Cadbury Schweppes) gives a feeling for how this can aid cooperation when he replied to a question about the long time it may take to gain acceptance for a change proposal. He said, 'We spent longer than we might otherwise on the preliminary stages of involving people and discussing the steps to be

taken - but spent a very short time in implementing. So we did not expand the span of decision making we altered the constituent parts. The other way around we would have made a very quick decision at the board level and we would have had one enormous hassle at the implementation level'.

This concept is consistent with Revans (1982) view when he defines management as embracing both the setting of a goal and the manipulation of resources to achieve it. He points out that a person who sets goals but makes no effort (or is not effective) in achieving them is not a manager.

An advantage of constitutional councils is that they can be viewed in different ways by the various parties - an important point in industrial relations. Management can see a constitution as giving them better control: blue-collar workers may see it as introducing a form of industrial democracy into the firm.

Various writers agree that one of the major benefits accruing to participation is that it provides the opportunity for the exercise of influence among those to whom it is important. Mitchell (1973) has maintained that 'participation will increase the likelihood that the employee will get what he wants'. The economist

J.K. Galbraith (1967) outlines his theory of motivation by suggesting that there are four ways it can be brought out

- by compulsion
- by purchase
- by identification (with the group or firm)
- by adaptation or influence.

This latter point, adaptation, is concerned with the ability of the individual to make the goals of the organization accord more closely to his own - whether this is perceived or actual may not be so important.

Barnard (1939) defines an organization as 'a system of consciously coordinated activities or forces of two or more persons'. Galbraith maintains in this connection that the important word is coordination. 'It means that the participating individuals are persuaded to set aside their individual purposes or goals and pursue those of the organization. All having done so, all work to common goals. They are coordinated. Motivation is the means or inducement by which such coordination is effected'.

If it is attitudinal change we are aiming for then various writers have recognised trust, and its opposite of mistrust, suspicion, anxiety and alienation as being an important element. Barnes

(1981) had this to say, 'Even though many managers might agree that trust in an organization is more important to its functioning than, say, authority and power, it seems that organizational trust is not always easy to develop'. Again Purcell (1981), 'Trust between the parties is clearly required for there to be good industrial relations. Similarly mistrust and antagonistic behaviour is prevalent in conditions of bad industrial relations'. To quote Douglas McGregor (1960) 'If we learn how to realise the potential for collaboration inherent in the human resources of industry, we will provide a model for government and nations mankind sorely needs.

Attitude may be affected by a number of things. It can be affected by the very concept of company and how this is communicated by top management. We have seen earlier that in the large Japanese companies "members" of the company are seen to be the people working for it, whilst investors are seen as another outside interest. At Glacier Metal employees were always referred to as "members" (Brown 1960). More recently in Britain, at BL the chief executive heavily stressed the importance of the business attracting external investment and laid emphasis on the part employees were to play in generating confidence (Edwardes 1983). We also mentioned earlier that EEC

thinking follows this line with respect to "insiders" and "outsiders" and may in time result in changes in company law. Certainly the way it is usually treated in Western countries the capital-labour model of corporation has the potential to be conflict oriented and very often is.

In continental Europe works councils and co-operative committees are much in evidence (Berry 1974). The title of the latter provides a clue as to the nature of many of these, however, the evidence seems to show that they do help to change the climate of industrial relations from confrontation (as in much of Britain) to a more corporatist stance. For instance, the classic German works council is not a confrontation body or, indeed, a joint body in any way. It provides a forum for discussion but does not have any real decision making power - nor is it a negotiating body. Indeed one of its functions is to ensure that all laws, ordinances, safety regulations and collective agreements are implemented and observed. Something of a policing body.

The kind of constitution we are considering is a quite different institution to this and most other works councils to be found. It will be worthwhile to remind ourselves of the features and predicted benefits claimed for it. The main features can be

summarized as follows:-

- it clearly separates representative from executive roles
- it clearly separates the legislative function from that of the executive
- all levels of an executive system are represented and involved.
- all members of council are of equal standing in their roles as councillors
- there is an independent chairman to run council meetings; he is not a councillor and has no voting right
- a public meeting is recommended
- any matter can be introduced to the council agenda by any member
- there is unanimous voting on legislative issues
- management member will present a report, and be open to questioning, on the state of the company/site business.

Some of the predicted benefits of the system are:

- it encourages participation in creating a legislative framework allowing, constitu

tionally, employees to control the policy framework within which they work

- Similarly, it encourages managers and others to make decisions provided that they are within agreed policy
- it provides every employee with right of appeal against managerial decisions which are not made within, and in the spirit of, agreed written policies*
- it does much to ensure that policies are fair and acceptable to all
- it recognises people as equal in being but unequal in doing
- it is at least a partially internalised system (in common with a typical Japanese enterprise union)
- it is localised
- it makes strike action unnecessary
- it aids understanding, communication and negotiation.

A way of looking at organization is by stressing that an individual working alone cannot usually

*NB. There cannot be an effective appeals procedure without clear, agreed policies.

fulfil his needs as this is understood in a developed economy, as well as he could if he cooperated with others. Underlying this concept of organization is the idea of coordination of effort in the service of mutual help. Human Societies have found that they can best achieve their goals if they divide up among their members the various tasks that need to be accomplished on the basis of innate talents or skills. The constitution outlined above has a primary aim of developing organizational policies and social practices which will permit some reasonable matching of human needs and organizational demands.

Managements, and companies, need cooperation from the workforce - cooperation being the shared effort on the part of individuals and groups to achieve jointly desired goals. In practice, much of British industry is in a state of conflict between managements and workforces and this is exacerbated by collective bargaining. Collective bargaining is essentially a competitive process, whereas cooperation is characterised by mutual aid. "Cooperative constitutionalism" (with an elaborate written constitution as in App. I) sets up mutual rights and obligations which once well established encourages the parties to abide by the constitution and not breach it.

Overall, what we are aiming for in such a company

constitution is social harmony. However, this must occur in a society (British society) where the norm is the exercise of countervailing power rather than consensus, and in an industrial society so structured as to stress capital-labour conflict. The social institutions built into such a company constitution encourage continual contact and exposure to issues of common concern to representatives of labour and capital who, in time, may come to trust and cooperate with each other. The evidence from the field study shows that the constitution can assist in changing attitudes and in building constructive and cooperative behaviour which helps to focus people on goals.

We have seen that there are many different ways used to generate employee involvement but in essence they divide into two schools of thought. The first, which a survey of the academic literature would suggest to be the more prevalent and conventional means as it is so dominant in the literature, is to do with the behavioural technology a manager chooses to employ in dealing with his subordinates and the way in which executive decisions are taken. The second, which the Glacier model fits into, is to do with the governance of enterprises. Really we are looking at two quite different things, even though the objective, of increasing organizational effective

ness, is similar. Research evidence reveals that the direct, rather than representative form, provides the more effective means of improving teamwork and developing individual motivation, but nevertheless, the case study clearly demonstrates the contribution councils can make in a rather negative (but necessary) area of industrial relations. It should be stressed that the two forms are not mutually exclusive but can be complementary to each other (this was also demonstrated in the field study).

