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Information but not consultation: exploring employee involvement in SMEs

Adrian Wilkinson, Tony Dundon and Irena Grugulis

Abstract *Most research on employee involvement (EI) has focused on large or 'mainstream' organizations. By adopting those schemes which 'appear' to work well in larger organizations, smaller firms assume there will be enhanced employee commitment beyond formal contractual requirements. The main question in this paper is whether EI schemes designed by management will suffice under the 2004 Information and Consultation of Employees (ICE) Regulations. The paper focuses on SMEs which tend to favour informal and direct EI, and it remains unclear how these methods will be played out under the new regulatory environment. Evidence from four case studies is presented here and it suggests that the ICE Regulations impose new challenges for smaller firms given their tendency to provide information rather than consult with employees. It also appears organizational factors, workplace relations history and the way processes are implemented at enterprise level may be far more important than size itself.*

Introduction

In recent years Employee Involvement (EI) has retained its place high on the management agenda. It can be seen as a key component of best practice HRM (Pfeffer 1998) or high commitment management (Wood, 1999). The main aims of EI reflect a management agenda concerned with increasing understanding and commitment from employees and securing an enhanced contribution to the organisation. While some forms of EI may provide employees with new channels through which their influence is enhanced, employee involvement does not involve any *de jure* sharing of authority or power (Marchington et al 1992). Most initiatives have tended to cover direct workforce involvement over issues connected with the production process or service delivery, with the rationale that EI will produce highly committed and empowered staff who are more likely to engage in a 'beyond contract' effort.

The wider political and economic environment plays a key role in influencing involvement and participation including the new Information and Consultation of Employees (2004) Regulations. In the period from the end of the Second World War to 1979 there emerged a relatively stable mode of employee involvement (in its broadest sense) that centered on the single main channel of trade unions and collective bargaining. That era of collective voice was sidelined in the 1980s and 1990s by individualistic forms of EI which by-passed trade unions. Up until 1997, the main direction of development was clear: towards the erosion of collective voice (and most notably trade unions) in favour of ever more individual forms (Wilkinson et al, 2004).

The 1990s saw a consolidation in use of EI techniques. Tapping into employee ideas and drawing on their tacit knowledge was seen as one solution to the problems of managing in an increasingly more competitive market place, and of meeting some customer demand for more choice, quality and design (Piore & Sabel, 1984; Wilkinson, 2002). Many of the specific mechanisms for this were crystallised in the models of Best Practice HRM and High Commitment Management developed in the USA (Pfeffer, 1998; Huselid, 1995; Becker and Gerhart, 1996). In the UK a series of studies sought to validate a link between a range of HR practices - including methods for employees to have a voice - and organisational performance (Patterson et al, 1997; Wood & De Menezes,

1998). In both the literature and corporate practice the approach to employee participation was unitarist, often moralistic in tone, and predicated on the assumption that 'what is good for the business must be good for employees' (Claydon and Doyle, 1996; Marchington & Wilkinson, 2005).

However, more recent developments have created a policy dialectic that shapes management choice for EI (Ackers et al, 2005). The broader environment is supportive of both neo-liberal policies and flexible markets, yet at the same time seems more sympathetic to trade union recognition, individual employment rights as well as emergent collective-type regulations (Ewing 2003). The UK government has transposed the European Employee Information and Consultation Directive with the new statutory ICE 2004 Regulations which provide all employees (union and non union) with the right to receive information and to be consulted on a range of employment and business-related matters. Given that the form and type of EI represents a source of managerial power, then this new statutory framework for information and consultation may lead to a shift in the power relations between employee and employer as the legislation provides both potential levers for employees to exert pressure as well as giving a new normative framework where expectations may change the baseline of acceptable practice (Dundon et al, 2006). Furthermore, the Regulations impose conditions on many smaller firms that have often by-passed or ignored employment rights (Wilkinson, 1999).

This paper explores employee involvement in SMEs in four case studies exploring the patterns of involvement with an eye on the implementation of employee voice regulations, using both qualitative and quantitative data. In the first section we categorise employee involvement and look at the regulations and their implications for SMEs. We then explain our methodology and go on to explore the case study findings where the interaction and integration of both internal and external factors were particularly significant. In the final section, we raise a number of issues relating to HRM and the potential impact of the ICE regulations. We also discuss EI initiatives in a sample of SMEs and consider the ways that employer strategies might hold up to the new regulatory environment.

The regulations for employee involvement and SMEs

While it is recognised that there has been a quantitative growth of EI initiatives (Bacon et al, 1996; Cully et al 1999), it is the regulatory impact of the ICE Regulations (2004) which may be the conduit for greater employee influence over decisions normally reserved for managerial control (Gollan, 2005). Crucially, the ICE Regulations define employee *information* as 'data transmitted by the employer to the information and consultation representative; or, in case of a negotiated agreement, directly to employees. Running alongside this *consultation* is defined as 'the exchange of views and establishment of dialogue between the information and consultation representative and employer; or, in case of a negotiated agreement, the employees and employer.

