ies Report

Institute for Employment Studies

Thoughts for the day

IES Perspectives on HR 2016

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Institute for Employment Studies

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Introduction

'There are two kinds of forecasters: those who don't know, and those who don't know they don't know.'

J K Galbraith

'We need some evidence-based essays which predict the issues HR leaders will face this year and how best to address them.' Hmmm, a tough brief from our Director for our annual thought-pieces which comprise this IES Perspectives on 2016.

Certainly the economic forecasts for the year are highly uncertain, with even Chancellor George Osborne warning in January of the 'dangerous cocktail' of circumstances that the UK faces (Elliott, 2016). I know a number of HR directors who are still waiting to confirm their own budgets for the year. Given the Chancellor's record of springing his own surprises, with the National Living Wage due to hit in April and a 7 per cent rise on the National Minimum Wage, they are waiting until his Spring Budget to finalise their plans. HR and workforce planning have gone quarterly, strategic human resource management replaced by tactical cost and risk management.

The forecasts for the HR function on the surface seem equally uncertain and bleak. Between Ram Charan (2014) recommending in Harvard Business Review a divorce of the function into its strategic and administrative components at best, and a cost-reducing procedural and legal focus at worst, and Professor Peter Capelli (2015) explaining 'why we all love to hate HR', in the same learned journal last year; HR is undoubtedly a tough place to be at the moment. Making the case (as we regularly do) with HR leaders for often well-justified investment in staff in their talent and pay-constrained organisations; or for slowing down the rate of organisational change amongst restructuring-battered workforces, is often unpopular with shareholder-return-driven chief executives and austerity- and quick-fix, policy initiative-focused permanent secretaries.

Crystal-ball gazing I am afraid is not an IES core competence, although workforce and HR planning definitely is, and has been ever since our foundation in 1968. We have recently been helping a client on a fascinating project to think about their workforce needs and employer brand through to 2040.

But in terms of helping you to think about, plan for and deal with this environment of Donald Rumsfeld's infamous 'known and unknown unknowns', I think I can with all due modesty claim that once again this year IES has delivered, with a series of thought-provoking and at times rib-poking essays and insights for you to reflect on and enjoy.

In one sense, there is something delightfully old fashioned in this age of fast-paced online content and social media, about us producing a collection of discursive essays. And evidence and research-based ones to boot, when the PR executive's demand is for blogs, opinion and controversy.

Yet if you think this set of *Perspectives* might be a long, gentle, even soporific read, then I am pleased to say you are in for a surprise, as we confront, challenge, and hopefully expand your existing thinking, plans and practices.

First up, for those of you seduced by the literature of engagement survey suppliers and notions of radically different 'Millennials' and 'Gen Y', generational expert Emma Parry from Cranfield University and our Director Penny Tamkin present a coruscating critique of the evidence on generational differences, concluding that a lot of the resulting 'best practice' advice for these supposedly less money and more meaning-motivated youngsters boils down to 'good management and leadership …… (which) would help employees of any age bloom'.

Organisational change expert, Valerie Garrow, highlights later in the collection that for most of the last century leaders have been ignoring research on the benefits of employee involvement, which helps to explain the continuing high failure rates of the planned 'transformations' in organisations. Yet, as she describes, current technologies and conditions provide new opportunities for high-involvement change and to move from 'consultation to co-creation.' We need to grasp this to be able to land and deliver far more of it successfully in the day-to-day realities of our contemporary organisations.

In our second essay, Dilys Robinson and Luke Fletcher make a similarly well-supported case for the currently popular but long-standing (and often ignored in job design) concept of meaningfulness, concluding that: 'the positive benefits of offering meaningful work – higher engagement, reduced absence and better performance – suggest that it is worthwhile to make the effort.'

Rather than, in traditional academic fashion, simply demolishing current fads, our mission at IES is to put our employment and HR research into practice, to the benefit of employees and their employers. In her second essay, 'Performance Management: Friend or Foe?' Penny Tamkin puts some sensible balance back into the current trend for kicking this 'soul-sucking monster of HR' (Milne, 2015), pointing out the strong correlations with organisational performance and concluding that 'for most organisations the answer is not to jettison the performance management system but step back, consider what you really want it to do, and focus on making sure every bit of it delivers that.'

The contributions range from the general, even philosophical, right through to the up-to-date particular, with a detailed description of this year's gender pay reporting requirement and how to maximise the benefits from it, rather than just defensively and grudgingly complying with the impending legislation; and a combination of the two. Peter Reilly highlights the practical, procedural difficulties of whistleblowing for HR, but ends with the deeper, worrying evidence that half of HR leaders are being forced to compromise on their principles and the stark challenge that 'HR might like to start with acknowledging it has a moral purpose in the organisation and make that the basis for its contribution to difficult business decisions.'

The inimitable Wendy Hirsh's enjoyable essay, *Can Values add Value?*, perfectly illustrates this combination of the general and the particular, or the philosophical and the practical. As she observes, 'the volume on values is turned up' in our contemporary organisations, 'the average organisation values are just a list of words…motherhood and apple pie'. While questioning, 'is it really practical for organisations to tell employees what to believe', she provides wonderfully sensible advice for HR. Values should be 'messed with as little as possible and supported as much as possible' as 'a way of creating more meaningful alignment'. Well-designed HR practices, she demonstrates, can really 'make values count.'

In her final essay, Penny elaborates convincingly on Peter and Wendy's points about the current opportunities and need for HR to seek out and lead in providing this deeper meaning and purpose for people in our organisations. She contrasts the depressing litany of business scandals with the raft of evidence that makes 'a seemingly overwhelming (business, moral and employee engagement) case for ethical leadership.' Yet while 'it would seem a no-brainer for the HR profession to play a key role in helping organisations confront these difficulties, the profession appears depressingly reticent to come forward.' The Chartered Institute of Personnel and Development (CIPD) itself shows 'unambiguous support for HR professionals updating their specialist know-how and understanding the business (yet)…starkly less support for constructs that have ethics at their heart' making HR 'potentially compliant with a view that ethics has no place in business'. I promised that we wouldn't pull our punches.

The latest survey from that CIPD project on the future of the profession rightly concludes that we need to 'prioritise future-focused HR capability development' and get out from behind our computer, tablet and phone screens to 'enhance two-way learning and insight-sharing' (CIPD, 2016). I hope you feel that our *Perspectives* articles help you to do both of these activities, which are so vitally important for the productivity of our employers and economy and the wellbeing of our people. Concise and genuinely challenging 'Thoughts for the Day' we hope, which you can dip into and read and hopefully re-read.

All the issues we cover in the next sixty pages are subjects we will be focusing on in more detail this year, so do come along to our events and meetings, and engage and work with us this year to extend, enhance and apply the insights and learning.