Of the predicted benefits of the Constitution detailed above, the firmest evidence to support them is found with respect to strikes and the wide ranging nature of councils.

It is predicted that the Constitution makes strike action unnecessary. Examination of the Policy Document of The Glacier Metal Company Limited published in 1961 shows that 'The use of power by any group at any stage of the procedure is a breaking of the Constitution'. Or again to quote from the Draft Procedure Agreement (App. I) '...It is recognised that if a manager or any representative threatens to use power in an attempt to force change on others then such an act is a breach of the Constitution established by this procedure agreement'.

Wilfred Brown* (1971) stresses that a bargain must be struck between management and representatives of employees the terms of which should include

- that management will not attempt to introduce change in policy without unanimous agreement of council
- that the representative system will not try to force change on management by using threats and strikes
- in return for accepting that threats of strike, or actual strike action, are breaches of the Constitution, representatives are entitled to participate fully in the formulation of any policies, rules, regulations which they choose to make an agenda item
- representatives are entitled to any information about the company that can be provided and which does not in the opinion of the management member of council endanger the company or its ultra vires.

The evidence about strike action shows that since the inception of works councils at Glacier the company was virtually strike free over a period of

* Brown was chief executive of Glacier Metal for many years.

some thirty years, and this embracing various periods of general industrial unrest in the country, and in a company with poor industrial relations before their introduction. Excepting the minor incident mentioned earlier, Company X has also been strike free over the four years review period.

If we go on to examine some of the issues brought before councils in the two cases it can be seen that they are wide ranging. At Glacier subjects discussed have included pay systems, redundancy, the introduction of new technology, factory closure and night shift policies, and it can be seen from the minutes that given time Company X is likely to deal with equally broad issues in this way. Perhaps the biggest single issue to come before Glacier's London council was a strategic decision involving the company in selling part of its London Site and moving to another over one hundred miles away. Certainly this issue was management initiated but council was highly involved in the decision making and a team of experts was appointed to examine and advise on the feasibility of the move. It was decided, and agreed, that such a move should be made.

The two companies, Glacier and Company X, offer an interesting contrast with respect to trade union involvement in their constitutions.

In the Glacier model unionization of the workforce was well established prior to the development of its Constitution. The company's chief executive, Wilfred Brown, was himself both a member of a trade union (ASSET) and the Labour Party. Employees of the company were encouraged at all levels to themselves join trade unions.

At Glacier all representatives are elected by scrutineered secret ballot within work hours maximizing participation in the process. The trade unions grant shop stewards cards to representatives elected in constituencies where more than 75 per cent of the constituents are members of that union. Except for senior management, employees who are not union members are disenfranchised for election purposes but are represented by the shop steward who is elected. All council agendas and minutes are sent to the District Trade Union Offices so that any potential problems may be picked up. However, it should be stressed that negotiations are decentralized to within the company or site. Councillors and their constituents are all local employees. These employee representatives may be assisted by outside, paid officials of the union, but the unions employ the local elected representatives to act on their behalf. The role of union officials is to ensure that the shop stewards act within

official union policy. In practice, union officials take little part in the system.

At company X there was not a long history of a pluralistic structure in operation nor were trade unions well established in the firm.* Nevertheless it is notable that their constitution is operating union free even though provision is made for them.

In all important ways there is little to choose between the two systems even though their potential power structure is so different. Both have localised councils at site level minimising the rank and file feeling too cut off from the real strings of power and both are effectively internalised (Company X more so).

I will argue that the idea of having a system of industrial relations based on some notion of power equality is a fallacy. What is important to the governance of the enterprise is that it has a constitution which is pluralistic, which formally establishes the rights and duties of all the parties, and enables the company to be more responsive to public opinion (in this context public opinion means employee opinion).

* It should be noted that trade unions are well established in most other parts of the multi-national and Company X is rather the exception to the rule.

The kind of constitution under discussion has at first glance similarities with the British Constitution in that it clearly identifies three systems; legislative, representative and executive systems. Although the overriding philosophy is similar, it is really a superficial similarity for there are considerable differences. Certainly both operate on the basis of universal suffrage with the regular election, by secret ballot, of representatives. However, in the British Constitution there is a three stage process linking the systems for the executive (Cabinet) is usually drawn from the representative system (Commons) which in turn is drawn from the people. The Company Constitution has greater similarity to the American system of government where the House of Representatives emerges from the people but may have a majority view different to that of the elected President and the executive he appoints. In other words the majority in the House of Representatives may oppose the administration and thwart it which does not usually happen in the British system as the cabinet is drawn from the majority party in the House of Commons.

The power structure in a company is different to either of these cases. The key difference is that whereas in the British (or American) Constitution government is on behalf of the people in a company

that is not so: government, in the law, is on behalf of the owners of the business and, in effect, negotiation must occur between top management and employees.

Environmental factors impinge on internal conditions in a firm in that people's expectations about what it should be like to work in a company are altered. This can affect organizational climate which Schwartz and Davis (1981) define as a measure of whether people's expectations are being met or not. In Britain there has been a steady extension of the franchise during the nineteenth and twentieth centuries following the Constitutional crisis which led to the Reform Act of 1832. The happenings at Company X in 1977 were a demand by a significant part of the workforce for a better alignment between their rights as citizens and those of employees which led to a new Constitution. Whether democracy can be applied in companies is both a matter of debate and of definition. One way of looking at it, which can be valid in firms, is to suggest that in a democratic society government will be responsive to public opinion. A way which is invalid is to suggest that there should also be a choice of policies offered to electors and consequently the idea of alternative government.

A major alternative to a Constitution, and a

structure which is very common in Britain, is the closed shop agreement. At first sight this also appears to increase worker power and control (making the workplace more democratic) but the reality is quite different. A company faced with a confrontation model of industrial relations based on collectivism and the exercise of power will usually aim to get cooperation. One way of achieving this is the closed shop. Closed shop agreements are about increasing power. A company may see an ideal relationship with a trade union as being one where a strong union negotiates a collective agreement with the employer, and it is understood by the parties that the union will police the contract, in exchange the employer encouraging union membership.

The danger for the company of this arrangement is that when the union takes over policing the contract, management abdicates its responsibility for managing and leaves this to the shop steward. In extreme cases, the union, through the shop steward, acts the role of manager controlling reward, and as it now controls the supply of labour, it effectively controls appointments. Additionally, when pay is negotiated on a collective basis, usually a principle of equality rules and the recognition of individual merit is missing from the system. Not only can this kind

of situation lead to loss of management control, but there is a corresponding loss of rank and file control in the union, participation is minimised, and neither the company nor the union is responsive to public opinion i.e. rank and file worker opinion.

In contrast, constitutional government of enterprises featuring a multi-level council provides a forum involving representatives of all groups who regularly sit down and discuss issues. Such a council aims to expose conflict by bringing it out into the open and attempting to resolve it. In time this process has been shown to break down mistrust between groups and improve their understanding; to develop more positive attitudes with participants sharing certain ends and values which may allow them to be better prepared to give each other the benefits of any doubts which may arise. However, this is not the same as in the national setting, where the executive (the prime minister and cabinet) is periodically elected by the people, and is consequently likely to be more responsive to public opinion than top management in a company.