The implications of these regulations are potentially far-reaching. For the first time employees in the UK will have the legal right to be informed and consulted on a range of business and employment matters, should they wish. Significantly, the *scope* of information and consultation relates to three specific areas, and each area progressively increases the *depth* to which employees may exercise a greater influence over managerial decisions. First, employers are obliged to share 'information pertaining to the economic situation of the organisation'. Second, an employer must 'inform and consult on the structure and probable development of employment, including threats to employment'. The final area is potentially the most significant, where an employer must 'inform and consult, with a view to reaching agreement, on decisions likely to lead to changes in work organisation or contractual relations'. These new channels for information and consultation may potentially alter the informal character of communications flows in many SMEs, especially when the styles and preferences of founding owners is threatened by external regulation.

However, these new regulations will not result in a universal sharing of decision-making power between employee and employer. Workers in undertakings that employ less than 50 people will be excluded from the statutory right to be consulted by their employer. For companies with more than 150 employees, the regulations were made effective on 6th April 2005. For those that employ 100 or more employees, the effective

date is 6th April 2007; and for smaller firms with 50 or more employees, 6th April 2008 is the effective date. Thus SMEs above the 50 employee threshold have until 2008 to design and implement employee participation schemes that accord with the ICE Regulations. It is not yet clear what type of mechanisms are required in order to comply with the definitions of 'information' and 'consultation' contained in the regulations. Moreover, employees (not unions) have to invoke their statutory right to be informed and consulted by management, which may or may not incorporate both direct and indirect employee voice schemes (Hall and Terry, 2004).

In much of the existing literature there is a tendency to lump together all the various forms of EI. These cover a very wide range of schemes which in turn may stem from very diverse management motives for sharing information and consulting with employees. Marchington and Wilkinson (2005) identify four main types, namely (1) downward communication, (2) upward problem solving, (3) financial involvement, and (4) representative participation. No categorization of EI is entirely satisfactory given the range of definitions adopted and the rather fluid boundaries between the various different classes. As Dundon *et al*. (2004) observe, various types of EI can both overlap and convey different meanings while the same process can be translated in very different ways in different establishments. In one organization representative involvement may be a response to new information and consultation regulations, whilst in another it may be introduced as part of a downsizing package; a desperate struggle for survival. In such situations, participation is seen not as 'lifeboat democracy' (Cressey et al, 1985) but more as a 'sinking autocracy' (Roberts and Wilkinson, 1991). The organizational environment and the way in which EI is introduced can be as significant as the form that is chosen.

'Ideal' classifications may present additional problems in SMEs where day-to-day interactions between employee and management may encourage a more informal dimension to participation, and where the absence of other, formal HR systems mean that there are few alternative approaches (Dundon et al, 1999). At the same time, there are questions about whether or not informality can survive as a viable mechanism for independent employee participation in the absence of formal structures, especially if

market conditions or senior management philosophies change (Wilkinson et al, 2004). Given this dilemma and the complex and uncertain nature of EI itself it may be useful to consider the way schemes are currently implemented in SMEs and the impact they have on organisational stakeholders.

Much research on EI has focused on large or 'mainstream' organisations (Marchington et al 2001; Storey 1992, Marchington and Wilkinson, 2005) where the main aim is to debureaucratise the workplace and provide information channels and streams which help declog information where complex structures and hierarchy often isolates individuals and groups. In such contexts EI is designed not to dismantle existing structures but to inject or create new channels and routes for information and consultation (Dundon and Wilkinson, 2003). Some of the accounts of EI rely heavily on management accounts and assessments of EI (Storey, 1992) and have to some extent portrayed an idealized version of reality.

In smaller companies informal working environments may mean that EI takes a qualitatively different form to the practices observed in larger firms. Processes can be less formal given the nature of communication flows and the more flexible social setting. Alternatively, SMEs may adopt a process of 'mimic opportunism' and take on schemes which appear to work well in larger organisations, on the assumption that they will lead to enhanced employee commitment. Various HRM initiatives, including voice and participation, may be part of an agenda shaped by a dependency relationship between large and small firms, or from pressures exerted by other organisations in a supply chain network. Issues in this respect often revolve around perceived legitimacy as smaller firms become pressurized to adapt to large firm expectations and demands (Barrett and Rainnie, 2002; Harney and Dundon, 2006). SMEs tend to be characterized by complexity and unevenness with HR practices mediated through a web of social and economic relationships (Edwards et al, 2003). Such factors may result in different ways of working, but they do not determine the success (or otherwise) of these processes and make uneasy proxies for positive end results. Informality, for example, cannot be automatically associated with harmonious work relations; nor can the formality of

management policy in any specific HR area indicate a measure of the substance of HRM (Gunnigle and Brady, 1984).

The literature on SMEs tends to portray them along opposite ends of a continuum of practices and their associated effects from 'small is beautiful' to 'bleak house' (see Table 1). The former presents relations as friendly and harmonious, often characterized by an absence of strikes and conflict. In contrast, the 'bleak house' (Sisson, 1993) view is that smaller firms are dictatorially run with employees suffering from poor working conditions with few methods for involvement (Rainnie, 1989). In reality, in the majority of firms, HRM in SMEs is neither beautiful nor bleak but '*complex'* (Harney and Dundon, 2006). As Curran points out, 'small firms do offer more varied work roles and greater opportunities for close face to face relations in a flexible social setting with less of the bureaucracy of the larger enterprises. But, these conditions also offer greater opportunities for inter-personal conflict' (cited by Roberts et al, 1992, p 242).

