

STRATEGIC APPROACHES TO MANAGING HUMAN RELATIONS WITHIN CONSTRUCTION SMES

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Organisational success is dependent upon the effective management of people. At the heart of this process is an organisation's HRM strategy, which should seek to align HRM practices with the wider organisational objectives. This paper investigates employee relations as one key area of Strategic Human resource management (SHRM) within construction SMEs. The aim of this part of the research is to examine the multi faceted nature of the SHRM function and particularly the perspectives of employee relations. These issues were explored via semi-structured interviews with the strategy makers and HR or middle managers of construction SMEs. It provides an insight into the way in which employee relations are implemented as part of the SHRM function. A wide range of techniques were utilised within a small number of organisations, the larger organisations within the group exhibited highly structured objectives and procedures. It forms part of a wider study which aims to explore further the components and types of SHRM strategies used by construction SMEs in order to improve organisational performance. The ultimate outcome of the research is to develop a model of SME SHRM practice that helps firms to reconcile their HRM needs with the problematic operating context provided by the industry.

Keywords: employee relations, organisational performance, SMEs, strategic human resource management .

INTRODUCTION

Organisational success is dependent upon the effective management of people. At the heart of this process is an organisation's HRM strategy, which should seek to align HRM practices with the wider organisational objectives (Dainty and Lingard, 2003). The need for more Strategic approaches to HRM in the Construction Industry is evident when examining the sector's reliance upon virtual teams, fragmented work groups, sub-contracted labour and multi-organisational project delivery structures. Recent initiatives have recognised the importance and business case for adopting advanced SHRM practices (such as Investors in People), but do not explain the importance of the strong interrelationship between the different SHRM functions. Small firms account for a significant part of economic activity in the UK. Almost 97% of firms employ fewer than 20 people and over 99% fewer than 100 (Burns and Dewhurst, 1996). Although smaller firms also dominate the construction industry (Langford & Male, 1991), relatively little research has explored small firm perspectives on HRM issues. Thus, it remains unclear as to how effectively (or indeed how) construction SMEs align their HRM activities with their strategic needs. The aim of this research was to examine the multi faceted nature of the SHRM function, focusing particularly on the issue of how SME firms manage employee relations. Aspects of employee relationships have been a focus of attention for many

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years in various guises, such as participative decision-making and participative management (participation) and more recently through the concept of empowerment. Empowerment requires the workforce to be provided with freedom, democracy and flexibility, at the expense of control, hierarchy and rigidity (Cook, 1994). Employee relations however remain a challenging area of SHRM for smaller construction firms, but one which demands further investigation if they are to benefit from the improved performance that positive relations can bring about.

BACKGROUND

Strategic Human Resource Management

Considering Human Resource Management (HRM) as a strategic function rests on the belief that an organisation's human assets offer it a sustainable source of competitive advantage. Armstrong (1991) offers a definition of SHRM as being concerned with the development and implementation of people strategies which are integrated with corporate strategies whilst ensuring that the culture, values and structure of the organisation and the quality, motivation and commitment of its members contribute fully to the achievement of its goals. Fombrun et al (1984) suggest that SHRM differs from traditional HRM in its emphasis on relationships between people, structures, strategy and the environmental external to the organisation. Adopting SHRM is a clear acknowledgement that corporate objectives and human resource objectives are linked, rather than in conflict. A prerequisite of success is widespread acceptance throughout an organisation of the importance people and their contribution to corporate goals. Management style is of significant importance since a key feature of SHRM is to devolve much of the HR responsibility to the operational line management (Sparrow and Marchington, 1998; Pilbeam and Corbridge, 2002). This requires careful management of the HR-line interface if organisations are to maintain healthy balance of interests in line with the purpose of the function as stated above. The type of management style adopted within an organisation influences the approach adopted toward conflict resolution and dictates the kind of strategies and practices of SHRM that are likely to succeed within an organisation. Over the past decade the SHRM paradigm has evolved as an effective and profitable approach to the management of people within organisations (Guest, 1987; Pfeffer, 1994; Huselid, 1995; Mabey *et al*, 1998; Reed, 2001; Guest, 1987; Hendry and Pettigrew, 1990). This perspective breaks down HRM activities into component parts such as recruitment, reward and development. An overarching component is employee relations, a management philosophy or style for the management of human resources within an organisation.

