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*Innovations in Conflict Management*

*Research Papers*

**Research Paper 9**

**Socializing Conflict out of the Organization: The Case of  
Medici**

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## Introduction

In the sixties and seventies, workplace conflict was discussed almost endlessly in the industrial relations literature. With the advent of human resource management, this situation has changed. Workplace conflict gets mentioned infrequently in the HRM literature, which is more disposed to discussing the creation of high performance organizations, turning HR managers into business partners and so on. Although relatively silent on the matter overall, the fragmented HRM literature on the topic hints that workplace conflict may be managed in quite different ways. One interesting route, which has not been addressed extensively, advocates managing workplace conflict by trying to socialize it out of the organization: a strong organizational culture is cultivated that repudiates 'negative' forms of conflict and expects employees to avoid such behaviour. Although this approach has yet to be articulated in an integrated, comprehensive manner, we see it as an important new development that needs careful consideration. As a result, this paper presents a case study of how an organization implemented a particular variant of this strategy.

The chapter is organized as follows. The first section discusses the notion of socializing conflict out of the organization and suggests that high commitment/high performance organizations, committed to employee engagement strategies, are the most likely to pursue such an approach. The next section assesses the manner in which workplace conflict is addressed in high commitment/high performance organizations. The third section sets out the organizational design of the case-study firm, Medici – the proper name of the company has been disguised in keeping with their wishes. The following section explains that Medici's subsidiary in Limerick experiences a low incidence of conflict due to management pursuing a bundle of organizational and HRM policies that creates a collaborative community in the organization. The fifth section shows how the search for collaboration is driven by the need to create a cooperative, team-based work organization. Then, it is explained why the HRM model at Medici, which combines business-partner and employee-champion roles, is critical to efforts at creating collaboration at the workplace. The seventh describes the manner in which the organization's talent management strategy contributes to organizational collaboration. After this assessment, it is explained how employee engagement helps the organization combine high performance and high commitment. The ninth section discusses why management-trade union relations are so consensual in the organization. The next section assesses the role of the performance management system in reconciling the demands

for organizational performance and organizational commitment. The penultimate section assesses the role of line manager integrity in building collaboration in the organization. The conclusions bring together the arguments developed in the paper.

### **Conflict Management in High Commitment/High Performance Organizations**

Before we explore the case-study organization in detail, it is first necessary to make some preliminary remarks about the type of organizations that are likely to pursue a strategy of socializing conflict out of organizations. The first point to make is that not all organizations will pursue this strategy: in fact it is probably true to say only a minority of organizations are likely to do so. The approach adopted in most organizations is that conflict is likely to occur so it is only prudent management to have in place a series of practices and procedures for its effective resolution. What marks off firms that seek to minimize the incidence of conflict through socializing it out of the organization is simply that they have made the deliberate decision to follow this pathway. Few organizations are likely to adopt such a strategic HR objective for its own sake. Instead, it is likely to be the result of an organization seeking to nurture a distinctive culture or embed a particular set of values. Thus, in most instances socializing conflict out of the organization is a piece of a wider strategy to cultivate a certain type of organizational identity or community. But it needs emphasizing that such a strategy is not tied to one organizational form: firms with different organizational communities can have the same objective of minimizing conflict, but have sharply different reasons for following this strategy.

Below we suggest that organizations that seek to develop high commitment, high performance organizations are likely to want to socialize conflict out of the organization. A distinguishing feature of these organizations is that a strong emphasis is placed on collaboration between management and employees. Reciprocity is the core organizing principle, which involves managers and employees making credible commitments to each other: each side must provide an assurance about its own behaviour and commitment but in return the other side does likewise. In a sense, it is about a ‘social exchange’ being forged between organizations and employees. On the one hand, organizations invest in creating the conditions that make work more meaningful and rewarding for employees. On the other hand, employees put extra – discretionary – effort into their work and deliver superior performance.

Beer (2009) persuasively argues that a good many firms seek to be successful through integrating a demanding performance culture that is needed to 'win in the market place' with an equally strong caring and participative culture needed to 'win in the workplace'. In other words, they pursue corporate strategies that mesh together high commitment and high performance. Beer suggests that high commitment/high performance organizations rest on three pillars: (1) performance alignment; (2) psychological alignment; (3) capacity for learning and change. Performance alignment exists when there is a close fit between the organizational system – structure, systems, people and culture – and the firm's overall business strategy: all facets of the organization are geared towards meeting core strategic goals. Psychological alignment occurs when people at all levels of the organization identify with the purpose, mission and values of the firm. The capacity for learning and change is considered essential to allow the firm not only to adapt internally to changing market conditions and evolving technologies and products, but also to allow employees to develop their skills and competences, which is considered key to sustaining psychological alignment. Firms with these three attributes are seen as being able to sustain high commitment and high performance over an extended period of time.

Beer argues that the creation of high commitment and high performance organizations is difficult to realize in practice because current organisational and management systems are inadequately developed to release the energy, commitment and effectiveness of people. He suggests that the starting point from which business leaders and managers must work is recognizing that employees and organizational interests are not automatically contiguous: employees can hold strong identities at the workplace – to their profession or craft or to a particular view about the nature of work – without feeling particularly attached to their organization. As a result, a battery of policies, not least HRM policies, are needed to secure the attachment of employees to the organization. Thus, in addition to pursuing practices that ensure employees add value to the organization, the HRM team inside an organization must be equally concerned with building an organizational culture that encourages 'everyone to take responsibility for the whole', develops communication and participatory systems that allow shared goals to be formed, promotes knowledge sharing, and makes mutual respect a defining feature of organizational membership.