Duncan

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The me and we generations: the impact of intergenerational differences in the workplace

Emma Parry, Cranfield University, and Penny Tamkin, Director, Employer Research and Consultancy

> *'In case you're worried about what's going to become of the younger generation, it's going to grow up and start worrying about the younger generation.'*
>
> Roger Allen

Generational differences and how they play out in the workplace have become a major area of interest to organisations and catalysed articles in the HR and broader business press and much commentary from consultancy organisations. The thrust of many of these articles is that such generational differences are fuelling difficulties in the workplace as different attitudes clash. A good example is a recent article in the Economist which states:

> *'As firms seek to be more meritocratic with promotions, older staff can be dismayed to find that their years of service no longer guarantee advancement... and younger workers are whizzing past them. Rolling out the red carpet for Generation Y is fuelling in companies everywhere …intergenerational grudges.'*

The article goes on to note that as younger workers get promoted so organisations find it harder to motivate their older workers in part because '*older subordinates are constantly reminded that they have failed to keep pace*'. The article quotes work by Kunze who suggests that the more talk there is in a workplace about comparison between the generations the more destructive the negativity of those passed over.

With commentary like this suggesting that generational differences in the workplace can fuel discord, envy, and resentment, small wonder organisations might be interested in what they can do about it.

The academic literature, however, is rather split on whether there is an issue in the first place. As you might expect, there is considerable (and sensible) debate on what we mean by different generations. After all it is difficult to assert there are such differences or to research what these differences might be, if our understanding of generations is different or sloppy. Parry and Urwin (2010) make the point that a generation is often very broadly defined and the precise boundaries in terms of birth years show some variation between studies. Generations are also not neatly separate from each other and obviously the factors that influence them are similarly shaded – those near the edges may be more alike than those in the middle of any definition.

There are two other issues that have also been placed under academic scrutiny as potentially weakening the argument for generational differences:

The first is the means by which generational differences might be expected to appear, with the argument being that generations share a set of values and attitudes as a result of shared events and experiences which shape their behaviour (in the workplace). In reality, this assumption can seem quite fragile. Generations are not homogenous and other aspects of identity and demography will also have significant effects. Gender, race, social class, and nationality will greatly affect the experiences that we assume lead to generational differences. Much of the research is American and assumes events such as the Vietnam War or the assassination of John F. Kennedy are part of a generational collective experience, but are clearly less likely to affect other nationalities. Similarly, those raised in the UK will have had periods of decline that were simply not experienced in the US; for example the 1970s were a relatively bleak period for the UK but not so in the US which saw a growing influence in terms of world politics and power. Rather than blanket assumptions regarding global generations we might expect that generations should be conceptualised within a particular national context.

The second argues that even if generational differences are visible they may be the result of cohort effects, age effects or period effects. Cohort effects are really what most of the various articles on generational differences assume; that there are stable and robust differences between generational cohorts which arise as a result of the impact of shared environment or experience. Age effects on the other hand would suggest that attitudes change over the life course with younger people becoming more like older people as they age. Period effects take into account more transient periods or life experiences that may impact on attitudes, values and behaviours such as becoming a parent, forming long-term relationships, or seeking promotion and rising levels of responsibility at work. Separating out these different potential influences is not easy and much of the research (especially that which is cross-sectional in nature) can be criticised for not distinguishing amongst these different effects (eg Denecker et al, 2008).

In a review of the evidence base for generational differences, Parry and Urwin (2010) find that cross-sectional studies produce mixed results. Some researchers found differences in values that tend to support generational stereotypes, for example, that Generation Xers are more open to change; that X and Y score higher on self-enhancement values than Baby Boomers or veterans; and that younger generations place more value on status than older ones with the youngest age group valuing freedom and autonomy more than older groups. Others have, however, found quite different values, with older generations valuing personal growth more. There have also been studies that have failed to find any differences in the workplace or have found differences that seem to fly in the face of the stereotypes. For example, Jurkiewicz found Baby Boomers ranked the chance to learn new things and freedom from pressures to conform, significantly higher than Generation X did. However, as Parry and Urwin (2010) report, all these findings are diminished in their credibility because of the cross-sectional nature of the methodology used.

Deal (2007) uses a different methodology, surveying corporate leaders over several years, and suggests that there are common beliefs that span generations:

> *'Our research shows that when you hold the stereotypes up to the light, they don't cast much of a shadow. Everyone wants to be able to trust their supervisors, no one really likes change, we all like feedback, and the number of hours you put in at work depends more on your level in the organization than on your age.'*

Deal also argues that differences are the result of organisational clout rather than age. She finds that all generations have similar values. For example:

- Family tops the list for all of the generations.
- Everyone wants respect.
- All believe that leaders must be trustworthy.
- Despite popular beliefs, nobody likes change.
- Loyalty shows more relationship with hours worked than age.
- Everyone wants to learn and everyone likes feedback.

She also found that:

> *'Resistance to change has nothing to do with age; it has to do with how much you stand to gain or lose as a result of the change.'*

Empirically, Costanza and colleagues (2012) found from a wide-ranging meta-analysis of existing evidence that differences between generations were moderate to small, and often non-existent.

For obvious reasons longitudinal research is much rarer than cross-sectional studies, but more compelling. Parry and Urwin (2010) mention the work of Smola and Sutton (2002) based on a longitudinal study comparing different generations and their attitudes at two points in time; 1974 and 1999. Their results showed that Baby Boomers and Generation Xers were significantly different in that Generation X had a desire to be promoted more quickly and were less likely to agree 'that work should be one of the most important parts of a person's life.' However, Generation Xers were also more likely to believe that working hard was an indication of one's worth and that they should work hard even when their supervisor was absent, which shows echoes of the protestant work ethic often associated with Baby Boomers and Veterans.

Other research has focused on mental wellbeing. Both in the UK and the US there is evidence that the mental health of young people has progressively worsened (Collishaw et al, 2004; Twenge, 2011; Twenge and Campbell, 2008). For example, one study found a sharp increase in anxiety, depression, and mental health issues, with young people increasingly likely to self-report anxiety and panic attacks (Twenge, 2011). Psychometric instruments used to assess clinical symptoms of mental ill-health also show increasing average scores over time. Twenge linked these increases to social changes (rise in social isolation through divorce, living alone) and shifts in social values (increase in extrinsic values such as fame and fortune while intrinsic values of affiliation and community decrease).

In addition to self-reports of declining mental health, there is evidence of behavioural shifts which also suggest all is not well. Using UK data sets, Collishaw et al (2004) explored changes in adolescent behaviour and found increases in: conduct problems (1974–1999), emotional problems (1986–1999), and correlations between hyperactivity and both conduct and emotional problems. Parental assessment of conduct problems was associated with other measures, for example, police arrests and court convictions and poorer adult functioning (eg higher rates of homelessness, smoking and alcohol misuse, teenage parenthood, and mental health difficulties). A later study (Collishaw et al, 2010) similarly showed increases in emotional problems and depression between 1986 and 2006.