Employee Relations

Employee relations is a broad term that incorporates many issues from collective bargaining, negotiations, employment legislation to more recent considerations such as work-life balance, equal opportunities and managing diversity. One important aspect concerns the participation and involvement of employees. It has taken a number of forms, including employee involvement, participative decision-making and the contemporary empowerment perspective. The notion of empowerment involves the workforce being provided with a greater degree of flexibility and more freedom to make decisions relating to work. This contrasts markedly with traditional management techniques that have emphasised control, hierarchy and rigidity (Cook, 1994). Empowerment is aimed at achieving staff commitment and participation through increasing employee voice and decision-making power (Mabey *et al*, 1998; Taylor, 2002). It has tended to be associated with the concept of power, in essence, it is about increasing organisational effectiveness through manager and employee collaboration

and through sharing power and control (Honold, 1997; Tulloch, 1993). Kochan et al (1986) suggested that employee voice be addressed in two ways, by providing opportunities for employees or their representatives to be engaged in decisions affecting their jobs and by actively resolving disputes of interest. In practice, employee involvement now takes a variety of forms, categorised by Marchington (1995) into five groups (see Table 1). Mabey et al (1998), and Cruise O'Brien (1995) found that the most common and effective types as downward communication, consultation and representative participation, and financial participation.

Table 1: Five types of EI (Marchington, 1995; Corbridge and Pilbeam, 1998)

Type of EI	Objective	Techniques
Downward communication	Managers provide information to employees in order to develop their understanding of organisational plans and objectives	Formal and informal communications: reports, videos, newspapers, presentations, team briefings
Upward problem-solving	Utilises knowledge and opinions of employees, e.g. increase the stock of ideas within the organisation, encourage co-operative relationships and legitimise change	Suggestion schemes, total quality management (TQM) and quality circles, attitude surveys
Task participation	Encourage employees to expand the range of tasks they undertake	Job rotation, job enrichment, team working, empowerment, semi-autonomous work groups
Consultation and representative participation	Indirect form of EI, aims to support effective decision-making, air grievances, 'sound out' employee views on organisational plans	Joint consultation, discussions between managers and employees/ their representatives
Financial participation	Relates employees' overall pay to the success of the organisation, it assumes employees will work harder if they receive personal financial reward from the organisation's success	Profit-sharing schemes, employee share ownership plans

A Case for exploring Employee Relations and Empowerment as part of SHRM

The construction sector is a dynamic and complex industrial environment. It is a large, labour-intensive industry within the UK that accounts for 8% of the GPD (Strategic Forum for Construction, 2002) and employs approximately 1.5 million people (DTI, 2002). Despite the labour-intensive nature of the construction industry (Druker and White, 1995) very little attention has been paid to SHRM within the sector (Loosemore *et al*, 2003). Druker and White (1995) identified that Construction organisations commonly support the traditional personnel management style people management practices rather than those associated with the SHRM approach. They suggest that employment relations do form a core concern for the personnel function. However, many of the day-to-day HR responsibilities have been devolved to the operational line managers and even though personnel specialists hold close proximity with strategic decision-making they are unlikely to influence the decisions taken to any significant extent.

The UK construction industry has changed significantly over the last 50 years, placing considerable pressure on its organizations to respond to their business environment

(Holt et al 2000). Demands for industry wide improvement led to a series of government commissioned reports examining the industry's structure, culture and operation (Latham, 1994; Egan, 1998). The important role of empowerment in improving people management practices within the construction industry has also been recognised by reports such as the *Rethinking Construction* report on respect for people (RfP, 2000). Thus, even though empowerment still remains a poorly defined concept, which is frequently used in a rhetorical sense (Mondros and Wilson, 1994) there appears to be a consensus that empowerment is necessary and indeed desirable if the workforce are to be satisfied and productive in their work (Cunningham et al, 1996). However, the current evidence suggests that it is not being embraced by the sector (Long, 1997; Dainty *et al*, 2002; Santos and Powell, 2001). Few studies have considered the specific context the dynamic and complexity that project-based industries such as construction present (Gray, 2001; Turner and Müller, 2003) or have sought to capture effective approaches to SHRM within the construction sector or more specifically within construction SMEs. Many of the inherent challenges and flexibilities required of SME construction companies could be directly or indirectly managed by the appropriate use of SHRM and in particular effective management of employee relations and empowerment. Accordingly, this research seeks to address this shortfall by initiating a structured and comprehensive explanation of the current employee relations practices within construction SMEs and developing a framework to inform the strategic human resource management within.

