

# Employee participation and performance



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In the first instance is necessary to define both employee participation as well as what is meant by performance. Employee participation may be defined as the process by which employees are involved in the decision making process of a business rather than merely being expect to following instructions (Times 2009) and as such this forms what is referred to in HR as empowerment. Performance on the other hand can be considered from two perspectives, firstly there is the performance of the individual in question and how their personal performance is affected by the concept of employee participation. Secondly there is the performance of the organisation as a whole to consider and how this will change with varying degrees of employee participation. As such the essay will analyse performance from these two perspectives before drawing a conclusion as to the perceived benefits for both parties.

### **Approaches to employee participation:**

Traditional views of the organisation and approaches to management have seen a clear distinction between the tasks of managers and those of the grass roots level employee. Advocates of this view such F W Taylor (1911) and others within the scientific management school of thought sought to increase productivity and thus performance by deskilling the workforce and breaking tasks down into the most minuet component jobs so as to take advantage of specialisation of labour. The policies implemented by such advocates may be seen as the exact opposite of those who support the theory of employee participation as the scientific school of management sought to centralise power and control into the hands of managers rather than devolve it to the workforce. From a performance perspective the introduction of scientific management techniques saw significant dividends

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yielded to those who employed them for instance production at the Bethlehem steelworks was maintained with a reduction of labour from 500 to 140 (ACCEL 2009) meaning that performance per employee had increased significantly. However these early developments in management theory previous to the conception of employee participation should not be used to discredit the theory due to a number of special considerations. In the first instance such theories were applied to manufacturing operations and heavy industry and whilst these operations still form a large part of the economy today there has since been a large shift towards service industries requiring differing management styles and techniques. In addition at least part of the success of the scientific management may be associated with the technological developments of the day such as the introduction of the production line as highlighted by Ford's success at the River Rouge plant in Detroit.

At the other end of the scale the “ self-directed work team” as defined by (Williams 1995) may be seen as the ultimate exercise in employee participation and has been implemented by companies such as 3M. Under this system teams are essentially left to fulfil the role of both the managers and employees of an operation with a significant input in production techniques, scheduling and improvement initiatives. Advocates of this approach to employee engagement highlight that were the theory has been put into practise productivity has increased between 30 and 50% (IIE 1996). However on the other side of the spectrum such a high level of employee engagement may have negative consequences including lack of strategic focus as individual teams become ever more productive in their own areas of

expertise but forget to consider how their individual team fits into the wider context. The lack of direct leadership can also be seen as providing an opportunity for accountability to be lost and thus falling performance, Bruce (2005) indicates that it is often the accountability of a leader which drives the particular individual to spur on a team or group to the successful completion of a task. Finally as indicated by Robbins (2003) teams have a tendency to “ self-reinforce” behaviour, were the general attitude of a self-directing work team is generally positive this will increase the performance of both individuals and the organisation as a whole. On the other hand were the initial attitude and performance of the team is poor in the first instance and with no intervention from outside this can lead to a downward spiral of performance both for the individual and the team as a whole.

However not all approaches to employee participation may be seen as quite so radical in their nature. A more frequent approach may be seen as involving employees to a greater degree without taking such a radical devolvement of control as in the self-directing work team approach. For instance Toyota may be seen as one of the leading companies in developing employee participation, Toyota’s commitment to employee participation goes so far as to be formally a part of the company’s code of conduct (Toyota 2006). Strategies which may be seen as falling under the umbrella of employee engagement pursued by such companies include Kaizen the practise of including employees in quality improvement initiatives such as quality circles and other forms of consultation directly related to their area of work (Shimizu 2009).

**Potential benefits:**

One must now go on to identify the general potential benefits of employee participation both to the employee and the organisation. One of the key arguments for employee participation is that a every organisation contains a significant amount of knowledge, information and know how that is often present in grass roots level employees as much as in those occupying management positions (Adair 1989 p32-34). By encouraging employees to participate in the decision making process advocates argue that the organisation performs better as it is now making decisions based upon a much wider range of knowledge that would have been unavailable if decisions were solely made at the management level. As such the process of involving employees in the decision making process may be seen as to a large extent associated with the function of communications. Good communications are by definition a two way process (McLaren 2000 p3) which encompasses not only the sending and receiving of messages down a hierarchy but also the sending and receiving of messages back up the hierarchy and in horizontal communications. Despite the benefits of such employee participation which may be attributed to the need for an effective communication channel commentators such as Leigh (2009 p15-29) indicate that organisations are often relatively poor at the embracing the two way nature of communications leading to poor listening skills at an organisational level and thus a missed opportunity for improved performance.