There have been suggestions that these generational shifts in mental ill health may be related to changes in psychological traits which may be leaving younger people more vulnerable. For example, one study found significant increases in self-esteem and narcissism (associated on the plus side with consequent increases in self-confidence but also having potential risks of lack of empathy, tendency to greater risk-taking, and heightened defensive responses to criticism) (Twenge and Campbell, 2008). Other changes in attitudes and behaviours identified include increases in an external locus of control (younger people more likely to blame others when things go wrong; less likely to seek control over their environment; more desirous of organisational support; more likely to prefer to work collectively). Twenge (2011) suggests that further research is needed into whether trait resilience has decreased and perfectionism increased over the generations.

These trait shifts have also been associated with changing expectations of work (greater demand for authenticity; increased expectation of career progression; expectations of relative superiority in performance; a win at all costs mentality; increased questioning of authority; unwillingness to conform to traditional standards) (Twenge and Campbell, 2008). So, where does this leave us in relation to generational diversity? We have a mixed bag of results suggesting some differences in work values and other mental and emotional attributes that can be associated with different generations but with a huge health warning of concerns over the methodologies used and the conflation of generation, age and life experiences on our attitudes at any one time. Whilst there may be differences these might be considered as part of an alphabet soup of demographic influences that will affect any individual and their values, attitudes and behaviours to work.

A recent book, *What Millennials Want From Work* (Deal and Levenson, 2016), discusses the implications of what young people want from work and how they might be managed to maximise their contribution. It is striking that there is nothing here that isn't good management and leadership and which would help employees of any age bloom.

Placing too much emphasis on generational differences might lead us to presume that all those in a single generational cohort have the same values and attitudes, and to ignore what is similar and what other aspects of diversity also need to be considered in the mix. Employers should take steps to ensure that they create organisations that are diverse on a number of dimensions and cultural levels and that their policies and practices are designed to recognise and accommodate differences in order to reflect this diversity. They should avoid drawing stereotypical assertions based on age or making the erroneous assumption that young people are uniquely different and need managing in a uniquely different way.

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More on this topic

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Annual Provocation

Intergenerational differences

Thursday, 10 October 2016, London

Intergenerational differences have created a considerable amount of press coverage and a not insignificant degree of potential discord (for example, David Willetts’ book *How the Baby Boomers took their Children’s Future*). The Centre for Creative Leadership found that there were concerns with Generation Y’s strong sense of entitlement, inability to communicate face-to-face, lack of decision making skills, poor self-awareness, low work ethic and tendency towards overconfidence. Others have suggested the whole thing has been overblown and young people will eventually grow up and become just like the rest of us.

Our provocation will explore just what the evidence tells us about intergenerational differences, whether organisations are right to be concerned and what those differences might mean for the way we manage young people in the workplace.

What’s the point? The importance of meaningful work

Luke Fletcher, University of Brighton and Dilys Robinson, Principal Research Fellow

We spend a lot of our time at work. Around eight hours a day, for at least 40 weeks every year, for 40 years or so… It’s an unsurprising hypothesis that being bored, feeling disconnected, and seeing no point in our work is likely to have a damaging effect. While the impact may not be quite as severe as the often-quoted Dostoevsky prognosis below, people who find no real meaning in their work are likely to suffer (emotionally and perhaps also mentally and physically), especially if they do not have absorbing interests outside work to bolster their self-esteem and sense of self-worth.

> *‘Deprived of meaningful work, men and women lose their reason for existence; they go stark, raving mad.’*
>
> Fyodor Dostoevsky

What is meant by ‘meaningfulness’?

People actively seek meaning and purpose in their lives, including at work, in order to enrich and fulfil their sense of self (Frankl, 1962). Thus, meaningfulness has been positioned as a fundamental psychological need that strengthens an individual’s self-worth and life experience (Yeoman, 2014).

Lips-Wiersma and Morris (2009) argue that meaningfulness is ‘the subjective experience of the existential significance or purpose of life’. In their research, Truss and Madden (2013) draw on this definition, together with the work of Koltko-Rivera (2006), who shows that Maslow intended self-transcendence, rather than self-actualisation, to constitute the highest form of human development. Truss and Madden propose that meaningfulness arises when individuals perceive an authentic connection between their work and a broader transcendent life purpose beyond the self.

Meaningfulness and work

Pratt and Ashforth (2003) argue that there are three core dimensions of meaningfulness: meaningfulness *in* work, meaningfulness *at* work, and transcendence:

Meaningfulness *in* work constitutes 'feeling that one is receiving a return on investments of oneself in a currency of physical, cognitive, or emotional energy' (Kahn, 1990), and occurs when the individual feels 'worthwhile, useful and valuable'. A lack of meaningfulness is associated with feeling that an insignificant amount is asked or expected (Kahn and Heaphy, 2014).

'I am useful and valued'

Meaningfulness *at* work reflects the subjective assessment of 'where do I belong?', and so is the extent to which people view their work as enhancing their membership and connection with the organisation (Pratt and Ashforth, 2003). People have a fundamental desire to belong to a social group, and therefore meaningfulness at work acts to fulfil this need by strengthening, and providing value from, one's identity as a member of the organisation (Cohen-Meitar et al, 2009).

'I am part of my organisation'

Transcendence signifies the perception that one is contributing to something 'greater' than oneself (Lips-Wiersma, 2002), and as such reflects an interconnection between one's identity, aspirations and work attachments (Rosso et al, 2010). It indicates a feeling of contributing to the common good, and making a positive impact to the broader community and society.

'I make a difference'

Why bother?

Why should organisations make an effort to understand their employees and help them to experience meaningfulness at work – isn't it enough just to reward them fairly for what they do? Although this is an understandable view, conceptualising work in purely economic terms can lead to problems for individuals and for the organisation. Employees are likely to adopt a transactional attitude to their employer, which means they might do the bare minimum, withhold discretionary effort, and leave simply because they get a better pay offer. In addition, a failure to understand the deep-seated need for meaning may lead to a dissatisfied workforce, full of employees who focus on their own package of pay and conditions and lose their sense of altruism and team spirit.

Although research into meaningfulness at work is relatively new (Bailey and Madden, 2015), there is a growing body of evidence that – quite apart from being ethically the 'right' thing to do – employers will benefit from having employees that find a strong sense of meaning at work. Studies have highlighted how the experience of meaningfulness is linked with:

- Higher levels of engagement (Chen et al, 2011; Hirschi, 2012; May et al, 2004).
- Reduced absence (Soane et al, 2013).
- Better quality performance (Rodell, 2013).