The idea in democracy of opposition is carried out in council at the time of the management member's report on the state of the business and any other matters of relevance. At this time

representatives of employees are free to question and criticise the representative of top management (and of capital).

An important by-product of a Constitution is tolerance. In the British Constitution, tolerance is a principle of long standing and has developed gradually from the struggles of the seventeenth century. Although it can be aided by laws it is still more an attitude of mind. This introduces the concept of permanence and a recognition that we are all attached to each other, dependent upon each other, and must get on with each other. A nation is a more or less permanent institution, and only in unusual situations can one leave it. In the setting of a nation tolerance is a necessity. In contrast, companies are much more short lived; although successful companies may remain in existence for a century or two, unsuccessful companies remain for a very short time. Further, the degree of permanence of a company's employees is even more short lived. In Britain (and America) most company employees are engaged with limited tenure contracts which can be terminated within a period of notice (commonly a week or a month) which does not encourage a feeling of permanent attachment. It is worth noting in this connection that employment conditions are more favourable in Japan where some people enjoy life

time contracts and this can encourage a stronger corporate feeling.

Additionally the nature of the contract often used in the West is rather specific limiting what will be exchanged. Usually in British companies the idea of the whole person being committed to the relation is only found in those filling high status, high discretion roles.

The third difficulty to be overcome in companies is that of membership. In nations the people are members of the nation and government is delegated by them, whereas in British Companies, the members are the shareholders and those involved in a Constitution are employees.

Why then should a Constitution work and be sustained? The evidence provided by the two cases is good - Glacier's Constitution has been in existence for well over thirty years and Company X's vigorous after four. This evidence is particularly encouraging when consideration is given to the changes of personnel in both firms. Glacier has had what can be identified as three different generations of management although it cannot be given a clean bill of health. When the third change occurred in the late 1970's the new regime was recruited from outside and there was a strong feeling to change all that was old. The

Constitution remains and is operational but it is not so vigorous as earlier. Company X's condition is more critical as the multi-national appoints its top management from a central pool on two to three year assignments. This Constitution was able to demonstrate its worth to the new management and became more rather than less vigorous. But then it is younger and not facing any life cycle problems.

There are two, or possibly three, major factors in sustaining a Company Constitution. First, is a concept of deterrence in that the alternatives (collective bargaining being one) are less attractive to all the parties. Second, is the firm's environment which, if it is itself democratic, will make a Company Constitution seem the natural way of managing enterprises. A successful Constitution will permit as much participation as possible and, as in democratic nations, will allow for management to be responsive to public opinion. It will embody democratic principles permitting free speech and freedom to criticise. This will have impact on leadership style for where freedom exists management will consist of persuading people rather than using coercive methods. Third, it must tolerate imperfections. For instance, to quote Glacier's Policy Document of 1965 'Realism

forces the recognition that power may be resorted to from time to time, and the Constitution broken. Such use of power does not necessarily, however, destroy the Constitution. Part of the value of having a Constitution is to be able to recognise clearly when it is being broken, so that due care may be exercised to avoid destroying it by such frequent breaks as would bring it into disrepute'. This paragraph gives some idea of the importance for everyone in a company with an established Constitution of the high regard in which it is held, and an awareness of its fragility if misused. Perhaps also it demonstrates a need for a pragmatic approach.

2.3 UNIVERSALITY OF EMPLOYEES DESIRE FOR PARTICIPATION

It was noticeable in the Company X case that the industrial relations problem was found in two areas: among blue-collar workers in a manufacturing site and in an engineering craft department. The other main areas - administration (including finance, accounting, sales and marketing) and business development (a multi-disciplinary development department involving market, product and manufacturing development) - were free of the difficulty. Similarly, the occurrence of collectivism was restricted to the

manufacturing and craft areas. When representation and participation was being discussed in 1977 the greatest involvement was in the blue-collar areas. When evaluating what had been achieved four years later, the greatest benefit from the Constitution was felt by the blue-collar workers, who were very enthusiastic, and top management.

This impression was heightened in 1981, when I realised that none of my interviewees were from the headquarters site or the business development department. I pressed to meet people from these areas but met with no success. The minutes clearly showed that the Headquarters Council met regularly and that business development staff took part in their site council. When I questioned the personnel manager and other interviewees on this matter I gathered that they did not do so with any great enthusiasm. This finding did not accord with my entry assumption of a universal desire for participation by all groups of employees, but examination of the academic literature and research evidence on value systems and reference groups goes some way to explaining it.

Organization and management theory has tended towards simplified and generalised conceptions of human motivation. Empirical research has consistently found some support for the simplified

generalised conception, but only some. Consequently, the major impact of decades of research has been to complicate our models of human nature and how to manage people. Not only do people have many needs and potentials, but the patterning of those needs changes with age, changes of role and with situations.

Variable behaviour based on situational realities has come to be called a "contingency theory", signalling the fact that there is no one best way of handling all situations.

Both Pearlin (1962) and Argyris (1964) in studying the alienation of workers in industrial organizations found cases of workers who were not alienated because their personal needs and predispositions made them comfortable in a highly authoritarian situation which demanded little of them, either because they did not seek challenge and autonomy or because they genuinely respected authority and status. In a classic study of four types of industrial workers Blauner (1964) found evidence for very different patterns of alienation depending upon the nature of the technology involved in the work. He defined alienation as being the resultant of our different psychological states which are, in principle, independent of each other: (a) sense of powerlessness or inability to influence the work situation; (b)

loss of meaning in the work; (c) sense of social isolation, lack of feeling of belonging to a work group or an organization; and, (d) lack of any self-involvement with work, a sense that work is merely a means to an end. Automobile assembly workers were found to be alienated in terms of all four criteria. On the other hand chemical workers operating highly automated plant had a great deal of responsibility for controlling the process, considerable autonomy and because of the high responsibility felt involved in the work. This kind of variation illustrates the danger of generalising about alienation among factory workers.

The classic Herzberg study of over 200 engineers and accountants highlighted that intrinsic factors motivated them most (i.e. factors which relate to the immediate interaction between the worker and the job).

Hackman and his colleagues (Hackman and Lawler 1971, Hackman and Oldham 1975, 1979) built on this foundation by analyzing a large number of jobs and identifying core job dimensions which if they are present may result in high quality performance. The basic theory underlying the model is that desirable outcomes both for the person, in terms of internal satisfaction and motivation, and for the company, in terms of performance, will result

only if the worker can achieve three critical psychological states.

1. The work must be felt to be meaningful, worthwhile or important
2. The worker must feel responsible for the work outcome
3. the worker must be able to determine in some regular and reliable way what results are achieved and whether or not they are satisfactory.

The core job dimensions should be devised to lead to the requisite psychological states. These dimensions are:

- A. **Skill variety:** The degree to which a job challenges a variety of skills and abilities
- B. **Task identity:** The degree to which a job requires completion of a whole and identifiable piece of work i.e. doing a job from beginning to end with a visible outcome
- C. **Task significance:** The degree to which the job has a substantial and visible impact.

The above three dimensions together, it is suggested, create the degree to which the employee experiences the job as meaningful.

D. Autonomy: The degree to which the job gives the employee freedom, independence and discretion in scheduling work and determining how it will be carried out.