According to Beer, a dual approach is adopted towards the management of workplace conflict in this high commitment/high performance organizational model. On the one hand, 'negative' forms of workplace conflict are shunned as the likelihood is that they will embitter

relationships between employees or between employees and managers. Invariably, the result will be alienated or disaffected employees and the organization's positive psychological contract, should it exist, is likely to be compromised. Beer suggests that senior managers must make concerted efforts to ensure that this form of conflict does not emerge inside their organizations as it is considered utterly corrosive in securing and maintaining employee commitment and loyalty. On the other hand, Beer recognizes that, for organizations to have the capacity to learn and change, it must permit unvarnished feedback on the policies and practices being pursued by management. Thus, sharp differences can exist across people and constituencies inside an organization about how to maintain and renew the established high commitment/high performance model, which potentially can be the source of quite significant workplace conflict. Beer argues that senior managers should have the confidence and demeanour to allow such disagreements to be vented, but must ensure that strong debate does not descend into destructive conflict. Thus, a certain degree of conflict is permitted, but this is tightly ring-fenced to ensure that the focus is on a particular organizational task or problem and the emphasis is on finding a resolution to the matter.

It is difficult to design an organization that encourages a problem-solving ethos amongst employers and managers and at the same time is intolerant of destructive forms of conflict. Achieving this balance can only be realised through adopting a battery of interlinked HRM policies. The case study below sets out the HRM strategies and policies followed by one organization to develop and maintain this form of organization. What emerges is a story of an organization trying to create a distinctive form of collaborative organization. This organizational form seeks to improve performance through engaging employees in continuous improvement and problem-solving. Senior managers in the organization work from the premise that employee engagement will not emerge spontaneously, but only through decisive organizational action. Thus, it is realized that the organization has to win employee commitment and trust by creating policies and practices that forge interdependence between employee and organizational interests: policies and practices have to be designed that allow managers and employees to commit credibly to each other. Developing these shared organizational goals and an ethic of contribution obliges the HRM function to pursue a double-barrelled strategy of fostering employee trust and minimizing the incidence of destructive forms of conflict.

## The Organization

Established in 1941 in the USA, Medici is now a world-leading company in the medical devices industry, with a strong presence in the orthopaedic market segment. A *Fortune 500* company, its products and services are available in over 100 countries, which reflect its history of almost continuous sales growth: worldwide sales have increased from \$17 million in 1976 to \$9.0 billion in 2013, which is an 18 per cent compounded annual growth rate over 34 years. Currently, the company operates through 37 manufacturing and research and development facilities that are located worldwide and it employs over 25,000 people globally. The mission of the company is ‘together with our customers, we are driven to make healthcare better’. In implementing this mission, the company makes much of the values of integrity (we do what is right), accountability (we do what we say), people (we grow talent) and performance (we deliver), which it claims are part of the organization’s DNA. The organization is hugely successful, consistently enjoying healthy annual profits. In interviews, several managers remarked how the current recession had by-passed the organization. Thus, although the organization places enormous store on innovation and continuous improvement, strong profits year-on-year means it has not had to introduce any significant restructuring programme to consolidate the business, which can have a significant negative impact on employee morale and commitment.

Medici employs over 1,200 people across three facilities in Ireland which are involved in the development and manufacture of orthopaedic implants, biomaterials and surgical instruments. One of these facilities, employing 500 people, is the focus of this case study. It is part of Medici’s Orthopaedics division and is actively involved in biomaterials research and has established an Advanced Operations group with responsibility for new product, process and technology development for the manufacture of hip and knee implants including new product introduction, packaging design and the development of in-growth surfaces and coating technologies. The workforce is made up of a disproportionate number of highly-skilled employees. Unlike most other Medici subsidiaries, Medici Limerick is a unionized facility: when the company acquired the Limerick operation, it decided not to derecognize the trade union that had represented employees under the previous owner. It was calculated that getting involved in such a controversial move would seriously compromise efforts at creating a collaborative culture in the facility.

## Organizational Design at Medici

Senior managers have a keen sense of the organizational character of Medici. They view the organization as a sophisticated global firm, adopting what Bartlett & Ghoshal (1998) call a transnational approach to managing across borders: it seeks to combine simultaneously global integration and local sensitivity. In interviews, senior managers said that it was immensely difficult to be global and local at the same time. They were adamant that it could not be realized through simply introducing some type of rigid organizational design. Instead, it could only be achieved by creating organizational processes that linked, horizontally and vertically, the organizational centre and subsidiaries. The main purpose of these links was to create, for want of a better term, a coordinated decentralized management structure inside the organization. Under this structure, the organizational centre develops the core aims for a particular organizational practice and even on occasions the programmes that should be followed by subsidiaries. However, subsidiaries usually have discretion to amend particular programmes or to develop their own initiatives to take account of local circumstances. As will be seen, this process is actively used in the HR area, particularly to strengthen employee engagement and commitment.

