

Partnership *in crisis*
Trust and consensual relations in the financial services sector

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Abstract:

In the last decades, many organizations have moved away from traditional adversarial approaches, such as collective bargaining, to a model of participation through which all the parties (employers, employees, unions) can achieve their aims. These new practices include a variety of initiatives, such as the adoption of collaborative relations with unions, the introduction of new work practices around team working and a variety of other participatory practices. The economic crisis that erupted in 2008 has changed the socio-economic landscape and prompted managers and scholars to allocate more effort to understanding and addressing its effects on organizational practices and outcomes. After many prosperous years, this traumatic experience has had profound impact on industry. The present research is concerned with examining the effects of the recent recession on firms which had adopted new work participation practices like workplace partnership arrangements and what have been the consequences at the organizational level and at the level of employees. To address this research objective, a case study method will be employed. Particularly, a most 'extreme' case will be chosen- that of an organization in the financial services sector- where the crisis is really severe. A series of in-depth interviews will be conducted. Data obtained through in interviews will be triangulated with documents analysis, and surveys to fully understand and explain the phenomenon.

Keywords: new work practices and human resources, partnership, recession, employee participation, trust

Theoretical background

In the last decades, with the declining power of unions and increasing employer initiatives a new paradigm of new work and human resources practices emerged (Godard, 1997; Ichniowski, et al., 1996). Many organizations progressed away from the traditional adversarial approach to a model of participation through which all the parties can achieve their aims.

The new work practices or high-involvement work practices are defined as specific actions that “seek greater degrees of flexibility in work organization, cooperation between labour and management, and worker participation in decisions and financial well-being of the company (Ichniowski, et al., 1996)“ They are initiated by managers as it is believed that they have a positive impact on performance. By having in place structures to consult with staff on changes, the company is more competitive as this allows the company to react to changes in the environment more rapidly. Workplace Partnership (WP) is a form of high-involvement or new work practices that allows workers and unions strong participation in decision-making at all levels within the organization (Kochan et al. 2008); it includes both direct (team working, quality circles, suggestion schemes) and indirect types of participation (trade unions representation). In this study, *workplace partnership is thus deliberately connected with a broader research debate around new work or high involvement organizational practices.*

Despite the numerous publications that looked at the diffusion of new work practices, in their review of the literature Marchington et al. (1994) draw attention that more research is needed to study the survival of high-involvement work practices in different contexts.

The economic crisis that erupted in 2008 has changed the socioeconomic landscape. After many prosperous years, this traumatic experience had a negative impact on each sector and a lot of aspects of society and prompted managers and scholars to allocate more effort in understanding and addressing its effects on the organization. Managers acknowledge there is little they can do about the economy at large. But there are things they can do to protect their companies, their employees, and themselves and hedge against organizational disaster. The present research has two main goals. First, it intends to examine the effects of the recent recessionary conditions on

new work and human resources practices and the consequences at individual and organizational level. Second, the study aims to test how powerful tool the new work practices are to help organizations overcome difficulties and how they should be reconfigured to face the challenging recession period.

In light with these goals, the research intends to answer the following research questions:

How do we engage employees during the recession? How do we reconfigure the new work and human resources practices to suit the economic context and to face the challenging recession period?

What is the impact of new work and HR practices on different outcomes within the organization (*individual*: level of trust, commitment, satisfaction, stress and *organizational level*: performance, competitiveness, turnover, absenteeism).

By addressing the above mentioned research questions the study attempts to make several contributions to extend the literature on new work practices in organizations:

Research on high-involvement work practices constitutes a valuable contribution to our understanding of organizational life. During the last years scholars allocated attention to the topic which “appeared to have become the subject of such an hyperbole” (Godard, 1997). Despite of the amount of research published, there are few studies that investigated what happens to new work practices (once implemented and operating successfully within one organization) in the context of severe financial crisis. The present study intends to contribute to the development of the theory on high-involvement practices and on the debate in the field by applying it to a new context- that of a severe recession, the worst recession since the Great Depression, when the organization future survival is under threat- and to advance our understanding of how these work and what are the human consequences of the financial crisis in the companies. Studies as such are rare as the last few decades, since the literature on the topic of new work practices developed, organizations did not face such a severe crisis, and therefore these questions remained unanswered in the literature.