This dimension is related to giving people a sense of personal responsibility, the second critical psychological state.

E. Feedback: The degree to which the employee gets information about the effectiveness of his efforts.

Although the job dimensions themselves are most critical, extrinsic factors such as pay, social conditions and company policies can act as dissatisfiers if they are not satisfactory. This school of thinking suggests, however, that extrinsic factors are not themselves good motivators.

Other researchers such as Maslow, Alderfer and McClelland provide theories about basic needs or motives which have similarity to each other, and are not out of line with Hackman's work. Maslow (1954) felt that the basic human needs were arranged in hierarchical order, and argued that higher order needs would not become active until lower order needs could be satisfied. His hierarchy (bottom to top) is (i) physiological needs (ii) safety needs (iii) affiliation - social

needs (iv) self-esteem needs - feedback from others (v) self-actualization. The strength of the theory lies in drawing attention to the variety of needs and motives which operate, but the evidence for the hierarchical notion is weak and the need categories tend to be very general.

Alderfer (1972) takes the Maslow needs and groups them into three more basic categories - needs for existence, needs to relate to others, and needs for personal growth. The approach acknowledges the possibility that not everyone has an equal amount of the basic needs, as Maslow seems to imply.

McClelland (1961, 1976) identifies three basic needs - for achievement, for power, for affiliation. Studies of different occupations have shown that, for instance, entrepreneurs, as contrasted with teachers or lawyers, tend to be higher than average with achievement motivation, and lower than average in affiliation motivation. They are most concerned with successful task accomplishment. By contrast, high-level general managers who have worked their way up tend to have high power needs and to display this power by trying to influence others towards the accomplishment of organizational goals.

The various need theories provide a useful set of

categories for analysing human motivation and research into them has stressed that different people are likely to have different needs and that these may be situational.

Clearly what these theoreticians and researchers are advocating is good managerial practice resting on organization design and job design coupled with sound manpower policies. Unfortunately it is not easy, particularly in low technology volume production operations, to design manual jobs reflecting these ideals and much alienation has occurred in industry. This has tended to result in an emphasis being placed on industrial relations and then palliatives, such as formal systems of employee participation and industrial democracy, are sought. In other words, when it is difficult, or even impossible, to employ intrinsic motivation we resort to extrinsic means.

The Herzberg study, which triggered much of the subsequent research into worker needs and motivation, was of course performed on professionals although later people tended to apply the ideas more widely. Professionals seldom complain about monotony, since the complexity of the work and the satisfaction of applying accomplished skills keeps them motivated. Likewise, alienation is not a major issue, since it is the professionals who normally control their own work. The clearest

evidence for self-actualization assumptions comes from professionals and managers who tend to be highly work involved and for whom challenge and meaningful work are central values (Pelz and Andrews 1962, Bailyn and Schein 1979).

McGregor (1966) suggests that 'whilst economic rewards are certainly important to the professional there is ample research to demonstrate that they do not provide the primary incentive'. He goes on to say that 'to realise the full potential of professional resources industrial management must permit and encourage self-control. Creative intellectual effort is a function of genuine commitment to objectives, under conditions that provide for a substantial degree of self-direction and self-control'.

Mintzberg (1979) provides an interesting way of looking at jobs in terms of the degree of specialization in, what he calls, the horizontal and vertical planes.

		HORIZONTAL SPECIALIZATION	
		High	Low
VERTICAL SPECIALIZATION	High	Unskilled jobs (Blue-collar & clerical)	Low level managerial jobs
	Low	Professional jobs	Other managerial

What he is saying here is that typical blue collar jobs are narrow and have little discretion, whilst senior management jobs, at the other extreme, are broad and have much discretion. Professional jobs (i.e. specialist) are complex and specialized horizontally but not vertically.

Value systems* are an important element in the individual's frame of reference. Pennings (1970) refers to the work of Seeman 1967, Turner and Lawrence 1965 and Friedlander 1965 showing that usually the value systems of white collar workers are intrinsically oriented, whereas blue collar workers attribute a greater importance to extrinsic values.

Merton's (1968) reference group theory can be used to explain differences in value systems. A reference group is a group or social collectivity the norms and values of which are accepted or rejected by an individual. Merton demonstrated that the amount of institutionalised upward mobility generates a vertical or horizontal direction of comparison. In companies with favourable advancement opportunities, individuals compare themselves with groups or collectivities of higher positions, whereas in systems with un

* Work-value systems can be defined as constellations of attitudes and opinions with which an individual evaluates his job and work environment.

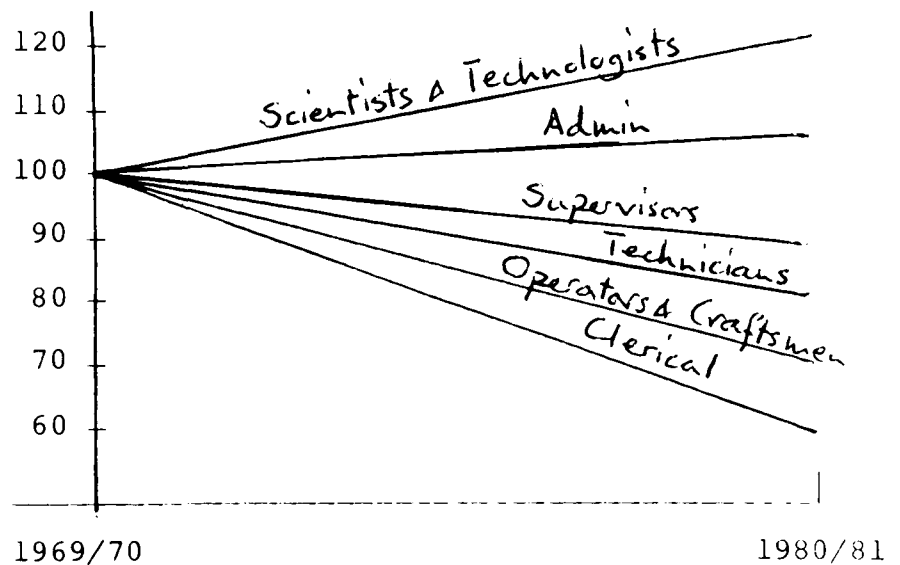
favourable advancement opportunities they compare themselves with peers.

Research in the Netherlands and the United States indicates that low status, white collar workers tend to have a work-value system rather similar to their fellow blue-collar workers (Friedlander 1965, Seeman 1967). Among high status white-collar workers, however, the work-value system is predominantly intrinsic.

Pennings (1970) in his study of a large electronic manufacturing company in the Netherlands also found two distinct white-collar categories could be discerned. Low white-collar workers belonged to the same formal level as blue-collar workers and shared unionization, salary level and fringe benefits with them, although they did not do manual work. High white-collar workers were more professional, had an individual job agreement and were not unionized. It was found from interviewing 314 people in the company that the importance attributed to intrinsic work aspects varied with expected promotion rates. Also, where there was high promotion expectancy the emphasis was on individualism, whereas where the promotion rate was low the emphasis was on collectivism.