What can organisations do to increase meaning?

It is, of course, much easier for individuals to experience meaning in certain types of organisation. People are often attracted to work for a charity, for example, due to a deep-seated belief in, and identification with, the aims and activities of the organisation. People in caring professions are motivated by 'doing good' and by improving the lives of those they care for. In central and local government, people often have a strong public service ethos which keeps them buoyant even through difficult times. It's much harder to experience meaning when working in companies offering products and services that do not make an obvious positive impact on society, especially if the employee feels little identification with the product. Difficulty also arises, even in 'worthy' organisations, if the employee's role is distanced from the customer or end user. What can be done to maximise meaningfulness?

According to Kahn (1990), the experience of **meaningfulness *in* work** arises primarily through job design that offers:

- autonomy, variety and challenge;
- a good person-job fit; and
- rewarding social interactions with colleagues, managers, and clients/customers.

The experience of **meaningfulness *at* work** is facilitated by building strong organisational cultures and identities, and through transformational and visionary leadership (Pratt and Ashforth, 2003). This ensures cohesion and shared understanding, which in turn encourages a sense of belonging.

Finally, **transcendence** can be fostered by embedding a psychologically safe and high-integrity cultural environment that connects employees with core beliefs that help the individual to align themselves with 'what matters' (Pratt and Ashforth, 2003). This connection with the organisation's values and purpose will bolster employees' sense that they are doing something good and worthwhile.

Bailey and Madden (2015) demonstrate that meaning can be experienced by employees in different areas of work, even those areas that are perceived as relatively low-skilled. They carried out in-depth interviews with participants drawn from three occupational groups – refuse collectors, stonemasons and academics – all from within south-east England. The three occupational groups were purposively selected: refuse collectors because their area of work is often stigmatised because it is perceived as a 'dirty job'; stonemasons who, by contrast, are seen as doing 'good' work (Terkel, 1974) that is highly skilled; and academics, who represent a professional group with deep subject-matter expertise. Individuals in all three groups experienced meaning in their work: the refuse collectors felt they were contributing to society and the environment via their recycling work; the stonemasons (working on conservation in a cathedral) felt a sense of pride in conserving historical stonework for future generations; while the academics found meaning in their research and their teaching. This sense of meaning was preserved despite different degrees of frustration experienced with aspects of their jobs.

A common feature across Bailey and Madden's three groups was that a sense of meaningfulness and pride arose during shared rituals or ceremonies. These could be held to mark the completion of a piece of work or could be social events at specific points of the year. This suggests that it is important for organisations to facilitate such shared events, because they help employees to experience these important feelings of meaningfulness in work.

Another important finding in Bailey and Madden's work was that experiencing a sense of meaning was associated with having autonomy at work. The stonemasons and academics had considerable control over the way in which they ordered their time and tasks, but even the refuse collectors had some autonomy at certain points in the day to organise their time in whatever way they wished, and appreciated 'being left alone to get on and do your job'.

Organisations should also consider how they can minimise the aspects of work that people describe as 'meaningless', or alternatively explain better to employees why certain activities are important and therefore have meaning, if this is not immediately obvious. Typically, such tasks are repetitive, administrative, bureaucratic and not clearly connected with the core purpose of the role – tasks that lead to frustration because employees are asked to do them by the organisation but do not understand why they have to be done.

In conclusion, the positive benefits of offering meaningful work (higher engagement, reduced absence and better performance) suggest that it is worthwhile for organisations to make the effort. As with every area of people management, it is important to understand what gives meaning to different people, rather than make assumptions. However, there are some aspects that seem to apply across the board, suggesting that it would be wise to focus on these: job autonomy, shared values, opportunities for social interaction with colleagues, celebrations of success, and an explanation of why apparently 'meaningless' tasks are important to the wider organisation.

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More on this topic

Workshop

Meaningfulness at work
Tuesday, 13 December 2016, London

IES is collaborating with Brighton Business School (BBS) to deliver a research study led by Dr Luke Fletcher of BBS, funded by the Richard Benjamin Trust, entitled 'Enhancing everyday working life through meaningfulness initiatives in the workplace'. The study explores the impact of receiving a small intervention (a training session, followed by reflective activities), focused on meaningfulness at work, on employees' engagement, well-being and performance. The results of this study will feature as part of an IES workshop for HR Network members on 13 December 2016.

To find out more and book a place, visit www.employment-studies.co.uk/events

To find out more about the ideas in this article or how IES can help you, please contact:

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Gender pay gap reporting: important, undesirable or irrelevant?

Duncan Brown, Head of HR Consultancy

The Chancellor, and indeed the Prime Minister, are really worried about what is known in the Treasury as the UK's 'productivity puzzle': essentially that the UK seems to be having an economic recovery that is almost free from productivity improvement. As my colleague Jim Hillage (2015) has pointed out, we lag behind our major international competitors in the productivity stakes by more than 20 per cent. This concern underpins many of this government's economic policies, from road improvements and protection of the national science budget to apprenticeship schemes and the forthcoming training levy, with a number of high-profile taskforces chaired by business leaders working on different aspects of the issue as I write.

The McKinsey Global Institute (2015) estimates that as much as $28 trillion could be added to global GDP if women could replicate male levels of labour market participation, with Europe standing to gain some 21 per cent of GDP or $5.1 trillion. Similarly, the Women and Work Commission (2006) calculated that removing barriers to women working in occupations traditionally dominated by men, and increasing women's participation in the labour market, could contribute an additional £15 billion to the UK economy.

I was at a European Commission get-together last year where we worked on the re-design of their five-year equality strategy, and equal pay is a key component of their 2015–20 plan. Strictly speaking, if the UK was a truly fair and equal society, our female workforce should have downed their tools on November 9th and taken the rest of the year off, as that is when they start working for nothing compared to men (The Fawcett Society, 2015). The UK's median all-employee gender earnings gap is 19.1 per cent (Government Equalities Office, 2014), compared to the EU average of 16.4 per cent (European Commission, 2012). That's equivalent to a loss of £361,000 in gross earnings over a woman's working life.

To be fair, more than 40 years after the protests of the Dagenham Ford workers and the passing of the Equal Pay Act, and almost a century since the Suffragettes argued for a living and equal wage, government finally seems to have 'got' equal pay, with a range of initiatives almost competing now for employers' attention. The Treasury, Government Equalities Office (GEO) and new Parliamentary Women and Equality Select Committee have all been undertaking work. The latter is carrying out an inquiry into the gender pay gap for the over 40s, where statistically the male:female gap is widest, although factors earlier in women's working lives influence the pay gap subsequently (Leaker, 2008). Interestingly, the number of children women have not only increases their expenditure, it also reduces their pay. The average hourly pay of a full-time woman with one dependent child is £9.32, compared with £10.63 for full-time men, a gap of 12.3 per cent. In a family with four or more dependent children the gender pay gap stands at 35.5 per cent (Leaker, 2008).