From a practical point of view, the study can be considered as a practical test of the principles highlighted by the Irish Government in *Towards 2016* framework. Through this national framework agreement the Government aims to create “a high-performance and high-quality workplaces in Ireland based on high-participation working practices that generate mutual benefits” and invites the employers and trade unions to use this guide and take practical steps to become “Workplaces of the Future” (National Centre for Partnership and Performance-<http://www.ncpp.ie/>). The present study intends to investigate how sustainable are such principles during the current severe financial crisis.

Theoretical framework

The debate on high involvement work practices and employee participation and involvement has evolved over time, with the declining power of unions and increasing employer initiatives. As Godard & Delaney (1999) mentioned in their paper, there was a “shift away from the focus on labour institution to a new paradigm of new work and human resources practices”. This new work and HR practices became popular among managers as it is believed they have positive impact on performance through enhancing cooperation between management and employees, determining employees to intensify their effort in achieving the organizational goals and sharing information in order to achieve “mutual gains” with the employer (Ichniowski, et al., 1996; Kochan & Osterman, 1994; Pfeffer, 1996)

The literature on new work practices developed in three directions: “intensification literature”, “commitment”, “re-regulation view” (Geary, 2003) . Briefly, the first one highlights the fact that the rhetoric might be one of worker empowerment, employee participation, but the prime objectives remain more efficient production and more effective management control. At the core of the second perspective is the belief that enhancing job security, empowering and training will have a positive impact on employee commitment and this will lead to enhanced performance. Finally, the third perspective, the so called “re-regulation view” (Geary, 2003) argues that reorganization of work triggers a mixture of costs and benefits; the proponents of this perspective argue that although employees have greater responsibility and involvement in their work, managerial control was not eliminated, only redefined.

Methodology

To answer the research questions, the case study method will be used, as this research is interested in capturing extensive and in-depth descriptions of the new work and human resources practices in organizations and their impact on employee attitude and behaviour and ultimately on performance. In addition, this method offers the opportunity to generalize back to theory (Yin, 2008) and thus to further contribute to theory development (which is the aim of science). More specifically, the *critical case study* will be employed because it offers the researcher the possibility of choosing a particular well-targeted test of the theory.

In the present study, a most extreme case will be chosen- that of an organization in the financial services sector- where the crisis is really severe. The company has branches throughout Ireland, is unionized and has new work and human resources practices in place (in the form of a workplace partnership agreement between management, union and employees). The Partnership was born in 1990 of a bitter industrial dispute and the company developed in a favourable, increasingly competitive commercial environment. A previous study (Geary & Trif, in press) looked at the development and the benefits of partnership approach for the stakeholders in this large organization in the financial services sector. The present study intends to continue the research on high-involvement practices in this organization by investigating what happens with new work and human resources practices, once in place, during a severe economic crisis. How do managers and scholars reconfigure them in order to engage employees and face the challenging recession period and what are the consequences at the individual (level of trust, commitment, satisfaction, stress) and organizational level (performance, competitiveness).

In addition, using a single large organization has the advantage of keeping the variation across industry and organizations constant.

For data collection in-depth interviews with key informants at the *corporate level* will be used to gather information on new work practices (team working, quality circles, suggestion schemes and union representation) and management policies and practices used to support them (e.g. employee selection, training, performance management and remuneration); CEO will be solicited

information on competitive strategy and business performance. At the *branch level* managers, employees and union workplace representatives will be investigated with regards to their perception of these practices and the impact on their attitudes and behaviour.

Data from interviews will be triangulated with document analysis, and surveys to fully understand and explain the phenomenon.

Interviews and documents analysis will be analyzed using content analysis.

For surveys a stratified probability sampling procedure will be used in order to reassure that the pattern of replies is representative for the workforce and obtain reliable data on the views of the stakeholders (employees, managers, and union representatives). Data will be analyzed using descriptive statistics and regression analysis.

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