It is clear from this review that the needs of higher capacity employees such as managers,

specialists and professionals are more readily satisfied through processes of delegation and career progression than is possible for blue-collar and clerical workers. In this context it is comforting that the problem is tending to reduce in fully developed economies, as the developments in technology require an increasing number of scientists and technologists whilst greater automation has led to a reduction of operators, craftsmen and clerical staff. Stout (1982) shows changes of numbers in occupations in the United Kingdom engineering industry. The same trends are seen in other industries.



The research into value systems and reference groups fits quite well with the Company X findings. At the installation stage in 1977, it was found that clerical personnel exhibited considerable interest in the system of participation

then being discussed. This refinement fits well with the earlier findings of Pennings, Seeman and Friedlander which divided white-collar staff into low and high status groups, and where low status white-collar workers tended to have a work-value system rather similar to their fellow blue-collar workers. The spread of white-collar unions in Britain gives further evidence on this.

In 1983, to test the theory that professionals are intrinsically motivated and looking for career advancement, I carried out a survey of a number of high potential people in manufacturing industry (mostly graduates and engineers). The line of questioning was with respect to what was most important to them in a job and what they were looking for from a company. Their responses to the former were such things as "challenge," "reward," "variety", "satisfaction" and to the latter career opportunity and progression.

3.0 SUMMARY AND CONCLUSIONS.

In this concluding section of the report I want to do two things. First, to summarise the factual evidence, and then to put forward various conjectures from the research which should aid its utility.

The case study demonstrates quite clearly that a programme of OD has the potential to successfully introduce change in organizations, and indeed in this application it achieved everything that was aimed for. The solution employed is certainly not typical of most OD programmes which are more likely to use behaviourally oriented processes such as the Grid, T-groups, Likert's System 4 or MBO rather than here, where a much more structural approach has been adopted: although aiming to alter behaviour it operates more in the socio-political field rather than that of psychology.

We have seen that much of the literature on participation is concerned with measuring what people who have not experienced it think about it. There are also a limited number of studies of people's attitudes to participative systems which have been imposed upon them. There are very few studies of the responses of employees to participative systems which have been designed and implemented to meet their expressed desires - or better, as in this case, that they have helped design themselves. Thus this report could be

of practical use to others working with OD in general, and particularly constitutions and works councils. It is a finding that we should be flexible using OD, matching the solution carefully to the problem to be solved and the results to be achieved.

Whilst I would not claim that constitutional management provides the most powerful means of improving teamwork and developing individual motivation (although it may help) the field study demonstrates the contribution it can make to industrial relations. Quite clearly if the original labour relations problems had been left untreated - as they were at Grunwick - then matters could have got worse, possibly resulting in open conflict between the various groups. As it is the provision of a Constitution has enabled the company to move from its former unitary system to the pluralistic structure which conditions in England encourage, and which was being demanded by a powerful group of employees. However, this is not a pluralistic structure based on confrontation as is often the case, but on cooperation. I am also impressed, writing in 1984, that the Constitution is now over six years old and has withstood changes in management and a major change in the political climate in the country.

We have seen from the case study evidence that the predicted features and benefits of the Constitution were realised. My viewpoint on proving or disproving

entry theories follows Popper's concept of research method i.e. that theories (or generalised conjectures) can never be proved true, but that we can have greater confidence in them as successive experience in the field fails to falsify them.

However, there were two unpredicted by-products of the project and they have given me much food for thought. The unpredicted aspects are that:

- those involved in the original unionization dispute withdrew from TASS when they saw the Constitution operating, and
- it was found that the desire for a system of representative participation was not wholeheartedly endorsed by middle-management and some other white-collar employees.

Such rapid withdrawal from the union was unexpected. My own view, and I still hold it, was that such a Constitution can operate with or without union involvement. Both Wilfred Brown and Bill Morton (Glacier's convenor) disagreed favouring unionization. I expected, and designed in, union involvement. In this particular company, which did not have a long history of unionization, it seemed likely to me that when the Constitution was well established, some employees might see union membership as being unnecessary and withdraw, leaving councils partly, if less, unionized.

This finding does unquestionably provide the most dramatic aspect of the project, and as a possible outcome of such a programme, will have an appeal to many managements. Equally, it may cause opposition to constitutional councils from trade unions. We do not have evidence about whether such councils operate better with or without unions. In practice, the degree of union involvement in such constitutions will depend upon local circumstances.

It is the second finding - representative participation's lack of universal appeal - which has caused most food for thought.

I entered into this field study in 1977 sharing a belief with other members of the Glacier school of management thinking that constitutionally-based works councils were part of the requisite organization of companies and other work systems. Included in this assumption was the idea that all employees (excepting perhaps some top managements) wanted to participate in a form of representative democracy. I came to realise during the research programme that this is incorrect.

Whilst I in no way wish to reduce the importance of constitutions in organization design, or for that matter, the place of other forms of participative management, it is now my view that they are only of secondary importance.

To discover what is of primary importance we should

look again at the nature and needs of companies.

Businesses operate in a competitive environment and must seek competitive advantage. In other words, they must gain a sustainable edge over their competitors. To do this they must first derive a competitive strategy (i.e. a business strategy). This will involve them in analysing themselves, identifying strengths and weaknesses, and deciding how they want to compete and what they want to offer a clearly defined market, both now and in the future.

Having developed a strategy, and made plans, it is then equally important that they are able to carry them out. Delivery requires goals to be identified, tasks to be distributed, and efforts to be controlled and coordinated to ensure that goals are reached. Here we are defining management's role; for management must embrace both the setting of a goal and the manipulation of resources to achieve it. It is here, in the manipulation of resources, that participation (including constitutional councils) has a part to play if viewed as a management tool.

It can be argued, as enthusiasts will, that participative processes will aid company effectiveness, and yet if we examine the structure of companies (including successful examples) we find that constitutional councils - a particularly thorough form of representative participation - are not very prevalent.

This leads me to the view that participation is only of secondary importance in organizing companies whereas it is essential to their success that they have

- requisite business policy and strategy
- an effective command and control system, and
- the right people in key jobs.

However, there are situations which can benefit from works councils. Equally there are others which will not. It will be helpful to future researchers and consultants in this field if, based on my experience, limiting conditions can be given.

The most likely procedure to successfully develop a constitution will, in my view, use OD principles. The case study draws attention to two pre-conditions which must exist if a major programme of OD is to be successfully applied.

First, there must exist a condition within the organization which causes sufficient discomfort to key members for them to want to change.

Second, it is vital to obtain the wholehearted commitment of the unit's chief executive to what is proposed.

I have seen, and been involved in, other large scale OD programmes which have not been so successful and I

now realise that a major reason for their failure was that one or other of these pre-conditions did not exist.

Turning now to organizations where constitutional councils themselves should succeed. They will feature:

- Managers who feel secure in their positions. If they are insecure, they will perceive any participation by subordinates as a threat to their authority and undermining their status.
- Managers who are open-minded to subordinates' suggestions and who give credit to good ideas.
- Employees who want to become involved and have the capacity to participate.
- Units which enjoy sufficient autonomy, however, it will be remembered that Company X only had limited autonomy within its multi-national corporation.

These features point towards a firm which has first well structured its executive system, and is reasonably decentralized. Where the managerial hierarchy is weak, representative participation is unlikely to flourish (it is therefore likely that participation will fit better in successful companies).