Importantly, subsidiaries are not granted decision-making autonomy willy-nilly as they have to justify the customization of organizational practices. Subsidiary managers are also required to report on a regular basis (twice yearly in the HR area) to headquarters on how effective they are in implementing particular policies and practices. In addition, subsidiaries are required to participate with each other in a formal peer review process. This process requires each subsidiary to describe their efforts at implementing globally determined policies and programmes, explain what level of progress has been achieved, set out any innovative approaches they have adopted and for what reasons. The goal is to obtain disciplined comparisons of subsidiary performance across organizational policies and at the same time encourage decentralized learning among subsidiaries. This process is considered not only invaluable to improving particular policies, but also to maintaining meaningful horizontal and vertical information ties inside the organization.

Medici adopts a very particular organizational form. Senior managers disliked the idea of an incentive-dominated, transactional-based organizational culture as it was considered unsuitable to fostering the creativity and collaboration necessary to sustain innovation. Similarly, creating a paternalistic, clan-based organization, where strong affective bonds are established between employees and managers, was also considered inappropriate: senior



managers thought that creating such a tightly-knit unitarist community inside a complex multinational like Medici would be immensely difficult to create and prohibitively time-consuming to maintain. Senior managers said that the core organizational logic of Medici was to secure high performance through building collaboration and trust. To this end, Medici was seen as having to create quite complex managerial systems such as the need to combine the development of global strategic policies that provided guidance to subsidiaries with the encouragement of decentralized experimentation. All in all, Medici is a global firm with a complex organizational structure, but with the focused mission of securing high performance through high commitment.

### **Conflict at Medici Ireland**

This organizational mission is pursued relentlessly in Medici's case-study facility as it is in other subsidiaries. Senior managers at the facility, as well as line managers, were emphatic that a strong collaborative culture existed at the site and that managing workplace conflict was really a non-issue. It was stated that collective bargaining negotiations were not difficult, with no one being able to recall a serious collective industrial relations incident. Neither could senior managers recall any internal grievance or dispute ending up in any part of the State's dispute resolution machinery. The HR manager conceded that individual problems or disputes did happen between employees or between managers and employees, but said these were not frequent and in the overwhelming number of cases were solved informally and without much to-do. She viewed the facility as analogous to any other social setting in that the vast majority of employees got on well with each other and only occasionally did relations break down between individuals. The HR team at the facility had devised formal dispute resolution procedures that it could evoke to solve a problem, if necessary. But the attitude of the senior management team was that these procedures should as far as possible remain dormant. It was stated that the procedures were rarely used, with the senior HR manager recalling that they were only 'brought into play' twice during her six-year involvement with the organization.

Senior managers had strong views about workplace conflict and how it should be managed inside the organization. Asked if the organization had ever considered implementing ADR-inspired workplace conflict management procedures, which studies suggest are gaining favour with some leading USA multinationals, the answer was an emphatic no: one manager said that Medici would 'run a mile' from such practices. Putting in place elaborate ADR-conflict management procedures was viewed as a *de facto* recognition that conflict was part

and parcel of everyday organizational life and this was seen as cutting against the organizational culture senior management team wanted to build. They wanted to focus efforts on ensuring that trust and collaboration were the core features of organizational life. Workplace conflict was seen as working against this core objective and thus it was expected every effort should be made to reduce its incidence. Workplace conflict was considered utterly unproductive, disturbing the formation of a well-defined organizational purpose centred on aligning the interests of employees with those of the business. It was also seen as weakening organization legitimacy: promoting at one level the values of trust and collaboration and at another level being phlegmatic about workplace conflict was seen as a ‘deadly combination’, employees would be effectively receiving mixed messages, which would make them cautious about committing to the organization.

Thus, the strong view was that the HR function alongside other parts of the organization should be almost exclusively focused on developing trust and collaboration: practices to ameliorate the effects of conflict were considered to be at the bottom of the HR toolbox, only to see the light-of-day on rare occasions. Interesting views existed on fostering collaboration inside the organization. Promoting trust and collaboration is considered to be an on-going organizational process: employment commitment was seen as something that first had to be won and then continually renewed. Less emphasis was attached to developing organizational artefacts and symbols such as ‘employer-of-the-month’ schemes than on designing appropriate organizational systems and consistently pursuing appropriate policies and practices. Just how Medici goes about marginalizing (negative) workplace conflict through promoting collaboration is set out below.

### **Work Organization at Medici**

Senior managers stated that they actively promoted a collaborative culture at the Limerick facility, not because they were driven by higher or more noble motives than managers in other organizations, but because it allowed the work system used by the organization to operate effectively. Manufacturing sophisticated orthopaedic and surgical products was seen as a complex process requiring considerable knowledge creation and exchange by employees. At the best of times, this process is difficult, costly and time-consuming, but can be made worse if employees do not share fully information with each other. Thus, work is organized in Limerick, as it is in other subsidiaries worldwide, to elicit high effort and a sense of operational interdependence amongst the highly-skilled workforce. Table 9.1 sets out the high commitment work system at Medici.