METHOD

A predominately qualitative, in-depth case study approach was adopted in this research as it is possible to gain deep insights into the elements of SHRM and the reality of employee relations within SME firms. Six construction SMEs took part in the research, each of whom granted access to a variety of staff. The key strategy maker from each of the organisations was interviewed on three occasions, along with a middle manager with involvement in delivering HR outcomes. One interviewee was only able to attend two sessions, resulting in a total of 17 one-hour interviews. The six organisations varied in size from small to medium sized under DTI or EU definitions and had different numbers of employees, organisational culture and structure and the nature of work and projects undertaken. A brief summary each organisation is outlined below see Table 2.

As the interviews were semi-structured they were neither a completely open conversation nor were they highly structured, (Kvale, 1996) the interviews followed suggested themes and questions which were formed from the literature. Particular attention was paid to the Hendry and Pettigrew's (1990) model of SHRM (often referred to as the 'Warwick model') to act as a framework for analysis. Through this approach, it was possible to explore the core components of SHRM and employee relations in detail and to examine the respondents perceptions on each of the issues. This paper focuses on the perceptions of the single issue of employee relations from each respondent. All of the interviews were audio recorded and transcribed *verbatim*. The content of the transcripts were analysed to allow the commonalities and differences that existed between each interviewee, levels of management and the organisations to emerge. The dominant themes are summarised below.

Table 2: Summary of Organisational contextual factors

Organisation	Construction Industry Sector	Product portfolio	Organisational structure	History and culture
A	Mechanical and electrical specialist subcontractor	Wide variety of project types	£10 million turnover 40 Employees LTD Status	Established 1950's Family business
B	Architectural practice	Varied projects Health care, urban design, education and community	70 Employees £3million turnover	Established 1870 (family business) Non family management
C	Construction engineering project management	Wide variety of projects Regional offices	75 Employees £8 million turnover	Established 1998 Post management buy out
D	Civil and building engineering subcontractor	Varied projects/ sectors Localised market, Selected clients	25 Employees £5 million turnover	Established 1960 Family run business
E	Specialist glazing subcontractor	Specialist product in a niche market. Varied projects/ procurement	10Employees £1million turnover Ltd status	Family business Established 1987
F	Speculative house builder	High quality product local niche market	18 Employees £4 million turnover	Family business Established 1972

RESULTS

Business decision-making processes

Difference exists between organisations that involve their employees in business decision making and those that do not. This ranged from full inclusion of employees in the process, to consultation before final decision to no inclusion at all in the decision making process.

'Employees' participate in business decisions, i.e. type of work, are we going in the right direction, other types of business'

A number of methods were discussed regarding the way in which a significant change to the business would be communicated to the workforce. Several of the organisations outlined that if the situation arose they would announce the information in person at a staff meeting or gathering. Formal methods of communication were also mentioned as useful including communication by letter and email, so that it's possible to ensure employees have definitely received the information.

How organisations maintain employee relations

Organisations were examined to establish how they maintained their employee relations. It was clear from the discussion that no one person was solely responsible for the management role. The individual responsible for the management role will vary depending upon the perceived level of seriousness of each issue. Matters considered to be more serious in nature are dealt with by directors and senior managers. Lower level issues and relationships are dealt with by line managers. Regardless of the level of management dealing with the particular employee relations issue the way in which the issues are dealt with are largely informal in nature. The managers are encouraged to be dealt with the issues through informal approaches. Managers also discussed that effective management of employee relations including the need for respect, communication, early resolution, encouragement and support.

Approaches to ensuring compliance with business objectives

Approaches to discipline within the organisations indicated that clear rules exist regarding disciplinary issues. Levels of discipline exist within all organisations. Two of the larger organisations have much more structured systems and specific discipline and grievance policy exists. Disciplinary issues were dealt with through a number of clear levels. All tried to resolve issues at a local level informally via chatting in the first instance, either on site or within the office. Formal discipline is dealt with by senior management and generally begins with further discussion before any formal warnings are issued. The most serious situations can lead to dismissal, although all companies involve quote very low rates of staff turnover and very infrequent dismissals or disciplinary measure if any made.

'If the issues can't be managed and agreed informally then the formal policy is invoked. It's only been used formally twice in 18 years'

One of the smaller organisations suggests that the informal approach to discipline is favoured as it suits the structure of the business.

Downward communication

When discussing the organisational objective of downward communication within the business this again varies depending on the individual organisation. The information provided to employees may depend on the managerial status the employee has within the organisation. Three of the organisations stated that strategic issues would generally be communicated at senior management level rather than to the workforce in general. Two of the smaller organisations outlined that the level of downward communication of strategic issues definitely decreases with general construction operatives. One organisation suggests that this decreased level of communication is linked to the operatives lacking interest in the organisation at this level. Two organisations share strategic information and support downward communication at all levels within the business.