[TABLE 1 ABOUT HERE]

One of the more contemporary HRM concerns is the statutory impact of employment legislation, and in particular how the law affects smaller organisations (Dickens et al, 2005). In Britain the trend has been predominantly towards employer-led practices, especially since the 1980s. However, the European Commission has promoted a more 'indirect' (i.e. more collectivist) route to employee involvement. For example, the European Works Council Directive is currently under review at a European level with revisions expected on the definitions and rights of employee representatives. Other European examples include the draft Directives on agency workers and company takeovers, all of which stipulate certain consultation rights for workers and worker representatives. Of more immediate significance is the transposition of the European Directive on Employee Information and Consultation though the ICE 2004 Regulations, which will be effective by 2008 for SMEs.

The regulations are likely to be more contentious in organisations that are partly unionised and smaller firms that tend to eschew bureaucracy in favour of informal

communications. Companies that are highly unionised are likely to already have in place joint consultation arrangements that will suffice. Similarly, in larger non-union companies management and employees have the scope to design and implement information and consultation mechanisms in line with the regulations. For smaller firms problems may centre on the lack of clarity over whether informal channels for EI will have to be formalised.

The CIPD take the view that where management and employees agree, organisations may be able to communicate directly with employees, indicating a practitioner preference for direct involvement rather than representative forms of indirect participation. Managerial suggestions further indicate a desire to minimize (or avoid) the impact of the ICE Regulations, with emails and letters sent to employees informing them of business issues or changes to work organisation, and inviting them to comment as individuals. Staff briefings could also be used to inform and consult employees. While the Regulations could have far reaching consequences for the way UK employers inform and consult employees over a wide range of organisational issues, the realization of this potential will depend on the strategies of employers and the response by trade unions to these initiatives (Gollan and Wilkinson, 2006), as well as whether employees are prepared to 'trigger' the process. It may be that in small firms, employees are less likely to trigger the process and may exit rather than seek to try to seek voice.

4.   Research Design and the Case Study Companies

The aim of this research was to explore the extent and impact of EI among SMEs. A case study approach was adopted (Eisenhardt, 1989; Yin, 1993). In total, 41 respondents were interviewed across the case study organisations, with an average of six employees per company. Semi-structured interviews were also conducted with owner-managers, HR or other senior management, and supervisors. There was also the opportunity to collect quantitative data through an employee questionnaire administered to the whole workforce in each company, with an aggregate response rate of 56%. The highest response rate was at Motor Co (69 percent) and the lowest, 44 percent, at Care Co. In addition, access to documentary material (such as personnel policies and mission statements) and non-participant observation was used with respect to both the nature of

work processes and the type of EI practices. A description of the range of EI practices is summarised in Table 2 and key managerial 'motives' for seeking to involve employees explained in what follows.

[TABLE 2 ABOUT HERE]

The four case studies have been selected from a wider sample of 12 SMEs on the basis that each claimed to have introduced some form of EI which, potentially at least, indicated that they would meet the requirements of the impending ICE Regulations. Between them these firms also provide a cross-sectoral sample of different workforce characteristics and sectors of the economy. While the four cases have all adopted EI, they differ along several key dimensions such as HRM approach, management style, ownership, type of employees, union and non-union, sector and market factors. (key organisational characteristics are summarised in table 3).

[TABLE 3 ABOUT HERE]

Three of the case studies were non-unionized, and management had elected to introduce new forms of EI based on managerial objectives alone. In the final case study, Beverage Co, the GMB union represented the interested of production employees, although management were adamant that clerical employees were to remain non-union, and collective forms of voice were to some extent marginalized. While there are always dangers with causality, the way managerial objectives affected employment relations and EI tended to be influenced by three discrete (although at times overlapping) influences. These are: managements' underlying motives for employee involvement; worker responses to EI initiatives; and the contradictory nature of workplace social relations.

Case study context and managements' motives for employee involvement

Consultancy Co

Consultancy Co was founded in 1992 and initially started as a micro company with eleven people, including the owner-manager. It now employs 150 staff with offices in Manchester, Edinburgh and Dallas (USA). The company provides consultancy services in technology software, radio communications and security systems to a range of blue chip companies and national and local governments on a global scale. At the time of the research financial turnover was in excess of £3 million per year.

The managerial motives for employee involvement include a mix of 'success through people' and 'employee control' with non-traditional (i.e. non-bureaucratic) surveillance systems (Grugulis et al, 2000). A variety of sophisticated HRM and EI techniques seek to win employee 'hearts and minds'. Initiatives range from social bonding and team building activities to self-managed/task-based involvement. Consultants regularly present papers at international business and technology conferences, work independently and in teams which are capable of determining their own work schedules. There is a paternalistic attitude to management and repeated attempts to engender a 'fun' side to work.

In an attempt to preserve this distinctive culture, when the number of employees grew beyond the limits of a single social circle, the owner-manager appointed a full-time 'Culture Manager' and allocated 2% of company turnover (about £250,000) to the business of culture management. The preservation of this cultural identity took several forms. Once recruited, management techniques sought to develop workers in line with the company's 'culture statement'. Top of the list includes having 'fun at work', which was actively encouraged by the owner-manager through an open and friendly style. There was a strong emphasis on mutual 'trust and respect' both inside and outside the workplace, with employees at all levels on first name terms. These interventions were underpinned by social activities funded from the 'culture budget', including weekend trips to Dublin, white-water canoeing in Wales, and a river cruise-cum-office party. There were regular inter-company football tournaments among staff when the men played and the women dressed as American-style cheer-leaders. More serious matters were also mixed with humour to encourage an informal atmosphere. Individual

appraisal interviews and group inductions for new staff were regularly held as social events at the company's expense.