And of course we have the forthcoming gender pay reporting requirement, which has to be finalised by April 2016. 'I'm announcing a really big move' the Prime Minister proclaimed when announcing it last year. 'We will make every single company with 250 employees or more publish the gap between average female and male earnings', creating 'the pressure we need for change, driving women's wages up' and thereby, his Education and Equalities Minister Nicky Morgan elaborated, 'eliminating the gender pay gap in a generation' (gov.uk, 2015).

Opinions on the issue are numerous, with over 700 responses sent to the GEO's formal consultation. The views expressed at five employer and stakeholder consultation groups we facilitated for the Equality and Human Rights Commission in late 2015 were equally varied, although most of our participants did seem to agree that, with or without reporting, the European Commission's estimate of a 70-year timespan to close our gender pay gap remains more realistic.

Interestingly, the strongest opponents and proponents of further government action to address the gender pay gap seem to agree that compulsory reporting will have little practical impact. Business groups have generally, if somewhat predictably and depressingly, reacted negatively to the requirement and referred to compulsory reporting as a 'misleading' (according to the Confederation of British Industry) and potentially costly piece of red-tape (Mason and Treanor, 2015).

The British Chambers of Commerce are right though to point out that if the government only requires the reporting of a single, overall male:female pay gap figure by each employer, then this risks 'taking a complex set of issues and reducing it to a few headline statistics.' Banks, for example, would be in for a really tough time, however strong their equality policies and commitment to achieving equal pay, as the pay gap is wide across the whole sector, averaging over 40 per cent.

More interventionist stakeholders emphasise that we have had now more than forty years of research and information and so we need far more action by government and employers. At a recent seminar, equal pay expert Sheila Wild, founder of the Equal Pay Portal, pointed to the failure of voluntarism, the general decline in private-sector pay transparency and government advice and enforcement activity, alongside the watering down of the public-sector equality duty in England. She believes that a much more fundamental reform of the equality legislative framework is required.

The GEO's own 2015 survey (IFF Research, 2015) found just a quarter of employers carrying out equal pay audits, mostly in the public sector. The majority did not plan to undertake one either, believing, despite the absence of evidence, that they did not have a gender pay problem. It must be everyone else. And the previous government's 'Think, Act, Report' voluntary initiative, despite initially signing up hundreds of employers, looks to have been an unmitigated failure, with just five of the 7,000 businesses with over 250 staff due to be affected volunteering and publicly reporting their gaps thus far.

Many of the participants in our consultation groups also believed that stronger and additional action is required. Partly this was because of such recalcitrance and also the ability of employers to disguise and manipulate their gaps under headline reported figures, as ably illustrated by Metcalfe and Woodhams (2012).

Some participants favoured stronger and more wide-ranging government intervention. A number supported the legislative requirement of compulsory equal pay audits, as occurs in Austria, and the remarkably detailed and open pay data comparisons which employers are provided with and have to act on in Denmark.

But as some of the delegates in our Cardiff EHRC group pointed out, there is a limit as to how far even the most interventionist legislation can actually impact on employer practice. In Wales the public sector equality duty has been extended, requiring not just reporting of gender, ethnic and disability pay gaps, but also action plans to address them. Delegates felt that this requirement, however, was almost impossible to police, and also pointed out that many willing employers simply don't know how best to close their gaps in an effective and affordable way. It was felt employers needed to be guided and supported to change and address these gaps, rather than threatened and cajoled by legislation and fines.

Addressing the UK's persistent gender pay gap is far from easy, as nations and for individual employers. Our research and consulting experience at IES points to the complex, deeply rooted historical, cultural and social causes of gender pay gaps. These range from continuing patterns of schools' and parental career guidance, channelling girls towards traditional, female-dominated, low paying occupations, the so-called 'five Cs' ; to the lack of affordable childcare provision, the continuance of maternal-dominated shared parental leave (despite the more flexible, in theory, government provisions); and what one delegate referred to as inflexible flexible working provisions’ in many employers and effectively a ‘glass ceiling’ applied in practice.

An excellent special edition of the Cambridge Journal of Economics highlights these multiple, shifting and complex causes of gaps in Europe. The introduction (O’Reilly et al, 2015) highlights the complexity of the issue in shifting labour markets and economies with very different legislative contexts. While the overall pay gap has tended to fall in many countries over the past forty years, it has not closed; in countries like the UK and US it has been stubbornly resistant, or has even widened.

In reviewing the collection of papers that make up the special edition, they identify four broad themes: conceptual debates over the natures and causes of the gap; legal developments and their impact; wage-setting institutions and changing employer demands, for example for flexibility; and newly emerging pay inequalities between and within educational and ethnic groups. As they conclude, perhaps unsurprisingly: ’progress towards closing the gender pay gap will not be easy, will require a collective effort of various actors, and will not be quick’.

Multi-stakeholder groups working together to address this complex web of causation appears to be a key means of progress, and governments, employers, trade unions and academic experts along with other informed stakeholders, such as EHRC, have already been successfully working to close gaps.

One example is the Women Adding Value to the Economy (WAVE) Programme in Wales, which is funded by the European Social Fund, through the Welsh Government (WG) and with key partners including the universities of South Wales and Cardiff, The Women's Workshop and trade unions. The first phase of WAVE ran between 2012 and 2015 with the aim of understanding and ‘interrupting’ the ways in which gender pay disparities are consistently reproduced through occupational segregation, through the ways in which ‘women's work’ is valued and contracted and through the operation of pay systems. The second phase of WAVE is continuing in 2016.

Another example is in higher education (HE), where we can see the progress that effective data analysis and advice can produce in a sector that, perhaps surprisingly, has one of the widest gender pay gaps. Employers, represented by the Universities and Colleges Employers Association, and the HE trade unions recently undertook joint work examining information on gender pay interventions, with a view to identifying and actively promoting effective practice (UCEA, 2015).

Partly through UCEA’s work, more than 90 per cent of HE institutions already carry out gender pay audits, and based on this knowledge, we are seeing a wide range of interventions adopted. These range from Kings College’s ‘positive discrimination’, to unconscious bias training, to more widespread promotion of job sharing and part-time working at senior levels, as well as encouraging the Nordic practice of including breaks for childcare as a positive experience on CVs.

And that data, leading to analysis and action, is already having an impact. The November 2015 national earnings data published by the Office for National Statistics revealed that the HE gender pay gap is narrowing, with a significant fall of 2.4 percentage points for full-time staff working in the sector (from 13.5% in April 2014 to 11.1% in April 2015). The 2015–16 pay settlement commits employers and trade unions to further work in this area.