**Table 9.1: Medici's High Commitment Work System**

<b>Goals</b>	Long-term jobs to create required knowledge and foster commitment
<b>Talent management</b>	Great importance attached to recruiting the right type of people to the organization and high employee turnover is shunned
<b>Developing Knowledge</b>	Work is organized in teams so that knowledge can be shared and expanded cumulatively. Teams are also encouraged to experiment
<b>Designing Jobs</b>	Employees are required to develop a broad skills set with flexible assignments and are expected to complete individual tasks at the same time as contributing positively to team performance
<b>Skill Development</b>	Employees engage in a wide range of competency-based training both on-the-job and in the classroom. Employees are expected to develop both their soft and hard skills
<b>Communication Flows</b>	Line managers are expected to engage informally and formally with employees. Employment engagement surveys are conducted. Team-based problem-solving meetings are held continuously
<b>Pay and Promotions</b>	Performance-based pay to reward on-going efforts and behaviour Small differentials within employee cohorts Promotions based on future contributions

Medici seeks to develop capabilities that are tacit and specific to the firm. Thus, it does not only want to recruit people with the most appropriate skills and behavioural traits, but also places considerable importance on retaining staff since much of the knowledge required to make its products is built up slowly and arises from experience and learning on-the-job. Internal flexibility is secured through deploying multiskilled employees across teams and projects (including sometimes across borders). A stable workforce is conducive to an open flow of information across the organization. Performance is continually appraised not only in terms of achievement but also, crucially, behaviour. The performance-related pay scheme rewards loyalty and relationship building. Overall, the work system at Medici has been carefully crafted to ensure that employees interact positively with each other to achieve performance. Building a strong culture of collaboration inside the organization is seen as important to employees developing a shared purpose and an ethic of contribution.

## The HR Architecture at Medici

Senior managers said that they expected the HR function in the organization to achieve three core objectives: (1) ensure that people added value to the organization; (2) develop the talents and careers of employees; (3) foster an organizational culture based on trust and mutual respect. The HR team was expected to implement a battery of policies to realise these objectives, ranging from a suite of competency-enhancing programmes to meaningful procedures that facilitated active employee participation in decisions that impinge on their work tasks and environment. The particular way Medici designed its HRM function is seen as key to promoting trust and collaboration inside the organization. For the most part, the organization has adopted the ‘business partner’ model of HRM, first proposed by David Ulrich (1996) in his widely acclaimed book *Human Resource Champions*.

Ulrich argued that HR professionals should have both operational and strategic dimensions to their work, both of which should be focused on people and organizational processes. HR professionals are envisaged performing four key functions in organizations: (1) a business partner role to ensure that HR policies and practices fit tightly with overall business strategy; (2) a change management agent role, which involves not only preparing the groundwork for organizational change, but overseeing its effective implementation; (3) an administrative expert role that is mostly concerned with ensuring that the organization of work functions in an integrated and cost-effective manner; (4) an employee advocate role, which ensures that employees have the opportunities to advance their career in the organization, are fully engaged in organizational life and have their concerns addressed promptly.

A consensus has emerged that, in adopting this model, most organizations have focused heavily, if not exclusively, on the business partner function, with few giving little weight to the employee advocate role. Importantly, Medici did not follow the crowd as it gave considerable emphasis to both the business partner and employee advocate, although it is difficult to discern if equal weight was given to both. The organization placed considerable store not only on devising appropriate rewards systems and talent management strategies but also on developing initiatives to promote employee engagement and well-being. Wherever possible it was considered good practice to combine business partner and employee champion roles into the one practice or programme. Thus, for example, the company’s performance management system places as much emphasis on employee behaviour as on narrow job performance. Safeguarding the interests of employees was seen as not simply being realized by formal policies and practices, but also through everyday organizational routines. For

example, managers at all levels of the organization are encouraged to build the socio-psychological foundations of collaboration and trust through interacting with employees in a manner that promotes mutual respect and encourages an open and meaningful exchange of views. Without balancing the business partner and employee advocate roles, senior managers thought that efforts at maintaining a collaborative workforce would be compromised.

### **Talent Management at Medici**

Medici is committed to both developing its existing employees as well as creating ‘a talent pipeline’ that brings new talent into the organization. Acquiring and then nurturing the right type of human resources is considered key to developing a high commitment/high performing organization. Most of the recruitment to the subsidiary is done by the HR team at the subsidiary. However, they have to follow the recruitment and selection template designed by headquarters. This template stipulates that new recruits cannot be appointed solely on the basis of their technical or cognitive abilities, they must also be assessed to gauge whether or not they possess behavioural traits that are in line with the core values of the organization. Thus, part of the recruitment process involves potential recruits attending an assessment centre at which they will have to make presentations, complete psychometric tests and have their decision-making skills tested. The HR team emphasized that, while a lot of time-consuming effort is spent attracting people with the right skills to the organization, only those that are considered a ‘good cultural fit’ are actually appointed.

Once appointed, all new employees go through a comprehensive induction programme, which involves both individualized coaching and mentoring activities and group-based training sessions on the company’s philosophy, values, management principles and employee ethics. Designed by the HR team at headquarters, but implemented locally, the key purpose of the induction programme, which lasts for three months, is to socialize new employees into the twin organizational imperatives of behaving collaboratively and performing well. One interesting aspect of the induction programme was a sustained series of activities on the theme of behavioural integrity. The purpose of these sessions is to communicate to employees the importance of possessing a ‘positive psychology’ towards themselves and the organization. Employees are told how Medici can help them lead meaningful and fulfilling lives, cultivate what is best within themselves, and advance their skills and competences. They are told about the virtues of optimism, mindfulness, hope, positive thinking and resilience and how the organization expected them to exhibit these traits at the workplace day-to-day.