There was also a considerable emphasis placed on personal and professional development. All twelve directors were studying for the Institute of Directors professional examination, another thirty staff had attained the Institute of Electronic Engineers membership, four had doctorates and several were working toward MBAs. In addition, two separate company-wide training days were held each year when the whole workforce would be taken to a hotel to discuss new projects and receive company information. Management were keen to encourage two-way communication:

> *'Voice is about having opinions and observations heard. How voice is realised, recognised and acted upon is what matters. There is no "real" voice if it is not listened to'* (General Manager: Consultancy Co)

Many employees were enthusiastic advocates of employee involvement. Most valued their in-house friendships and many enjoyed the social events. But tensions and problems still existed. Pay was set by the owner and no formal criteria on how individual performance was evaluated were published. This research was conducted when the company was performing well and the majority of employees were extremely well satisfied with the pay awards. However, clerical employees expressed concern about the lack of paid overtime, and other employees lower down the hierarchy were critical of both the long hours and difficulties at achieving a performance pay award as few worked exclusively on client (fee-earning) projects. Consultants were engaged in interesting and responsible work but taking ownership for decisions, actively negotiating contracts with clients and participating in social activities often demanded long hours at work.

Care Co

Care Co is a private residential nursing home for the elderly, with 45 employees. The majority of staff work various part-time shifts covering a 24 hour, 365 day rota. The home was opened in 1991 and owned by a single owner-manager, although most day-to-day management issues have been devolved to a head matron. The majority of employees are women, and most were paid at national minimum wage rates. Over the last 3 years the home has changed from one with a bad reputation for residential care, to one of only a few care homes in the region which is full to capacity (38 residents) with a permanent waiting list. Approximately 80% of residents are private fee paying, the remainder are funded by the local authority.

While seeking to attract new fee paying residents and retain labour in the home, the owner-manager sought to engineer a new quality conscious approach among care assistants. Work schedules were re-designed and care assistants encouraged to care for particular groups of residents rather than provide general assistance across the home. This approach sprang from an earlier desire to reduce labour turnover. The job of care assistant can be both physically and emotionally demanding and many staff leave within a few weeks of appointment. Given that local authority regulations stipulate a strict ratio for the number of employees to residents, vacancies had to be filled within a relatively short period. At Care Co labour turnover increased when the village shop began trading as a mini-supermarket. With longer opening hours and Sunday trading, the local grocers became a major source of competition for labour in the village. Within one week of this shop opening around 30% of staff left the residential home to work in the supermarket, most employees being attracted by the prospect of a less demanding job and marginally better pay.

In response to this Care Co embarked on a variety of involvement schemes that sought to lower staff turnover and enhance the quality of residential care. These focussed mainly on the bottom-end of the Marchington and Wilkinson (2005) escalator of employee involvement, and included 'top down' communication methods, shift change-over meetings, weekly briefings by the head matron, a monthly meeting organised by the owner, a staff suggestion scheme, bi-monthly appraisals and separate quality audits for housekeeping, care assistants, nurses and kitchen staff. A company-wide NVQ

training scheme was initiated to broaden the customer skills of all employees, and a bonus was linked to each level of the NVQ qualification. Previously there had been no formal training. Some employees had worked in other nursing homes and were assumed to be already trained, while others learned 'on the job'. Essentially, the schemes introduced at Care Co sought to encourage employees to take on greater responsibility for their own development plans and link these to resident (customer) care. They informed employees of organisational changes, but fall somewhat short of the notion of consultation, as required in the ICE 2004 regulations.

Here, management acted from a desire for improved employee motivation and commitment, not regulatory compliance per se. Yet despite the waiting list for residents, it is difficult to link this EI to improved levels of employee motivation and performance, or assert that they can be used as a proxy for employers' willingness to develop 'resourceful humans'. Indeed, many employees saw EI as little more than 'out-of-hours' meetings and 'pay-for-your own NVQ' and commented that the training scheme, staff meetings and appraisals ran counter to the informal relations they associated with a small residential home. Set against this, it is also difficult to describe this small firm as a 'bleak-house' organisation. The attitudes that many of the workers displayed toward employment, residents and the owner-manger were complex. Care assistants demonstrated a strong attachment to their work and a compassion for residents. In an attitude survey almost 90% of employees said that they enjoyed the job and found co-workers and residents supportive. Yet this did not resolve the underlying tension between employee and employer.

Beverage Co.

The third company is the only unionised organisation in the sample, with 150 employees divided between its head office in Manchester and the manufacturing site in Runcorn. Beverage Co manufacture intermediary flavouring products for the food and drink industry, and over the last four years experienced a decline in market share having lost several large export contracts culminating in 10 redundancies. The company has been family-run for over 100 years, although over the past five years a number of senior managerial positions have been filled from outside the family.