By the time you read this, the UK government may well have published their details of how employers with more than 250 employee will have to report on their gender pay gaps. At IES we favour the use of a single comparative figure, but only with more detailed breakdown and narrative reporting options and progressive implementation over a number of years, to help employers to prepare for and act on their analysis.

Nobody really believes, however, that compulsory gender pay reporting on its own will close the UK's gender pay gaps. It could be argued that the simultaneous introduction of the National Living Wage in April 2016 will do more to close the gender gap than any form of reporting, with 27 per cent of women in work likely to benefit from the anticipated 5 per cent pa increase in the National Minimum Wage, up to a figure of c£9 per hour by 2020. Almost two-thirds of those affected will be low-paid women.

Almost all would agree with Professor Caroline Gatrell (2015) that 'while it is a good thing to encourage more transparency around levels of average pay and to expose the discrepancies between what men and women in the same roles earn, it is important not to think that the task ends there.'

Or as Dr Alison Parken at Cardiff University puts it, 'Total transparency in salaries may give things a nudge in the right direction (but) much more needs to be done to tackle the gender pay gap' (WAVE, 2015).

So, let's all get on and start doing it.

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Performance management, a tale of two practices?

Penny Tamkin, Director, Employer Research and Consultancy

Of all HR practices, performance management systems appear to be almost universally embedded in organisational best practice. One CIPD survey found that 95 per cent of organisations have appraisals (Sung and Ashton, 2005). Assuming that organisations behave rationally, we might expect that they use appraisals because they benefit the organisation.

There is certainly evidence that they do so…

Performance management improves organisational performance

Performance management is the lifeblood of organisations. It enables objectives and purpose to be aligned, provides a space for regular discussions between a line manager and their member of staff, and contributes to organisational performance. Performance appraisal or performance management systems are a central element in the considerable literature on high-performance work practices, which has tended to find positive associations between such practices and firm performance. Whilst there is no consensus in the literature of exactly which practices can be said to constitute high performance, those identified by Huselid (1995) are often incorporated (and directly cited) into lists provided by many subsequent authors. These practices include incentive compensation and performance management systems. Becker and Huselid (1998) used this list of practices as the basis for their development of a high-performance work system (HPWS) index, which became the measure of choice adopted by many subsequent researchers within the high-performance field (Macky and Boxall 2007, in Hughes, 2008).

In the UK, Guest (2000) identified 18 key practices associated with high performance including regular appraisals, regular multi-source feedback on performance, and individual performance-related pay. The aforementioned CIPD survey by Sung and Ashton explored some 35 practices which linked with performance. These were grouped into three bundles (High Involvement, Human Resources, and Reward and Commitment) and they identified appraisal systems and regular feedback on performance as key Human Resources Practices.

More recently, Stone et al (2012) undertook a research project, jointly commissioned by the Department for Business, Innovation and Skills and the UK Commission for Employment and Skills, which examined the drivers, facilitators and barriers to the adoption of HPWS and included annual performance reviews as one practice amongst 14 (which also included awarding performance-related bonuses and individual performance-related pay).

The recent (and burgeoning) management practices literature from the Centre for Economic Performance at the London School of Economics[1] explores the relationship between a range of practices (including those designed to reward high performance, or how appraisal systems work) and organisational performance. It finds consistently positive relationships between practices and performance across sectors and nations.

If anyone was left in doubt about the potential benefits of performance management processes then a seminal study in the UK healthcare sector should provide reassurance. This study, by West et al in 2002, measured the association between HR practices and patient mortality and found a particularly strong relationship with the extent and sophistication of appraisal.

Performance management systems have been a mainstay of HR systems for decades and for good reason. The gist of a very large literature is that such systems and processes have long been associated with better organisational performance and, we can safely assume, with improved individual performance.

Performance management is unfit for purpose

On the other hand, performance management is often seen as a process that has wasted time and wrought misery in organisations. Sylvia Vorhauser-Smith (2012) asks 'Is there any organisational practice more broken than performance management?' and goes on to suggest that it is universally reviled, by both employees and managers alike. She also remarks that no one does it well, it is a skill that fails to be acquired despite organisations' best attempts, and it doesn't do what it was designed to do. Similarly, Keith Grint (1995) has suggested that 'rarely in the history of business can a system have promised so much and delivered so little'. Certainly perceptual evidence suggests that appraisal is not well liked (eg Brown, 2010) and a host of articles have appeared suggesting that major companies are abandoning their performance management schemes.

[1] See http://cep.lse.ac.uk/management/

A Deloitte Consulting report (2014) argues that traditional performance management no longer meets organisational needs, which are oriented much more towards service or knowledge work with an emphasis on customer empathy and the ability to innovate and drive changes through teams. Performance requires constant development of such capabilities coupled with a more fluid and chaotic work environment where goals shift, strategies evolve, and employees move between multiple projects and managers over quite short periods of time. Deloitte Consulting's survey found 70 per cent of respondents were either currently evaluating or had recently reviewed and updated their performance management systems. Scratch below the surface of the headline though and it is clear that the article is really about performance management systems that promote forced ranking of employees.

Microsoft is reported as having abandoned rankings (Ovide and Feintzeg, 2013) with employees believing the practice resulted in 'capricious rankings, power struggles among managers, and unhealthy competition among colleagues'. Others such as Accenture, Motorola and Kelly Services have reportedly followed this lead (Kirton, 2015; Deloitte Consulting, 2014). The CIPD report a shift away from annual appraisals to more frequent, less formal catch-ups, citing examples such as Expedia, Adobe and Google (Kirton, 2015), in part to enable more agile responses to changing business conditions and to change the dynamic of the conversation away from high-stress low-return models to something more engaging, productive and in line with business values. In a similar vein, Deloitte Consulting suggest shifting towards a more continuous, coaching and development model of performance management decoupled from compensation.

There is plenty of evidence that the organisational reality is disappointing. A large survey conducted by WorldatWork and Sibson consulting (2010) found that over half of organisations (58%) rated their performance management systems as a 'Grade C or below'.

Despite this current peak in commentary suggesting performance appraisal is in crisis, criticisms of performance management are not new. Way back in 1957, Douglas McGregor took 'An Uneasy Look at Performance Appraisal' (in McGregor, 1972) making the point that managers are reluctant to 'judge' people due to the respect we hold as human beings for the inherent value of the individual. We end up expecting managers to be both supportive of those they manage and to assume a judicial role in terms of both making and pronouncing judgement on individuals. In a similar era, Rensis Likert (1959) commented that 'Performance review interviews as a rule are seriously deflating to an employee's sense of importance and self-worth. Not only is the conventional review failing to contribute, in many executives' opinion, it can do irreparable harm'.