Developing the skills and capabilities of existing employees is also seen as important in building the high commitment/high performance dynamic at Medici. In particular, providing support so that an employee can learn new skills is considered integral to the organization fulfilling its side of the reciprocity bargain with employees: it is regarded as a tangible way for the organization to show that it provides career development opportunities for its employees. The subsidiary offers a range of what it calls talent management programmes.

The HR manager argued that both employees and managers unambiguously commit to the training and learning regime in the facility. From the manner in which it was portrayed, this regime can be conceived as operating as an organizational public good. Competency development is non-rival: the provision of training for one employee does not exclude another employee from training. All employees have the ability to ‘consume’ some form of training. Providing competency development as an organizational public good positively contributes to the creation of shared understandings and a sense of shared purpose across employees and managers about the professional conduct and behavioural standards that are expected of both. Employees get an assurance that the organization will provide the necessary support to allow them continuously to upgrade their skills and that managerial behaviour will be consistent with seeking to foster a high skills workplace. Managers get an assurance that employees will commit to continuous improvement and learning so that they have the capabilities to do what is required to perform well on the job. Thus, the training and learning regime strengthens credible commitments between employees and managers at the facility. To use the language of the literature on organizational trust, the training regime creates a form of calculative trust rather than relational trust between managers and employees (Williamson 1993).

### **Employee Engagement at Medici**

Perhaps starting off as a management fad, employee engagement has become an entrenched feature of modern HRM. Yet the term has gate-crashed the professional literature without paying the entrance fee of a commonly accepted definition. The influential MacLeod & Clarke Report (2012) commented that over 50 different definitions of the term exist. Invariably, all the definitions touch, in one way or another, on some of the following: ensuring that employees have belief in the organisation; increasing employee desire to make things better; improving employee understanding of the business context and the ‘bigger picture’; ensuring that employees are respectful of, and helpful to, colleagues; willingness on the part of employees to ‘go the extra mile’ (Truss *et al.* 2013)

Just as there is little consensus on how to define employee engagement, so there are differing views on how to implement the term inside organizations. Some suggest that employee engagement should be built into most, if not all, HRM policies. Others argue that a discrete set of policies are needed to implement the concept (see Purcell 2014 for a review). The research evidence suggests that larger organizations place employee surveys at the centre of their employee engagement strategies as these are seen as the most reliable way to measure employee satisfaction levels (Sparrow 2103). Then additional policies and practices are developed to follow up on the survey results. This is more or less the policy adopted by Medici. The organization commissions Gallup, a USA-based global management performance company, to conduct employee engagement surveys in all subsidiaries. Gallup uses the same survey in all subsidiaries. The survey contains just 12 questions, which are set out below in Table 9.2.

**Table 9.2: Gallup's 12 Employee Engagement Questions**

1. Do you know what is expected of you at work?
2. Do you have the materials and equipment you need to do your work right?
3. At work, do you have the opportunity to do what you do best every day?
4. In the last seven days, have you received recognition or praise for doing good work?
5. Does your supervisor, or someone at work, seem to care about you as a person?
6. Is there someone at work who encourages your development?
7. At work, do your opinions seem to count?
8. Does the purpose of your organisation make you feel your job is important?
9. Are your colleagues committed to doing quality work?
10. Do you have a best friend at work?
11. In the last six months, has someone at work talked to you about your progress?
12. In the last year, have you had opportunities at work to learn and grow?



The purpose of the 12 questions is to obtain information on four overlapping themes in relation to employee work experience: (1) whether the employee receives the support and guidance to accomplish the tasks they are asked to do; (2) the extent to which employees receive support, encouragement and recognition from managers; (3) the extent to which employees work in collaborative, friendly, but productive teams; and (4) whether employees are provided with opportunities to gain new capabilities and skills. Information gained by the survey results in a distinctive ‘pyramid’ being constructed for each subsidiary. Figure 1 sets the character of Gallup’s Pyramid and shows how particular questions in the survey relate to its different tiers.

**Figure 9.1: Gallup’s Employee Engagement Pyramid**



The Gallup Employee Engagement Model is not as comprehensive or in-depth as other employee engagement survey instruments. But Medici is quite happy to use this survey, which it does annually, because it is not too burdensome for employees to complete yet provides the organization with sufficient information to trigger a deeper employment engagement process. Each subsidiary has to go through the same routine. On receiving the survey results for their subsidiary, the senior management team briefs lower management on both the positive and less favourable outcomes. Discussion then occurs on why the subsidiary’s scores on particular questions or themes were lower than expected and what needs to be done to improve the situation. A draft action plan is drawn up, containing proposed measures that should be put in place. After these discussions, line managers are



required to organise action-plan meetings with their respective teams to discuss the survey scores and to give employees the opportunity to express their views on the proposed action plan and to make alternative or additional suggestions. Senior managers were insistent that action plan meetings were not a cosmetic exercise, but a participatory process that led to the initial proposed action plan being revised on the back of employee observations. The HR manager said that a sure-fire way of damaging employment commitment is to ask them for their opinions and then ignore their replies.