There are several overlapping managerial motives for EI at Beverage Co. One is that new (non-family) managers see various HRM and EI techniques as central to the company's aim of achieving 'world class' and 'business excellence' status. Recently acquired IiP, BS and ISO standards and the implementation of customer-focused initiatives seek to encourage employees to take on greater individual responsibility. EI is also seen as a way of tapping employee knowledge and expertise as a key resource during times of market uncertainty. Specific EI techniques here include clerical teams and production cells responsible for certain tasks, the introduction of an employee suggestion scheme, newsletters, team briefings complemented by site-wide meetings facilitated by the managing director. The focus is less on any type of representative participation and more on newer, more individualistic forms of EI. Collective negotiations regarding pay and conditions remain with the GMB union for manufacturing employees, and a bi-monthly joint consultative committee (JCC) now meets quarterly, mainly to deal with heath and safety matters. There is no union recognition for clerical staff, although union-management relations were described by both parties as 'healthy and respectful'. The findings at Beverage Co point to a mix of increasing formalisation, market contraction and intensification of effort which meant EI initiatives were met with suspicion among employees.

Motor Co

The final company is a family-run enterprise, established in 1987, which is a franchise dealership (i.e. sales, servicing and repairs) for a well-known European manufacturer of commercial trucks. Motor Co is the largest of three motor dealerships owned by the same family in the North West, and employ 65 staff. These include motor mechanics in a garage workshop, clerical support staff, warehouse stores and floor-court sales. Formal responsibility for employment relations at Motor Co is almost exclusively in the hands of family members who all occupy strategic positions within the organisation; the personnel manager is the daughter of the founding owner; the sales director his son and a combination of cousins and other family members are employed in various positions in the company.

As with Beverage Co, managerial motives for EI centre on responses to market competition. In particular, the motor manufacturer announced a review of all existing dealerships and several other garages have opened locally as direct competitors to Motor Co. In response to this commercial uncertainty, family-owners introduced several new management techniques to formalise and re-structure employment arrangements (Dundon et al, 1999). A new General Manager was appointed in the hope of reassuring the vehicle manufacturer about the company's management structure during the franchise review. Younger and increasingly assertive line managers were hired to take on greater departmental responsibilities and the daughter of the founding-owner was appointed as the personnel manager. Formal procedures were introduced and policies such as recruitment changed, with a combination of formal applications and interview selection replacing more *ad hoc* means of seeking potential employees from friends and acquaintances in the motor trade. Individual appraisals, regular communications and employee involvement techniques were also introduced.

The new management techniques and new managerial structure at Motor Co were intended to mark a departure from earlier informal relations in which 'walking the shop floor' was the main way owner-managers engaged with employees. But their introduction was not accompanied by a shift in power relations. If anything, Motor Co is more symbolic of a 'bleak house' scenario than any of the other case studies, characterized by little HRM and no EI. The little employee involvement that does exist tends to have evolved around informal practices among employees and family members. Moreover, the practices that have been introduced (i.e. team briefings and a 'quality' staff representative) are infrequent and often based a supervisor's interpretation of what information 'ought' to be communicated to employees.

Findings

Worker Responses to EI initiatives

Table 4 is a summary of the quantitative responses from all employees, with additional qualitative data reported below. Most striking is that employees are highly critical of various EI initiatives and the intentions of management. For example, few employees feel involved in decisions (17%) or that management take cognisance of their views (37%). Around one-third of all workers are informed about work changes (35%). The evidence reveals that while management may aspire to inform employees, this is not the same as consulting or engaging with workers, as might be expected under the new regulatory employee voice environment.

[TABLE 4 ABOUT HERE]

At Consultancy Co, employees spoke of the contradictions between a team and self-managed culture with that of an increasingly more formalised communication system. Consultants were generally free to determine their own work schedules: work at home, in the office or at client sites. However, this resulted in reliance on a dual system of formalised team meetings and infrequent personal contact with colleagues. In practice, task-based EI meant a significant intensification of effort with less of the personal exchange characteristic of small firms. One technical engineer commented:

> *"I don't like the philosophy of 'yes, we can do anything a client asks for'. That makes the work too pressurised ... I like to stay late because I want to; I don't like it when I've got to stay late because a consultant has promised something in a deal, which means we have to get things in place for them* [i.e. consultants]*"*

At Care Co the realities of the wage-effort bargain overshadowed the notion of information-sharing with employees. For example, shift change-over meetings had been introduced to facilitate horizontal communication flows among care assistants and create greater awareness of resident needs, the NVQ training scheme was designed to motivate and encourage employees to take on greater individual responsibility, and departmental team meetings were used to disseminate information. However, employees were sceptical of the reasons for their involvement and much more concerned with 'bread-and-butter' issues. The system of meetings and briefings were

held out of working (e.g. paid) time, and the NVQ scheme had to be paid for by individual employees, many earning only the national minimum wage. One care assistant commented:

> *"What communications! There's a big lack of that here. We don't get paid for meetings which are outside the shift, so I go home … I've no time for that NVQ lark … Its all in the girl's own time, and bloody expensive, I'm not going for that"*

Similarly, at both Beverage Co and Motor Co, employees were critical of information and consultation practices. At Beverage Co, the introduction of 'production cells' was little more than a change of name from the 'manufacturing shifts' that existed previously. The introduction of lean production did not carry with it any noticeable increase in employee authority or decision-making powers, and team leaders were regarded as 'supervisors on the cheap'. And company-wide meetings were seen simply as a tool to reinforce the managerial prerogative. Overall there was a climate of suspicion and mistrust. One middle manager suggested:

> *"There's a reluctance to show the whole picture. We have canteen meetings but they're controlled, the information is very selective. That's a general feeling that not all the info is given out"*

The evidence suggests that employees were less convinced of management's stated objectives for EI. In all companies, employees responded positively (from 89% to 49%) to the statement that management encouraged staff to make work-related suggestions, yet few believed management were prepared to act on those suggestions (those agreeing ranged from 38% in Consultancy Co to 7% in Motor Co; an overall average response of 26%).