Another potential area for increased performance at the organisational level is that of reduced costs owing to lower labour turnover. As to the question of whether or not employee participation helps to reduce labour turnover is a

debating point and depends which school of management thought is applied. On the one hand the classical schools of management theory such as those of F W Taylor would suggest that employee participation is not the most important factor in labour turnover since the most important factor in maintaining staff loyalty was how much money they earned. On the other hand others such as Maslow argued that people do not go to work simply to earn money as in the Taylorite model but that there are several other reasons which are can be seen in the pyramid of needs:

Under Maslow's theory employees are not simply motivated by the need to earn money which represents only the first and possibly second stages of the pyramid. Maslow also highlights the fact that people after securing the basic needs which are provided for in the form of a salary then have additional aspirations. Using Maslow's pyramid as a basis for evaluating employee motivation levels one could argue that the specific practises of employee participation constitute various stages of the pyramid beyond that of the first two stages which is considered under the classical view of management. For instance one way in which an organisation may choose to implement employee participation is in the form of focus groups with reference to a specific issue such as production line down time. In this case previous to the focus group one may view the average assembly line worker as having the first two needs met owing to receiving a regular monthly salary. However once a focus group has been set up to consider a specific issue such as that mentioned it is conceivable that the next two steps of the pyramid are fulfilled as the line worker now becomes part of a team fulfilling the third need and also is given some status as the organisation by the very act of

asking for their opinion is giving them a status within the organisation as someone with technical knowledge and thus a valid opinion. In theory one could argue that as an increasing number of the employees needs are met this will lead to increased motivation and morale and thus reduce the possibility of the individual wanting to leave the organisation.

Costs associated with labour turn over can represent a considerable expense for organisations under two headings. In the first instance there is the financial cost to an organisation which includes costs associated with re-recruitment as well as any lost revenue associated directly with the loss of an employee. Secondly there is the cost to the business in disruption and lost knowledge. Research suggests that the average cost of replacing an employee is around £3, 546 which rises to around £5, 206 for more highly skilled employees (Thornton 2000). From a scale perspective the CBI (1997) estimates that in the UK labour turnover stands at 16% which rises to 25% in part time workers leaving significant room for improvement and thus a significant opportunity for cost savings especially in the part time sector. As such one can see that by reducing staff turnover by even a small amount this can deliver significantly higher financial performance for an organisation.

**Method:**

Finally having considered the potential benefits and drawbacks of employee participation one must consider the methods used in order to undertake employee participation. In many instances the benefits an organisation can gain from employee participation come from extracting knowledge from the workforce which already exists. As such many of the methods which need to be considered are issues in communications since the knowledge and

information already exists but is often not being extracted and used by those higher up the corporate structure. One key method highlighted by Adiar (1989 p32-34) is that of consultation, consultation may be interpreted as any genuine attempt to gain the knowledge, feelings and opinions of the workforce which may then be used in the decision making process. As such the methods used may be broad in range from quality circles and focus groups through to town hall style meetings or suggest box schemes. However to qualify as true consultation each of these acts must take place before decisions are made. It is often felt by many that consultation takes place after decisions have already been made by those in senior management positions. In these cases performance may actually decrease as the workforce perceives a lack of commitment from the management within the organisation, were consultation is undertaken after decisions have already truly been made this may also be seen as a misallocation of resources by the company.

Another consideration of employee participation is that of employee reward. There are many options for encouraging employees to take a greater level of responsibility for their actions and thus increasing their overall level of participation. Such considerations may include share schemes, bonuses or additional annual leave related to certain performance levels. Regardless of the method employed the mechanism may be seen as a function of agency theory in which the interest of the employee and organisation can be harmonised thus increasing performance. By linking the employees personal performance to the ability for the employee as an individual to benefit the



belief is that performance will increase as the employee peruses a personal opportunity.

**Conclusion:**

One conclusion would be that increased employee participation has the potential to create significant increases in performance for both the individual and the organisation as a whole. From the organisational perspective there may be significant increases in financial performance as the high costs of labour turnover are reduced as part of the increase in participation. Secondly the organisation is likely to experience a significant increase in performance with regard to its competitive advantage as the organisation will now be using its labour in potentially a more efficient way in the form of a strategic resource as opposed to a simple cash for labour transaction. From the individual perspective increased participation can lead to increases in performance as firstly an improved attitude to work increases output and secondly the benefits of the individual being able to organise their work in the way they see best contributes to work being organised in a more efficient way.

However whilst it is acknowledged that increased employee participation can contribute significantly to increased performance it is by no means either a panacea for all organisational ills nor is it a necessity for improving performance in all instances. One should remember that whilst some companies such as Toyota have adopted a positive attitude towards employee participation there are still many successful companies which maintain a traditional approach towards the division of management and employee tasks. Furthermore companies operating such traditional

approaches to the management of their employees are not limited the manufacturing sector with call centres being a prime example of were the service sector has failed to embrace increased employee participation choosing alternative methods to improve performance.

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