The techniques utilised for downward communication process of information ranged from highly formal to completely informal in nature. Two organisations were highly structured in terms of their approach to the way in which information is disseminated within the business and have explicit policies. Structured routes include the regular issue of company magazines, discussion workshops for all employees and consultation committees. Other organisations described a more flexible approach to the way in which they share information within the business. These included management meetings and toolbox talks.

Management were asked to describe the most effective downward communication techniques used within their organisations. Two organisations described informal verbal methods as the most effective for them. In contrast three of the organisations suggested a balance between formal and informal methods of communication was advantageous suggesting both types were effective within their businesses. Effective techniques outlined included team meetings, appraisals, the use of notice boards and memos. A variety of additional factors emerged in that downward communication for it to be effective needs to be immediate, clear, honest regular and face to face. One organisation suggested effective communication is not difficult to achieve.

'Its dead easy treat people the way you want to be treated yourself'

Upward problem solving

The organisations could clearly articulate their objectives upward problem solving. All organisations valued the contribution of their employees by making suggestions and encouraged them to make suggestions as a general policy. The approach to

dealing with suggestions will depend upon the individual suggestion made and the circumstances surrounding it. Formal techniques were used within two of the larger organisations, including a consultative committee where a formal agenda exists and suggestions made are communicated through the levels of management. Informally day-to-day suggestions occur all the time, and are very common for technical issues.

Consultation and representative participation

The techniques utilised for consultation and representative participation are wide ranging between and within the organisations. Techniques include a high level participation including a consultative committee, participation via management meetings, newsletters to no participation at all, indicating that in general employees in their experience have no interest in participation. The techniques used for airing grievances will often depend upon the level of issue, it is not uncommon for grievances can be dealt with at all levels. Two of the larger organisations have clear written policies regarding grievances and although these policies exist the level of official grievances is low. The management style used often meant that grievances are dealt with informally initially; more formal systems are available within the organisations and can be introduced at a later date when it is considered necessary. Effective techniques for dealing with grievances involved a number of approaches. It is essential to listen to the grievance properly, and that all grievances are dealt with promptly. All except one of the SMEs had no formal employee representatives for dealing with workforce issues. However, employee representation through trade union involvement was also at a low level. Two organisations still have employees who are members of unions and in their experience union activity has reduced. The remainder of the organisations have no negotiations with trade unions. A number of organisations explained that the lack of employee representation was not due to the fact that organisations would not negotiate and was due more to the lack of employee interest in this support function. This suggests a level of apathy within organisations.

DISCUSSION AND CONCLUSIONS

These exploratory findings are consistent with the literature regarding the fundamental features of employee relations. The way in which organisations maintain employee relations is often informal nature. All companies could articulate the important themes, possess objectives and techniques for the management of employee relations within their organisations. Dainty et al, 2002a and Nesan and Holt, 2002 discuss the importance of delegation and empowerment to construction organisations, the findings support this research and employee involvement or empowerment is occurring, This can be seen a variety of more informal practices and supports Millward et al, (1992) and Taylor, (2002). Practices demonstrated include a clear level of consultation and participation high level of downward communication and upward problem solving within the organisations, including a consultative committee within one organisation which is an important finding for Construction SME research. The level of development that exists within the approaches varies between companies. The larger organisations clearly have 'developed' approaches and clear difference exist between the larger and smaller organisations.

In summary, the organisations indicate a number of strengths and weaknesses in the way that they manage and undertake employee relations within their businesses. They adopt a flexible approach using a wide variety of techniques within and across the organisations. Additionally support exists between the senior managers and HR or middle managers perspective indicating a level of communication and continuity within the organisation. An area for improvement would be to align more closely the

employee relations strategies between the organisation's office and site location. The overall strategic nature remains the same the way the process is implemented is often different in nature. These issues will be analysed in more depth as part of the ongoing research process.

The research provides insights into issues of employee relations as part of the SHRM Function within the industry and within SME firms in particular. By examining the factors contributing to SHRM, these findings form part of a wider study and contribute to the exploration of the types of SHRM strategies used by construction SMEs in order to improve their organisational performance. The ultimate outcome of the research is to develop a model of SME SHRM practice that helps firms to reconcile their HRM needs with the problematic operating context provided by the industry.

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