The contradictory nature of workplace social relations

Despite the gap between managements' motives for information-sharing and the experiences of employees, other workplace dynamics tell a rather different story. Most striking is that amidst the critical reflections of EI, most employees across all companies

seemed surprisingly happy (see Table 5). For example, only a few workers are prepared to leave their company even if offered another job (11%), a high proportion regard their working environment as informal and relaxed (72%), while many view the company as a team or family (67%). This figure included a 94% response from the mainly minimum wage workers in Care Co, who also said that company success was shared by all employees (46%).

[TABLE 5 ABOUT HERE]

These apparent contradictory results point toward a 'paradox of organisational action'; that is, social actors inject their own interpretations, meanings and interests which results in a more complex set of social interactions associated with managing human resources. In accounting for such complexity, the nature of 'internal' and 'external' factors was found to be an important determinant.

External Factors

External factors relate to market characteristics and organisational restructuring. Some of the positive employee responses at Consultancy Co and Care Co need to be seen in a wider organisational context. While these are two fundamentally different organisations, employ very different workers and symbolise sophisticated HRM and bleak-house respectively, both experience either market stability (Care CO) or rapid growth (Consultancy Co). Thus EI occurred against a background of favourable conditions. Consultancy Co had grown from a micro SME to one employing 150 people in a little over 5 years, while over a similar period Care Co had become a well-respected care provider within the industry, full to capacity with a permanent waiting list of fee-paying residents.

In contrast, some of the more negative results found at Motor Co and Beverage Co were against a background of increasing market pressure, growing employment insecurity and organisational restructuring. At Beverage Co declining market share (both domestic and export trade) resulted in redundancies, while at Motor Co local competition and the vehicle manufacturer's review of existing dealerships served to add a degree of

uncertainty. Thus for management at least, EI was seen as a response to worsening conditions rather than promoted on the back of wider commercial success. Yet despite this, employees were not overwhelmingly dissatisfied but critical of what information and consultation sought to achieve.

Internal Factors

The two most prominent internal factors here were management style and social processes. Both Motor Co and Beverage Co witnessed a dramatic shift in managerial style. For the first time in both firms, non-family members were introduced at a senior managerial level to tackle commercial pressures. At Beverage Co this meant introducing a whole raft of HRM techniques, including employee involvement. Employees were suspicious not because of the initiatives themselves but because of their prior experiences of redundancy emerging out of management changes. At Motor Co, the new managerial approach was much more assertive than the previous era of familial and informal relations. For example:

> *"Take my manager, he can't speak normal to people without 'ranting and raving' … It's all changed over the last two or three years. It's not the family place it used to be"*

In contrast, at both Consultancy Co and Care Co management style was fundamentally different. At Care Co, an autocratic style of managing sought to coerce employee information and consultation mechanisms through 'out-of-hours' meetings and 'pay-for-your own NVQ'. At Consultancy Co the whole approach was strongly influenced by the founding owner's ideas of paternalism, the use of first name terms and a desire to maintain a 'small firm culture' in response to company growth. Here social activities were not organic informal responses, as might be found in ties of friendship, but carefully designed to try to engender an attachment to Consultancy Co and to persuade workers to 'work beyond contract' (Grugulis et al, 2000). One office employee remarked:

> *"Its a happy office, everyone's approachable, you're never left on your own and being a good team member is regarded as an important thing. I*

mean, there's no problem having a laugh with anyone. [The founding owner] is approachable as anyone"

The second internal issue is the form processes took at each enterprise and the way these mediated employee experiences. In two of the four case studies, the type of information and consultation bureaucratised previous informal communications. At Consultancy Co and Beverage Co, the injection of relatively sophisticated HR techniques worked against the informal nature of a small social setting. At Consultancy Co, consultants found it difficult to attend scheduled team meetings and the social bonding activities because of their increased workload. Consequently, there was a great deal of reliance on infrequent personal contact with colleagues and management. Indeed, the carefully engineered 'social activities in the pub' were often the only vehicle to receive and pass-on information. At Beverage Co, cell shifts and company-wide meetings were often welcomed by employees, but tended to be viewed as secondary to the main day-to-day exchanges between supervisors and co-workers. One production supervisor at Beverage Co commented:

"Too much communications in one sense – we've forgotten to use general conversation. They try and make things too formal, thinking it's a better way, which isn't always the case"

At both Motor Co and Care Co, employees regarded relations with work colleagues and the nature of their job as more beneficial than managements' attempts at information-sharing. At Care Co, employees referred to an attachment to their work, of caring for residents and that information and consultation did not reduce the tensions that existed between employees and the owner-manager. One care assistant commented that basic pay and conditions was much more important than new mechanisms to involve employees:

"She [The owner] doesn't see what we have to do; its bloody hard work. Don't get me wrong, we love the residents, but we want rewarding for it. They've come up with this thing called 'Carer of the Month' and we all get points … A pound or two on the rate would be more beneficial"

At Motor Co, employees found that getting-on with workmates was one way to ameliorate the tensions associated with hard work and a harsher managerial regime. One garage mechanic reported:

> *"We all get-on great and have a good crack. We do speak to each other a lot, myself and other lads. But management letting us know what they're doing, definitely not"*

Discussion and Conclusion

In this paper we have reported the findings of an exploratory study in four different small firms on the range and impact of recently introduced information and consultation techniques. Managerial motives were different in each organisation, which might be expected, but the range of techniques discovered is rather more surprising and the implications are considered below.