More recent criticisms have highlighted neuroscience research which suggests that conversations about compensation provoke a fight or flight reaction among employees which inhibits any learning response (Deloitte, 2014). Duncan Brown (2010) points out that the shift from performance appraisal to performance management was part of a desire to shift control-oriented appraisal systems to something more positive that married employee engagement and organisational performance. But in the process HR departments were setting themselves 'an expanded and formidable agenda of goals to achieve,' seeking to link disparate strands of HR practice – talent management, development, reward and diversity – through performance management processes. Small wonder Hirsh et al (2011) likened performance appraisal to an overstuffed suitcase.

Performance management: friend or foe?

So, according to different viewpoints, appraisal systems are either a key driver of high performance or alternatively they are at best, a waste of time and effort or, at worst, a destructive force with regard to organisational engagement. So which is right and why?

Well, maybe they both are. On the plus side, performance management allows organisations to get their ducks in a row and make sure all the relevant people are aligned to the organisational goals, objectives and purpose. It provides the space (and the push) for managers and employers to meet and discuss how things are going and it formalises development discussions.

On the downside, it seems every HR system has the potential to be developed to death. Pile too much into appraisal processes; put the focus on the link to pay; implement awful US imports such as rankings or forced distributions (or the even more odious 'rank and yank'); expect line managers to engage and enthuse whilst telling their people they're fundamentally average (whoever thought that was a good idea?), and unsurprisingly the cost-benefit ratio looks less appealing.

For most organisations, the answer is not to jettison the performance management system outright but rather to take a step back and consider what you most importantly want it to do; and then make sure every bit of it helps deliver that. Actually if you look past the hyperbole of recent commentaries, you can see organisations doing just that – although my bet is that a few will go a little too far. The soul-searching around performance management systems is unlikely to be over just yet.

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Performance Management: Change at last?
22 March 2016, London

Performance management is always in the press. HR practitioners are often complaining that their 'system' is not working, balanced by a few successful case studies. More recently the HR press has announced the growing repudiation of performance ratings and a re-positioning of performance appraisal to make it more effective. So what's really going on? Is there really something radical happening or simply a presentational repackaging? And more importantly should we be rethinking performance management and the role it plays in organisational life?

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Swimming against the tide: getting whistleblowers on board

Peter Reilly, IES Principal Associate

'Swimming against the tide' is the title of IES's 2016 HR directors' retreat. It is also a much-used book title adopted by various novels and serious non-fiction works, with such subtitles as 'The New Independent Christian Schools and Their Teenage Pupils', 'The Diary of an Essex Copper', 'Restoring Salmon to the Tyne' and 'Trotskyists in German Occupied France'. As these books suggest, the concept of swimming against the tide implies battling against the odds, with various degrees of difficulty and significance.

In an employment setting, both individuals and organisations can stand out from the norm in a number of senses, such as:

- Employees publicly opposing what they perceive to be wrong doing – whistleblowing.
- People being martyrs to their cause in wider society.
- Organisations following a path which differs from others in their sector in some critical way (eg being more moral in their dealings with the environment or their customers, or choosing a new paradigm for business).
- Staff or organisations inventing or innovating (sometimes in a climate of scepticism or even hostility).

These are all worthy of detailed debate but in this article we will concentrate on the first of these topics – whistleblowing as something that organisations seem to find particularly difficult to deal with appropriately.

Whistleblowing has never been a more pertinent matter for organisations since, as information has grown in its accessibility, so individuals are more able to raise an issue publicly. Corporate failure can race across social media as misdemeanours are shared between contacts. The internet may have ruined a corporate reputation before the PR department has its press release agreed. When companies are slow in their response (eg

Cadbury's and the discovery of salmonella in its chocolate bars in 2006) there can be even more negative media coverage and significant reputational damage.

The public debate

Whistleblowers almost by definition will produce opposing reactions. Those blowing the whistle (and their supporters) will justify their intervention on the basis of their values or principles. They are likely to be opposed by those threatened by the blast on the whistle. For example, depending upon your view, Edward Snowden, is a dangerous threat to national security and the confidentiality of private communications, or a champion of transparency, revealing the goings-on of government in the people's name.

Some people might start out seeing the whistleblower as a 'snitch' or 'a lowlife who betrays a sacred trust largely for personal gain,' but go on to change their minds once it is revealed what has been going on (Miethe, 1998). Some historic whistleblowing cases of bribery and deception in corporate behaviour, and threats to public health through doubtful experimentation or deceitful research results reporting, are obvious crimes, but the reaction to others may depend on your political viewpoint – do the ends justify the means? Whilst most would now applaud Deep Throat's briefing of Woodward and Bernstein over President Nixon's team's burglary of his Democratic opponents' offices and subsequent cover up, there will likely be more dispute when the question relates to the rights of government to exercise its 'legitimate' powers. Take Clive Ponting who leaked documents about the sinking of the General Belgrano in the Falklands War. He was prosecuted for breach of the Official Secrets Act but the jury found him not guilty, accepting his public interest defence.

The mood of public opinion has generally shifted since Ponting's acquittal, such that greater protection is now afforded to those who challenge misdemeanours. UK law allows the public interest defence if wrongdoing is exposed (the Public Interest Disclosure Act, 1999).

Other European Union countries followed suit, underpinned by the common European Rights Act such that the European Court of Human Rights ruled in 2008 that whistleblowing was protected as freedom of expression. This reinforces the sense that there are in the eyes of many a set of universal values that need to be upheld in all circumstances. Schwartz' (1994) 'theory of basic human values', argued that there are a common set of 'values' (eg excitement, enjoyment, social justice, honesty) that influence our behaviours to seek the desirable and to avoid the undesirable. This idea of universality is pursued by bodies like the International Labour Organization, which reflects universal human rights in a system of labour standards, or the United Nations, with its Global Compact that asserts ten principles in the areas of human rights, labour standards, the environment and anti-corruption.

Even in the USA with its attachment to unfettered capitalism, corporate scandals have led to finding the means to stop impropriety. The Sarbanes-Oxley Act of 2002 (SOX) arose out of the corporate frauds at the turn of the century (eg Enron, WorldCom and Tyco), aiming to improve corporate responsibility, reduce conflicts of interest, and strengthen auditor independence. However, not everyone is convinced that the law is justified. Besides the obvious Republicans who think SOX should be repealed (like presidential hopefuls Newt Gingrich, Ron Paul and Mike Huckabee), there are also some liberal Democrats (eg Nancy Pelosi) who believe it is damaging to US business (Stanton, 2012). The fact that CBS could run a piece entitled 'Top 10 CEOs in Prison: Why'd They Do It?' (Tobak, 2010) is perhaps a salutary explanation of why legislation against fraud was thought to be necessary.