It is also worth stressing that my experience suggests that councils will not make a significant contribution unless they are wanted by employees. In places where competitive individualism reigns, compounded in firms with good institutionalised upward mobility and where jobs provide intrinsic motivation, people's value systems will not welcome representative participation. The published research evidence about value systems supports this conjecture.

From this it is clear that constitutions should not be applied in an unlimited way and do not provide a panacea to cure all ills. And yet they can, in the right circumstances, provide a solution to industrial relations problems as this report demonstrates. Equally, they can introduce democratic principles into companies with benefits to both managements and employees. Government can now be carried out with the consent of the governed, both legitimising it and making it more responsive to employee opinion. Councils should improve workers' understanding of managerial decisions and lead to an attitudinal change at least partly based on increased trust. They therefore have the potential to give rise to an inclination to leave management to manage and for both parties to find that they have increased control.

Finally, we should recognise that constitutions can be fragile and face life cycle problems where "what is old must be changed" (although both Glacier and

Company X are encouraging examples with their longevity).

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APPENDIX

DRAFT PROCEDURE AGREEMENT

GENERAL PRINCIPLES

1. The management and employees have a common objective to ensure the continuance of the operations of the company in the development, manufacture and marketing of its products and in ensuring the efficiency of those operations in the interest of employees, shareholders and customers.

2. Management must possess authority to make decisions about the operation of the company. The bounds of that authority, however, are limited by policies set by directors on behalf of shareholders, policies established in the contracts negotiated with customers, and policies agreed in negotiation between management and the representatives of employees.

Thus management recognises the power of employees to set limits to the extent of their decision-making authority whilst employees recognise that within those limits management have the authority continuously to make the decisions (subject to individual appeal) which are necessary for the efficient operation of the enterprise.

3. It is recognised that continuous changes in the policies bounding the decision-making authority of managers is

inevitable and that where they affect the interests of employees they cannot be changed without the agreement of the representatives of all who might be affected. Accordingly, a policy-making institution shall be established in the form of a company or an area council* composed of the chief executive and representatives of all strata of employees.

4. Effective agreement on policy changes requires that all members of a council shall individually possess the right to veto proposals from other members until such modifications have been made as to render them tolerable and that the status quo shall continue to operate until agreement is reached. It is recognised that if a manager or any representative threatens to use power in an attempt to force change upon others then such an act is a breach of the constitution established by this procedure agreement.
5. An individual employee shall have right of appeal to higher authority against a manager's decisions if they are felt to be unfair or unjust to the individual or not in keeping with the terms and spirit of agreed policies.
6. Every employee shall have personal right of access to the manager who allocates work to him, has personal

knowledge of his performance, and has the authority to make decisions about him based on that knowledge.

* Experience suggests that negotiating bodies operate best when they contain representatives of employees working within the same geographical area. Where a company operates establishments in different areas it will be found necessary to establish an area rather than a company council. In such a case it would be the chief executive of that area rather than of the company who would sit as management member. Similarly when setting up appeals mechanisms it would be the area chief executive who would preside at the final stage.

NEGOTIATING PROCEDURE

Intention

1. The company and the employees agree that it is in their mutual interest to observe a Negotiating Procedure by which all issues arising between them can be resolved as speedily as possible.
2. The use of power or threat of use of power either by managers or representatives in an attempt to force through a proposition at any stage of the negotiation is a breach of this procedure.
3. Issues which affect one person only and are a question of felt unfairness within existing policy will be dealt with under the Appeals Procedure.
4. Issues which affect one section only and are not felt by other representatives to affect their sections, will be negotiated between management and the representatives or representative of that section.
5. General issues affecting all sections will be referred to the Council.
6. Normal earnings will be paid to employees in respect

of time spent in meeting management to resolve issues.

Procedure

1. Employee Representative/Section Manager

1.1 If the employees are not satisfied with the conditions on their section the representatives will raise the matter on behalf of their constituents with the section manager.

1.2 The section manager concerned must meet the representatives with the least possible delay and will use his best endeavours to resolve the issue consulting with other members of management if he feels this to be necessary.

2. Representative/Higher Management

2.1 In the event of the section manager being unable to reach agreement with the representative rapidly he will refer it to a higher level of management and the negotiations will continue there.

2.2 If, at the beginning of the discussions between the section manager and the representative, the section manager realises that the changes sought are outside his personal authority, then he will ascertain who is the manager possessing the required authority and refer the matter to him immediately.

3. Council

3.1 If discussions between the representatives and higher management fail to resolve the issue then at the discretion of either representative or management, the matter will be placed on the agenda of the next meeting of the council.

3.2 Issues which involve more than one section or which can affect all sections may, at any stage in the Negotiating Procedure, be referred to the council.

3.3 Should the issue in question require urgent consideration then either the representatives or management may call for an extraordinary meeting of the council.

4. Group Industrial Relations Manager/Trade Union Official

4.1 If at any stage of negotiation either party to the discussion feels that the presence of a personnel officer and/or trade union official would assist in clarification of the issues, then he or they will be asked to attend the negotiations.

4.2 Should the most senior personnel manager feel that the issues under negotiation are of importance to other areas of the group, then he has the right to be present.

4.3 Management will refrain from agreeing changes with trade union officials without the presence of elected representatives of the employees who may be affected.

5. Trade Union Representation

If the majority of members in a department vote a union member as their representative and that representative wants an official of the union to assist him in discussion with management, then management will meet that official.

APPEALS PROCEDURE

1. Every employee shall have right of appeal against any decision made by his immediate manager which:
 - (a) he believes to be an infringement of agreed policy, or
 - (b) he feels to be unjust in its affect on himself.

2. The manager hearing the appeal will be referred to as the Presiding Manager. The Presiding Manager will ensure before proceeding with an appeal hearing that the appellant has discussed his grievance with his manager before appealing.

The Presiding Manager will record in words agreed by the appellant and the defendant the nature of the decision in dispute and the redress sought.

The Presiding Manager will give his judgement in the presence of both the appellant and the defendant and shall record it in writing.

3. Should it emerge during an appeal that the appellant is in fact seeking changes in existing policy rather than reversal of his manager's decision, then the Presiding Manager will discontinue the proceedings and advise the appellant of the appropriate channels through which to pursue his objective.

4. Right of appeal shall lapse unless the employee notifies his intention to appeal within three working days of first being informed by his manager of the decision against which he wishes to appeal.

If the lapse of time exceeds three days then right of appeal is at the discretion of management.

5. Managers shall be accountable for ensuring that successive stages of any appeal are heard with the minimum possible lapse of time. They should be heard in terms of hours and days rather than weeks.

6. The appellant is allowed and advised to have present at an appeal his representative to assist him in presentation of his case. Alternatively, the appellant is permitted to have present another employee from his department or section or his trade union official.

7. The appellant and defendant have the right to call witnesses. Such witnesses will leave the appeal hearing when they have given their evidence and answered questions.

8. When the appeal of an employee is upheld the manager whose decision has been set aside shall himself have right of appeal to the next higher level of management.