Our findings reflect the questions raised at the beginning of the paper. First, what EI processes are in operation in SMEs. Second, to what extent are models of EI drawn largely from larger firms useful in helping us in understanding the process. Third, what implications do our findings have for the directive.

First, this evidence would suggest that simple conclusions which focus on either the small is beautiful or the bleak house typologies of SMEs distort reality. Certainly, managerial motives for employee involvement met critical responses and many workers were aware of the exploitative consequences of intensified effort and the low levels of their own salaries. However, the 'small isn't beautiful' perspective is also found wanting. Significantly, employees were not overwhelmingly dissatisfied with their work experiences or management approaches. Indeed, in the worst organisational-type (Care Co) our survey had several positive results, despite the fact that some employees earned only the national minimum wage and EI meant being coerced to participate in 'out of hours' meetings. It may be that here the positive responses came from the intrinsic nature of the job, that care assistants were altruistic and cared more for residents than they did for management, EI or the company.

This would suggest that the broader situational contexts in which social processes are interpreted and played-out are more important than organisational size alone. In this way the evidence helps towards an understanding of uneven and contradictory social processes that go beyond descriptive models of HRM. Indeed, the relationships that exist between labour, management and wider structural factors illuminates the limitation of considering SMEs in isolation from their broader contextual environment.

Secondly, those case studies that sought to involve employees out of a belief in what might be regarded as 'best practice' HRM taken from larger companies (e.g. Consultancy and Beverage Co), produced more formalised and bureaucratised structures. Yet in seeking to formalise and re-structure involvement they ran the risk of destabilising what larger companies actually seek to engineer. Moreover, employees found their own ways of engaging with one another rather than contributing towards management plans and objectives.

Of course simple causal explanations are problematic, and in this respect alone there is a need to rethink normative models of HRM drawn exclusively from larger, mainstream organisations. Small firms may be aware of what is alleged to be 'best practice HRM' in larger companies, but there is insufficient evidence to suggest that such practices are appropriate to small firms. At Consultancy Co, Motor Co and Beverage Co, employees were much happier to be left alone, and the introduction of formal management driven EI techniques counter-balanced what many workers regarded as an organic, informal and horizontal form of involvement.

Third, what implications does this have for the new ICE 2004 Regulations? It is clear that managers find the European language of employment rights, with a renewed focus on more collectivist employee participation, unpalatable and even alien to SMEs. This tension is significant as managers play a key part in interpreting legislative requirements into practice at the workplace. In this regard EI is best understood not in terms of particular techniques or discrete typologies, but rather as a set of complex and uneven meanings and interpretations shaped by external regulation as well as internal power struggles over the choice for employee information and consultation. While

managers 'buy into' a notion of information-sharing and involvement policies which reinforce togetherness, they seem much more reluctant to embrace processes based on consultation as these threaten their prerogative (Hall, 2005). Under certain circumstances they will be cautious of setting up new structures and prefer to 'stick' with what they know. Managers are setting clear boundaries on the types of schemes that they are likely to implement, which seem to gyrate towards information but not consultation. The issue then becomes whether employees will seek to extend their rights and how an employer might respond. Marlow points out that managers felt union recognition would be detrimental to employees as it would create diversions and that they argued that 'any insistence on formality would effectively prevent employees from being able to engage directly with the employer which most employers felt was the best way for them to make any case they might have' (Marlow 2003, p. 541). In SMEs employers are often seen as rather quiescent, with management-employee difficulties expressed in turnover, rather than overt conflict. The same may apply here. It is unlikely that managers will respond to the regulations by setting up processes which meet the requirements. The question then becomes 'will employees pull the trigger'? Given the culture of SMEs as evident in this paper we see it as unlikely that they will do so.

Informal information arrangements may not meet the requirements of the regulations although this will no doubt be tested. If they do meet the regulations, this would reduce 'triggering the ICE Regulations procedure.

The evidence from the case studies reported here is supported from other related research (Gollan, 2005; Dundon et al, 2006), suggesting that employees may perceive that any new I&C arrangement as not addressing their concerns and interests and is therefore impotent and ineffective. By implication, the ICE Regulations could be regarded by employees as accomplishing very little in terms of true consultation, and thus fail in its objective of ensuring the effective involvement of employees or provide an essential step in completing the EU social dimension towards the creation of an 'adaptable, high-skilled and motivated workforce' (European Commission, 1998). Furthermore, organisations that do not have formally approved information and

consultation agreements may be vulnerable to having the Regulations' standard for informing and consulting employees imposed on them if 10 per cent of employees make a request. Employers will then be required to negotiate new arrangements but if agreement cannot be reached then the standard provisions will apply (Gollan and Wilkinson 2006).

Despite the recent emergence of a more rights-based EU agenda for employee participation, informal aspects of EI appear critical in SMEs, especially in 'newer' firms that have developed organisational cultures based on trust and open communications. However, the ICE Regulations are silent on the issue of informal mechanisms for information and consultation. In this respect there is great scope for in-depth organisational research, based on interview and observation to evaluate claims of 'informality' and 'culture'. The challenges that lie ahead is how informal EI and formalised, regulated voice through public policy and legislation will be played-out; whether existing multiple schemes for EI will be integrated as the new information and consultation regulations are embedded over time; or the whether a new policy agenda will result in another 'missed opportunity' for British managers (Wilkinson et al, 1992).