But the process does not end there. After the case-study facility has finalized their action plan on employee engagement, the HR Director has to attend a peer review meeting involving other selected subsidiaries which are engaged in broadly similar activities. At this meeting, which is sponsored by the HR team at headquarters, the HR Director is required to present the action plan, explain why they have focused on the issues identified and provide reasons why it is believed that the proposed action will successfully address these issues. The headquarters team hopes that other subsidiaries will provide insights on their experiences in implementing similar action plans or make suggestions about alternative courses of action that may prove to be more effective. This peer review process is considered hugely beneficial. First of all, it is seen as acting as an effective monitoring mechanism for employee engagement as it becomes apparent very quickly to the HR team at headquarters whether a subsidiary is attaching insufficient importance to the policy. In addition, it is considered a very useful learning process where subsidiaries can learn from each other's experiences, allowing initial plans to be revised in light of advice and discussion.

The employment engagement scores of the case-study facility are consistently in the top quartile for the entire organization. Even with securing these high scores, the subsidiary gets visits from the headquarters HR team to assess whether they are properly implementing the organization's employee engagement strategy. One such visit occurred last year, involving a senior HR manager from headquarters. She attended a series of team-based action-plan meetings, each lasting at least an hour and a half, to assess how teams deliberated over proposed action plans concerned with improving employee engagement at the facility. In addition, all line managers responsible for particular teams were required to make presentations to her and senior managers of the facility describing how they acted as ambassadors for the organization's employee engagement policy. The senior HR manager reported back to headquarters that multi-layered processes were being used in the facility to ensure that employee engagement is implemented meaningfully across the organization.

Thus, the actual policy on engagement being implemented at the facility is considered to be similar to the organization's espoused policy. Consequently, the indication is that the employee engagement policy being pursued at the case-study facility is aligning employee behaviour with organizational goals: employees are being supported by managerial and organizational practices that not only ensure they make a positive contribution to business success but which also are sensitive to their interests. Reciprocity is being forged between the organization and the employee.

### **Trade Union–Management Relations**

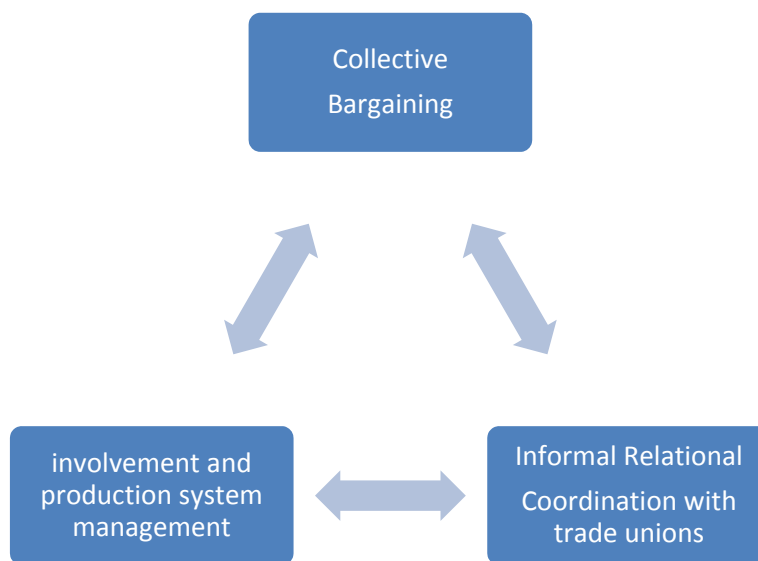
Management–trade union relations at Medici's case-study facility are consensual. The facility has not experienced any type of industrial action during the past decade. At root, this consensual employment relations environment is based on both trade unions and management recognizing that the on-going security of the subsidiary is best served by mutual cooperation. But the dynamics of this cooperation does not fully accord with how these arrangements are normally seen as working in the literature. Typically, senior managers in subsidiaries are classified into two types: those that are 'global' and those that are 'local'. 'Global subsidiary managers' are seen as having career interests beyond their subsidiary and showing little initiative beyond executing headquarters' demands whereas 'local subsidiary managers' are considered to be deeply embedded in local networks (Morgan & Kristensen 2006). Usually, it is local subsidiary managers who are considered more willing to forge coalitions with trade unions to defend the interests of the subsidiary even if this is at the expense of advancing the 'global agenda' of the headquarters. However, the cooperative dynamic between management and trade unions at the case-study facility did not operate in this matter. The local senior management team in the Irish subsidiary sought to be simultaneously global and local: they wanted to buy into the organization's global agenda and at the same time engage in local coalition-building with trade unions.

Balancing these two goals, which are not automatically complementary, is achieved by fostering a distinctive trade union–management cooperation regime. Although neither the management nor trade union side see it in these terms, the collective bargaining process at the subsidiary contains some of the key principles of interest-based bargaining. Before formal collective bargaining negotiations start, managers and trade union representatives meet informally to discuss the issues that are being raised by both the headquarters of Medici and the national leadership of the trade union. The thrust of these informal discussions is to see if

any of these issues are likely to cause difficulties in the forthcoming collective negotiations. It is also to kick-start preliminary thinking on the contents of a possible agreement.