9. The Presiding Manager shall prevent criticism by those present at a hearing of other persons not present. If threats of any kind are made the Presiding Manager will suspend the hearing until such threats are withdrawn.
10. If appellant and defendant agree, the issue in dispute may, at any stage of an appeal, be taken for advice but not for decision, to a personnel officer.
11. The most senior personnel officer or his nominee has the right to be present at any appeal hearing.
12. After the final appeal before the chief executive (of the company or of the area as the case may be), if the appellant remains aggrieved he has the right to be heard by the committee of which his representative is a member. If a majority of that committee of representatives believes that injustice persists in the case of the appellant they have the right to discuss the matter with the chief executive.

DISCIPLINARY PROCEDURE

1. Intention

Sanctions must be available to managers to assist them in ensuring that agreed procedures, rules and instructions, are adhered to by their immediate subordinates and to be able to deal with subordinates whose performance is inadequate.

2. Sanctions

The sanctions available to managers are as follows:

2.1 To indicate to an immediate subordinate that he is losing opportunity for promotion or for increase of remuneration.

2.2 To transfer an immediate subordinate to another role within his immediate command which involves different work in hope that the subordinate will perform better.

2.3 To have an immediate subordinate removed from his position (deselect) and made available to the personnel department as a possible candidate for other vacant roles within the organization.

2.4 A manager who believes that a subordinate is guilty of conduct which is prejudicial to the safety of other persons or of equipment may instruct him to leave the company's premises and take such steps, within the law, as will lessen such danger.

3. Procedure

3.1 A manager who is critical of an immediate subordinate's performance or behaviour must take all reasonable steps to inform the subordinate, to discuss the situation with him, to give further training if he feels it appropriate and, in general, to give him time to improve his performance or conduct.

3.2 If the foregoing does not produce improvement then the manager must give the subordinate a first formal warning which the manager must record in his presence.

3.3 If performance or conduct continues to be so unsatisfactory that the manager decides that de-selection may be necessary he will give his subordinate a warning in writing of his intentions to de-select if performance or conduct has not improved within a stated period, state details of his criticisms and inform the representative of the written warning so given. The subordinate may, if he so wishes, have his representative present when this second written warning is given. The written details of the warning will be removed from the employee's record after 12 months.

4. Right of Appeal

As with all managerial decisions, those listed in this section are subject to appeal.

THE REPRESENTATIVE SYSTEM

Intention

1. The company has need of employee representatives in order that it may be aware of the viewpoint of its employees in all sections and at all levels.
2. The company acknowledges its duty to recognise and to be available to meet representatives of its employees.
3. The company recognises that employee representatives are elected to state the views of their constituents which may not necessarily coincide with the personal views of those acting in a representative role and that representatives have the duty and right to express their constituents' views.
4. It is agreed that employee representatives, if they are to undertake their duties effectively must be given time off from normal duties in their role of employee. A request must be made by the employee representative to his immediate manager for permission to leave his job in order to attend to his representative business. Such a request may not be unreasonably withheld.
5. Where the numbers employed in a particular area or stratum of employees justify, in the opinion of the management, further facilities for the chairman or secretary or convenor of a committee of representatives,

these will be provided and may cover an office, telephone, notice boards, secretarial assistance, document copying facilities and relief from some or all work periods.

6. The Representative System is composed of constituents, constituencies, elected representatives and committees of representatives. Decisions as to the boundaries of different constituencies, methods of election of representatives and the committees which they may form are matters for employees to decide. The efficient working of the company will be rendered more difficult if constituency boundaries fail to coincide as far as possible with the organizational structure which divides the company into departments, offices and functions. Management is therefore concerned about the structure of the representative system and shall be provided with opportunity to comment before any particular arrangement is adopted.
7. Management must know what the structure of the Representative System is and be assured that the methods of election of representatives have been formalised and appropriately conducted so that it can ensure that it meets only with duly authorised representatives.
8. Management would feel assured on (7) above if the

following methods of election of representatives are operated.

Election Procedure

1. Where large numbers of constituents take part in an election process a danger arises if a single ballot method is used of the person or persons being elected by a minority of constituents.
2. Accordingly, a double ballot method should be used as follows:
 - 2.1 The first ballot shall be to nominate candidates for election. Any constituent may nominate a candidate if he can find a seconder.
 - 2.2 The number of candidates standing for such election shall be twice the number of vacant representative roles to be filled if that number of candidates is available.
 - 2.3 If the number of candidates nominated in the first ballot shall exceed the number required, then those candidates receiving the highest number of nominations shall stand. The number of candidates shall be increased if necessary to include those tying for the last places.
 - 2.4 In the second ballot those candidates, up to the number to be elected, receiving the highest number of

votes shall be deemed elected.

2.5 In the event of a tie those tying shall take part in a third ballot.

3. All ballots will be secret and will take place during working hours. They will be conducted by existing representatives or, if none exist in a constituency, by a combination of representatives from other constituencies and personnel officers.
4. Administrative assistance, nomination forms, voting papers, ballot boxes etc. will be provided by management on request.
5. Representative committees (subject to the agreement of management which shall not be withheld unreasonably) may invite officials of recognised unions to visit the company's premises to scrutinise the conditions under which the elections are held.
6. Elected Representatives will assume office on the first day of the month following the ballot and will hold office for 12 months.

CONSTITUTION OF COMMITTEES OF REPRESENTATIVES

1. The committee shall be known as
representative committee.

2. The functions of the committee are as follows:
 - 2.1 To co-ordinate the work of those who are elected by different constituencies either as representatives of the same strata of employees or of employees who are members of the same trade unions.
 - 2.2 To decide the boundaries of constituencies and methods of election of representatives.
 - 2.3 To organise and scrutinize the election of representatives and to organise elections to fill casual vacancies in constituencies.
 - 2.4 To be accountable to employees generally for ensuring that representatives carry out their duties in a constitutional manner.
 - 2.5 For co-ordinating the view of representatives in order to protect their interests and be able to provide management with a general picture of the views of employees.
 - 2.6 To act as a co-ordinated means of communication with relevant trade union officers.
 - 2.7 To elect from the members of their committee persons to serve on the council.
 - 2.8 To negotiate with management on matters affecting the employees whom they represent and to refer to the area council issues upon which agreement with management

is not achieved.

3. The committee shall be composed of all duly elected representatives from all the constituencies for which the committee is accountable.
4. A majority of members of the committee shall constitute a quorum of any ordinary committee meeting.
5. The chairman and secretary shall be elected by the committee at its first meeting following the annual election of representatives. They will serve as committee members for 12 months subject to removal at any time from office if a resolution to this effect is supported by 75% of the members of the committee.
6. The committee may instruct their council representatives upon the matters which they wish to have placed on the council agenda.
7. The committee shall normally meet at least once each month and at a time which enables them to consider the agenda of the next council meeting.
8. Minutes of each committee meeting shall be kept by the secretary, approved at the following meeting of the committee and shall be available to all members of constituencies coming within the ambit of the committee.

9. Proposals for amendment of this constitution shall be published to members of all the committee's constituencies at least 28 days before the committee meeting at which they will be considered. Amendments shall be dealt with at an extraordinary meeting of the committee at which a quorum will be 75% of members of the committee. Amendments to this constitution will require the support of at least 75% of those attending an extraordinary meeting of the committee.