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Table 1: HRM & EI in SMEs

Small is Beautiful	*Bleak House*
Harmonious	Hidden Conflict
Good HR	Black Hole
Little Bureaucracy	Instability
Family Style	Authoritarian

Source: Wilkinson 1999

Table 2: Range of EI & Participative Techniques

($\sqrt{}$ = present; X = absence)

EI Techniques	Consultancy Co	Care Co	Beverages Co	Motor Co
Downward communication				
Company magazine/newsletter	$\sqrt{}$	X	X	X
Cultural change technique [1]	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	X
Notice boards/written memos	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
e-mails to communicate	$\sqrt{}$	X	$\sqrt{}$	X
Team Briefings	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
Upward Problem Solving				
Site/company-wide meetings	$\sqrt{}$	X	$\sqrt{}$	X
Cell/Shift Meetings	X	$\sqrt{}$	$\sqrt{}$	X
Staff Suggestion Schemes	$\sqrt{}$	X	X	X
Attitude Surveys	$\sqrt{}$	X	$\sqrt{}$	X
Financial EI				
Profit/Merit Pay	$\sqrt{}$	X	$\sqrt{}$	X
Share Schemes	X	X	X	X
Bonus System	X	$\sqrt{}$	X	$\sqrt{}$
Representative Participation				
Joint Consultative Committee	X	X	$\sqrt{}$	X
Employee Representative	X	X	$\sqrt{}$	$\sqrt{}$
Totals	9	5	10	4

Table 3: Key Characteristics about each Company

Feature	Consultancy Co	Care Co	Beverages Co	Motor Co
Industry	Software consultancy	Private residential care home	Food & drinks flavourings	Commercial trucks: sales, repair & servicing
Market Situation	International services. High share of UK market; growing share of international market.	Localist SME. Part dependent on local authority residents.	Stable/low domestic market share; declining export market share.	Localist SME. Stable regional market share. Growing local competition & dealership under review
N Employees	150	45	150	65
N Sites	3	1	2	1
Labour Turnover	Very low	High; but slowing	Low	High; but slowing
Employment growth/decline	Large growth	Stable	Decline	Stable
Range EI Techniques	Wide/Sophisticated	Narrow	Wide/Consultative	Restrictive/Autocratic
Reliance on Formal/Informal EI	Reliance on Informal, but becoming Formal	Informal, introducing Formal	Preference for Formal over Informal	Informal, Ad hoc

Table 4: Employee Responses To EI (%)

Indicator	Consult Co	Care Co	Beverage Co	Motor Co	Total
Management involve employees in decisions					
Agree	18	35	9	7	17
Not Sure	23	8	10	11	13
Disagree	59	57	81	82	70
Management regularly seek employee views					
Agree	57	56	25	9	37
Not Sure	30	22	21	22	24
Disagree	13	22	54	69	39
Communications are informal & relaxed					
Agree	28	76	64	44	53
Not Sure	34	8	14	9	16
Disagree	38	16	22	47	31
Management pass-on information regularly					
Agree	67	73	52	20	53
Not Sure	21	13	12	20	17
Disagree	12	14	36	60	30
Employees are kept informed about changes					
Agree	26	67	36	11	35
Not Sure	32	19	7	13	18
Disagree	42	14	57	76	47
I do have influence over how to do my job					
Agree	78	62	79	64	70
Not Sure	14	11	10	14	13
Disagree	8	27	11	22	17
Management encourage staff to make suggestions					
Agree	89	83	82	49	75
Not Sure	5	13	13	24	14
Disagree	6	4	5	27	11
Management act on staff suggestions					
Agree	38	46	15	7	26
Not Sure	38	27	25	18	28
Disagree	24	27	60	75	46
N	**82**	**37**	**67**	**45**	**231**
Response rate	**54%**	**82%**	**44%**	**69%**	**56%**

a: A 5-point Likert-type scale was used to measure attitudes. This was collapsed to simplify responses along three scales:
'agree', 'not sure', 'disagree'.

Table 5: Employee Attitudes Toward Management & Company (%)

Indicator	Consult Co	Care Co	Beverage Co	Motor Co	Total
Working here is informal & relaxed					
Agree	78	81	78	47	72
Not Sure	6	8	4	11	7
Disagree	16	11	18	42	21
Working here is like being part of a team/family					
Agree	79	94	57	33	67
Not Sure	10	3	7	13	8
Disagree	11	3	36	54	25
Company success is shared by all employees					
Agree	83	46	36	11	45
Not Sure	7	13	24	25	17
Disagree	10	41	40	64	38
I would leave this company if offered another/ similar job					
Agree	6	11	13	11	11
Not Sure	10	11	29	22	18
Disagree	84	78	58	67	71
Employees are treated fairly by management *					
Agree	83	89	55	46	68
Not Sure	12	5	29	10	15
Disagree	5	6	16	44	17
N	**82**	**37**	**67**	**45**	**231**
Response rate	**54%**	**82%**	**44%**	**69%**	**56%**

a: A 5-point Likert-type scale was used to measure attitudes. This was collapsed to simplify responses along three scales: 'agree', 'not sure', 'disagree'.