Both sides are willing to pass each other relevant documentation as a sign of good faith and to ease anxieties that might be emerging on a particular matter. Importantly, however, the senior people on both sides keep their own side continually informed of developments in an effort to mould expectations about what can and cannot be achieved in collective bargaining negotiations. These informal interactions, which bear the hallmarks of interest-based bargaining practices, have proved very effective in addressing potential problems that could make negotiations difficult. As a result, when the formal collective bargaining negotiations begin, these are concluded quickly and without fuss. Both sides are committed to this way of interacting as they realize that a lack of faith between trade union representatives and management would be viewed dimly by Medici headquarters.

**Figure 9.2 Trade Union-Management Relations at Medici**



To cement this collaboration on formal collective bargaining matters, the two sides operate a *quid pro quo* whereby management is allowed to operate the subsidiary's organizational and production system in a relatively unfettered manner in return for management committing to an on-going informal problem-solving relationship with the trade union. Thus, trade unions are accepting of key facets of the 'Medici way' – the work system, the employment engagement procedure, the performance management system and so on, which allows the subsidiary to integrate fully with the company's global strategies. In return, management not

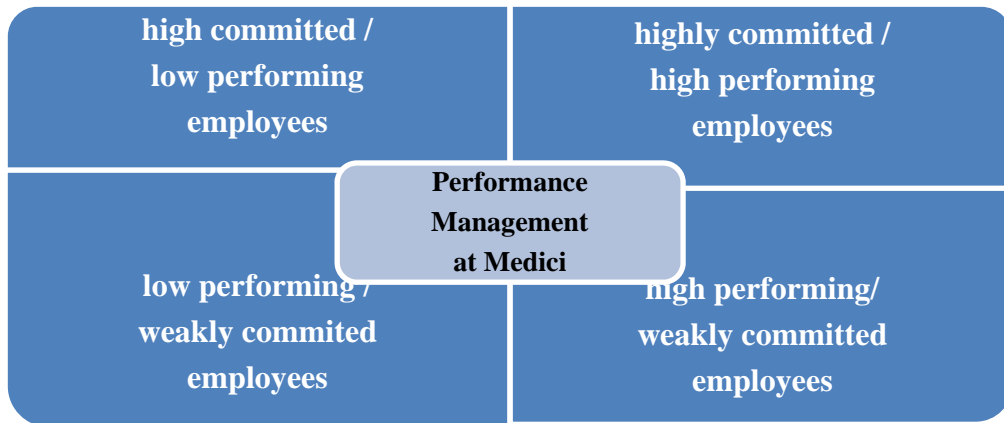
only keeps trade union representatives informed when problems arise in teams between employees or between particular employees and managers, but also discusses possible solutions with them. Sometimes trade unions will get actively involved in trying to solve a problem informally by acting as a go-between between parties engaged in a problem or by advocating that an employee should follow a particular course of action that is being recommended to him. Thus, the unintended side-effect of management and trade union representatives continuously interacting with each other is the creation of a robust informal problem-solving channel inside the subsidiary, which has been very effective in preventing problems entering the formal conflict management machinery inside the subsidiary. Continuously using informal interactions between management and trade unions to solve problems and sustain cooperation has led to this practice being woven into the fabric of organizational life inside the subsidiary. Collective employment relations help sustain reciprocity at the facility.

### **Performance Management**

Performance management is normally used to set performance goals and targets for employees and then appraising how successful these have been met. The use of performance management and appraisals processes has grown rapidly in recent decades, to the extent it is now a standard managerial practice, certainly in most large companies. Performance management is widely considered to be high stakes, with material consequences for the future of employees: salary adjustments, receipt of merit pay or bonuses, prospects for promotion and also discipline, such as demotion and ultimately dismissal, are all seen as dependent on how employees fare in an appraisal with their managers. However, there is little robust evidence on the extent to which these material effects actually occur. Medici attaches considerable importance to performance management, but it uses the process not only to assess employee performance but also employee behaviour. Performance management systems that focus solely on employee performance were considered to be too narrow by the HR manager to help the facility at Limerick build a high performance/high commitment organizational culture. Similar reasoning lay behind the organization choosing not to use a forced distribution system to appraise employee performance.

At Medici, a matrix approach was adopted to performance management to assess simultaneously employee behaviour and employee performance. On this approach, as set out in Figure 9.3, the performance and behaviour of employees is seen as taking a number of possible different forms.

**Figure 9.3 Performance Management Outcomes at Medici**



Clearly, senior managers wanted as many employees as possible to be highly committed and high performing. Less desirable, for obvious reasons, are low performing and weakly committed employees. Interestingly, senior managers said that they would prefer to work with highly committed, but low performing employees than high performing employees who were weakly committed to the organization. The reason behind this preference was that an employee's low performance could be addressed through a customized training and learning programme to upgrade their competences. Turning around an employee who was poorly committed to the organization was considered to be more challenging. Senior managers were of the view that once an employee adopts a negative attitude towards the organization it is difficult to reverse this belief system. Moreover, poorly committed employees were seen as having a greater adverse effect on the organization than low-performing employees. One manager said 'employees that have negative feelings about the company spread cynicism across the organization.'