10. When a committee is composed of representatives of a stratum of employees which contains members of a trade union or trade unions recognised by management, then that committee shall contain within its membership at least one representative who is a member of each recognised trade union. Each committee will have power to co-opt such trade union members in the event that the body of duly elected representatives do not contain such trade union members.

COUNCIL CONSTITUTION

1. The Council shall be known as the council.

2. Scope

The scope of discussions shall cover any reasonable subject but no alteration of conditions controlled by National Agreements between trade unions and employers shall be made without reference to the appropriate trade unions, except where members of those trade unions on the council have been clearly authorised by their respective trade unions to enter into such agreements.

3. Authority of the Council

Every member of the council (including the management member) shall have the right of veto over motions before the council except the motions on procedure. Each employee member of the council must be reasonably confident before he gives an affirmative vote to a resolution:

- (a) that the broad concensus of opinion in the constituencies and committee which he represents, will accept the result as being at least tolerable, and
- (b) that the result of passing the motion will not be inconsistent with the policies of any trade union which is recognised by the company and of which he is a member.

In order to give an affirmative vote to a resolution the management member of the council must be confident that he will be able to implement the results effectively and that the resolution is consistent with his terms of reference from higher managerial authority from within the company. In the case of a managing director of a total company he will have, before voting affirmatively on a council resolution, to be confident that the outcome will be consistent with his terms of reference from the board of directors and will not put at risk the relation of the company to its customers nor be inconsistent with contracts negotiated with them nor be inconsistent with the law.

4. Functions

4.1 To decide the policies within which management will have full authority to make decisions in operating the organization.

4.2 To revise, clarify or change old policies.

4.3 To establish a written code of policies covering all conditions of work.

4.4 To consider any matters placed on the council agenda in due form by members of the council.

4.5 To receive from the management member at its ordinary meetings a report on the affairs of the organization including such matters as market demand, forward load of work, organizational change, new plant

or buildings, products, or new markets under consideration, where such matters can, in the opinion of the management member, be discussed without endangering the competitive future of the company or infringing the rights of shareholders.

4.6 To resolve disputes arising within the organization concerning conditions of employees.

4.7 To negotiate and decide upon differential grades and brackets of wages and salaries and other entitlements as between all strata, departments and occupations of employees.

4.8 To refer for discussion and negotiation between management and representative committees or individual representatives, matters raised before the council which are not of sufficiently general concern to warrant discussion by the council and which seem capable of resolution at lower levels of the organization.

5. Composition

The council shall consist of members all of whom shall be employees of the company, as follows:

- (a) The management member who shall be the chief executive of the company or of the area, or his nominee.
- (b)members of therepresentative committee
- (c)members of therepresentative committee
- (d)members of therepresentative committee
- (e)members of therepresentative committee

6. Quorum

A quorum of the council shall consist of the management member or his nominee, a majority of the members elected by each constituent committee of the council who shall include among such members at least one member of each trade union recognised by management.

7. Officers of the Council

7.1 Chairman. The chairman shall be elected by the council from employees of the company at the first meeting of the council following the annual election of its members. To become duly elected the successful nomination must have the support of a majority of representative members of the council and of the management member. The chairman shall not have power to vote. If an elected member of the council be elected as chairman he shall vacate his voting place on the council and the appropriate committee shall elect another member in his place.

In the event of the management member being elected to the chair he shall retain his vote.

The chairman shall hold office for one year from the date of his election, he shall be eligible for re-election, he shall be an ex-officio member of the council for four months after another chairman has been elected in order to assist the new chairman with his duties.

7.2 Vice-Chairman. A vice-chairman shall be elected by the council from among its members. He shall have the power to vote and will take the chair in the absence of the chairman.

7.3 Secretary. A secretary to the council and to the council's steering committee shall be elected by the same procedure as for the chairman. He shall hold office for two years. He shall not be an elected representative of any constituency during his term of office as secretary.

The secretary will not be a member of the council but shall attend every council meeting and meetings of the council's steering committee.

When vacating office at the expiry of his term he shall, unless council decides otherwise, make himself available at council meetings, and otherwise to assist the newly-elected secretary during the first two months of his term of office.

7.4 Steering Committee. The steering committee of the council shall consist of the chairman (who shall have no vote) and one member of council drawn from each of the constituent representative committees of council and a nominee of the management member of council.

The function of the steering committee shall be to take such action on behalf of the council between

meetings as shall be necessary. Decisions of the steering committee shall be by majority vote of its members but such decisions shall be subject to ratification by the council.*

The council, by resolution, may charge the steering committee with accountability for carrying out studies of situations, production of reports for council and other such duties.

8. Procedure at Council Meetings

8.1 Voting. There shall be two types of voting procedure:

(a) Unanimous voting which is required on policy decisions. This creates the power of veto.

(b) Majority voting on matters of council procedure.

The power to decide when a matter is one of council procedure shall be vested in the chairman who shall rule before a vote is taken.

8.2 Any employee of the organization may attend as an observer at ordinary meetings of the council when they are held outside normal working hours. Those attending in this way shall remain silent. They may be evicted at the decision of the council chairman. If, in the opinion of the chairman or the management member of the council it would be detrimental to the interests of the company for the business of the council to be discussed in the presence of observers, such

* Experience has shown that most decisions of such a steering committee are procedural rather than on matters of policy or principle.

business shall be discussed in camera.

8.3 Defeated Motions. If a substantive motion is defeated on a formal vote at the council meeting further discussion shall not take place on that subject until a subsequent meeting of the council.

8.4 Indicative Voting. The chairman shall have power during discussion of a matter of policy to call for indicative votes to test the opinion of the council at any stage of the discussion.

9. Meetings

The council will normally meet once each calendar month and at the close of each meeting shall decide upon the date of its next meeting.

10. Extraordinary Meetings

The council chairman shall have power to convene and, at the request of the management member, shall convene a meeting of the council at any time.

11. Co-options to Council Meetings

11.1 The management member shall have power to co-opt other managerial personnel for advisory purposes and to expedite business.

11.2 Members of the council elected by any constituent committee of council may co-opt for any specific item one other employee of the company or an official of a

trade union recognised by management.

11.3 Co-opted members shall not have power to vote.

12. Power to Amend Constitution of the Council

The council has power to amend the constitution, subject to:

(a) the attendance of 75% of its members;

(b) the giving of notice of the proposed amendment

28 days before the meeting to the employees of the organization and to the local officials of the recognised trade unions;

(c) the resolution being subject to a unanimous vote.

13. Communication

The agenda and minutes of council meetings shall be published without delay and be available to all employees of the company.

Policies formally decided by council shall be assembled suitably in loose-leaf books, copies of which will be held by all elected representatives, and will be available to employees in all departments and offices of the organization.



GO SOCIETY PURPOSE AND VALUES STATEMENT

To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

Note: inspired by the work of Wilfred Brown and Elliott Jaques

The *Global Organization Design Society* was founded in 2004 to establish and operate a worldwide association of business users, consultants, and academics interested in science-based management to improve organizational effectiveness.

The GO Society fulfills its purpose by:

- Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.
- Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.

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