Line managers receive extensive training so that they are able to appraise employee behaviour, which does not lend itself to verifiable measurement. The HR team is constantly discussing with line managers how they have assessed the behavioural performance of employees. This informal dialogue substitutes for a more formal monitoring exercise to gauge how consistent line management have been in their appraisal of employees across the organization. The HR manager was satisfied that performance management at the organization is conducted fairly and that line managers give equal weight to employee behaviour and job performance. The only gripe the HR manager had about performance management was that line managers had a tendency to overrate employees in appraisals. But this comment was immediately qualified by the HR manager saying that the system could

tolerate this blemish as it was more than outweighed by line managers carrying out the performance appraisal system smoothly and effectively. Overall, the performance management process was seen as important to sustaining the organization's high commitment/high performance culture as it provided management with the on-going opportunity to align and renew employee behaviour and job performance.

### **The Role of Line Managers at Medici**

It is widely recognized that line managers now play a pivotal organizational role in not only implementing operational plans, but also enacting a range of HR policies (Purcell & Hutchinson 2007). Equally, a fair amount of consensus exists about line managers being more effective in carrying out their operational role than their HR role. A range of factors is seen as causing line managers to fall short on the HR front: (1) being obliged to perform a multitude of roles, line managers frequently prioritize their operational tasks, which invariably results in HR matters falling down their 'to-do' list; (2) line managers may not assign the same importance to a HR policy as the HR centre, or interpret it differently, or not be in agreement with it and consequently may not implement the policy effectively. As a result, HR policies may be implemented haphazardly inside organizations. In a nutshell, many organizations want line managers to take on a larger HR role, but there is concern that they may not perform people management activities properly.

This is not the situation at Medici. Line managers are seen as carrying out their HR roles in an exemplary manner. Senior managers and the HR team were effusive in their praise of line managers at the subsidiary. The common view was that they were the lynchpin in the organization being able to realize its high commitment/high performance model. They ensured that the subsidiary operated trouble-free on a day-to-day basis. Problems that did arise were addressed quickly and informally. They performed an excellent sense-making role, observing potential problems that could be brewing in teams and detecting below-par behaviour amongst individual employees. In these situations, they quietly intervened to see if anything needed to be done to assist employees either individually or as a group. In addition, line managers implemented all the key organizational programmes on employee engagement, training and development, and performance management in an expeditious and comprehensive manner. The HR team were confident that all these programmes were being operated consistently and even-handedly across the organization. All line managers interacted closely with trade union representatives, sharing information, discussing how to solve

identified problems, and brainstorming on how to implement upcoming organizational changes. A battery of training programmes was provided to line managers to allow them to perform these roles effectively.

Why were line managers able to perform so impressively in Medici when so many studies highlight problems with line managers executing their role in organizations? The HR team offered three explanations to this question. First of all, before being appointed as a line manager, an employee normally is required to have worked at the organization for several years, which ensures that they possess a deep knowledge of the production process, employees and organizational ways of doing things. Secondly, line managers receive extensive organizational support. When first appointed to the role, line managers receive extensive training on a wide range of matters, from project management to interpersonal communications. Moreover, the 'gap' between the HR team and other senior managers and line managers is not wide: both levels of management are in daily contact with each other so that each can keep abreast of the other's thoughts and concerns. Further, line managers are formally held accountable for both their HR and operational activities in annual performance reviews, which act as an incentive not to neglect one role in favour of the other. The third identified factor was good luck. The HR team considered themselves extremely fortunate to have a group of line managers who were not only viewed as extremely proficient in their particular professions – mostly engineering – but also in their people management skills: they possessed both hard and soft skills, which allowed them to carry out all of their line management responsibilities effectively.

Performing such a positive role in the organization leads to a high level of relational trust between line managers and the employees they supervise. Line managers are seen as possessing the capabilities to perform their role, willing to fulfil promises they make and having a concern for the personal well-being of employees. Because relational trust is high, line managers and employees develop common values and understandings as well as norms of behaviour. Employees are prepared to accept that line managers whenever possible will accommodate their interests. This makes it easier for line managers to promote ways of working that combine performance and commitment – employees are more likely to share knowledge, contribute positively to team work and so on. Thus, line manager integrity is a key part of the story of how Medici has built and sustained a high commitment/high performance organization and minimized conflict and grievances.

## Conclusions

It would be misleading to portray Medici as a problem-free organization. Like any social setting where people interact, personality clashes and misunderstandings occur at Medici. For the most part, however, these problems are relatively minor and easily resolved. Overall, a culture of collaboration pervades Medici: it is a high commitment/high performance organization that strongly emphasizes employee engagement. This case study shows that collaboration does not arise spontaneously, but as a result of a range of fairly integrated organizational and managerial practices. These practices are not pursued for altruistic reasons, but to ensure that the organization's knowledge-based, sophisticated production system works optimally: a collaborative culture encourages cooperation and an ethic of contribution amongst employees. The effect of these practices is to crowd-out workplace conflict, or at least 'negative' forms of workplace conflict. It is as if the organization has captured a zero-sum dynamic between collaboration and conflict – the greater the level of collaboration, the lower the level of conflict. As a result, workplace conflict is at the margins of organizational life at Medici. Conflict management practices exist at the case-study facility, but they are used on rare occasions. If these procedures were to be used, it would be seen by management as indicative of organization dysfunction. Medici is a case where conflict is managed through HR policies that socialize it out of the organization rather than through conflict management practices and procedures.



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