The organisational response

What does this all mean for employers? Firstly, the above account emphasises that there is no simple agreement over when whistleblowing is justified: it has varied over time, it varies by place and it is affected by context. Secondly, it suggests that each organisation has to be clear about its values and which behaviours (over and above the criminal) are unacceptable (see article by Hirsh W, p.50). Thirdly, the organisation needs to face up to the fact there will likely be disagreement over whether any particular example of whistleblowing is acceptable or not. Organisations might do well to remind themselves that the knee-jerk reaction tends towards the defensive rather than the one most likely to be in the best long-term interests of the organisation, its employees or its customers.

Thus good governance is the key to negating bad behaviour, based on a set of organisational values that clearly describe what an organisation expects of its staff. The thinking through of values and how they are to be upheld requires organisations to consider deeply, not simply about how to handle whistleblowing against legal violation, but how to handle disagreements over the legitimacy of various actions, for example, concerning safety, disclosure, or operational procedures. As described previously, people can hold opposing views on what is right or wrong, especially if the company operates on a global basis where a wider range of cultures is involved. The facts of the case can be disputed, as is currently happening in the former Procurement Director's case against the Co-operative Group, where both sides believe they are upholding company principles (Lewis, 2016).

Sir Adrian Cadbury explained the requirement to acknowledge different stakeholder interests thus: 'Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interests of individuals, corporations and society' (World Bank, 1999).

One can 'stress test' how the organisation would cope with difficult business situations by running through various challenging scenarios and playing out the organisational response. Improving the performance management process (and associated reward systems) can act to reduce risk of wrongdoing, as can investing in staff and management training in organisational ethics (as BP is doing post the Deepwater Horizon disaster) and ensuring selection processes take account of desired behaviours.

In one sense, the organisational aim is to prevent the need for whistleblowing by creating the right sort of workplace culture and by allowing people to raise questions quietly and change things, rather than by creating the means through which formal complaints can safely be raised. Organisations can turn to a variety of sources for advice on handling whistleblowing. These include the Code of Practice on Whistleblowing produced by the British Standards Institute, Xpert HR has a standard model policy and KPMG's Audit Committee Institute has an example policy[2]. Essex County Council has produced a good policy document that 'provides a framework for employees, consultants or contractors, to raise concerns which they believe are in the public interest and may relate to illegal, improper or unethical conduct[3].' A health service example can be found on line from the Heart of England NHS Foundation Trust[4].

The critical test for organisations is how they deal with real crises not those seen in simulated training exercises. The textbook example of good practice is how in 1982 Johnson & Johnson responded to the deaths of seven people in Chicago after taking Tylenol pills manufactured by a subsidiary that had been tampered with (Johnson, 1987). The company followed its *Credo*, a statement of its ethical operating principles, and removed the product from the shops, provided free replacements in a different form and assured the public of its commitment to safety.

Will these actions be enough?

It might sound contrary, but are your staff blowing the whistle enough? Are there poor practices that should be highlighted that are out of view from those at the top of the organisation – the 'unknown knowns' as Stefan Stern put it. Is the fact that whistle blowers have had to go public, evidence of the failure of internal governance processes? Was it too dangerous to try to raise issues internally, or was it that no one listened?

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[2] http://shop.bsigroup.com/forms/PASs/PAS-1998/; http://www.xperthr.co.uk/policies-and-documents/whistleblowing-policy/29740/?keywords=whistle; and https://www.kpmg.com/RU/en/topics/Audit-Committee-Institute/Publications/Documents/toolkit/App%2015_Example%20whistle%20blowing%20policy_eng.pdf

[3] https://www.essex.gov.uk/Your-Council/Strategies-Policies/Code-of-Governance/Documents/Whistle_blowing_policy.pdf

[4] http://www.heartofengland.nhs.uk/wp-content/uploads/Whistleblowing-Policy.pdf

One just has to read the Francis Report on patient treatment at Mid-Staffordshire NHS Foundation Trust or hear the less-publicised account on patient safety at Walsgrave hospital to wonder if this was the case (Smith, 2014). The Francis report pointed to a culture of secrecy and defensiveness and failure to operate the checks and balances that should have been in place to protect vulnerable patients.

There are other corporate scandals where, with hindsight, one ponders how wrong doing could have gone on so long without intervention. For example, in Ford and Firestone tyres there were two separate cases of the car company ignoring internal warnings of faulty tyres. The second of these resulted in Ford announcing a recall and replacement of 3.5 million Firestone tyres in 2000. The BBC is examining just what people knew about Jimmy Savile's abusive behaviour and why nothing was done and one might expect Volkswagen to investigate why no one blew the whistle earlier on cheating the emission tests. In these various cases it may be that some people did try to blow the whistle, but the 'system' stopped them as in the Walsgrave hospital case. More worryingly, employees themselves might not have seen what they were doing as wrong or thought that the risk was worth taking. The significant power of conformity with the group may also play an important part[5].

Or, it may be that organisations suffer from poor processes that make it hard to identify problems. Only recently, the Parliamentary and Health Service Ombudsman reported a continuing culture of secrecy in the NHS with two-fifths of Trusts operating sub-standard complaint investigations. And this is against a background of the Francis Report's challenge to the NHS to develop a more open culture.

Nevertheless, one is drawn to the conclusion that organisations rarely welcome the whistleblower. They regroup to defend themselves and ostracise those who dispute what they say and do. Organisations may twist facts and fight (all too frequently) to the bitter end.

This brings us back to putting good governance arrangements in place, ensuring that they work, and working hard to define and implement ethical principles. It also means that where organisations are proven to be at fault they celebrate the whistleblower's actions rather than move to marginalise them. Maybe there is a case for appointing a whistle blowers' champion at senior level, whose role is to take a level-headed approach to any accusations of wrongdoing and avoid the automatic defensive response.

5 See Philip Zimbardo's famous 1971 Stanford Prison experiment: http://www.prisonexp.org/

HR's role

Whilst it is often argued that HR should be the 'conscience' of an organisation (Reilly et al, 2007), a recent CIPD survey of HR practitioners (CIPD, 2015) found that half the respondents admitted that core values might be compromised or said these are 'nice to have, but not imperative'. Compromising organisational principles was most commonly due to 'current business needs' and 'pressure from business leaders'.

Maybe one should not be surprised by this result: many people work in situations where values and principles are hard to uphold or are contested in practice, if not in theory, for the reasons discussed in this paper. HR may not be that influential and may not be that powerful. Perhaps organisations should step back for a moment and allow HR (because of its corporate perspective (Newberry, 2016) and its lack of vested interest) to explore what being an ethical organisation means in the context of its operation. What does it mean in terms of paying corporation tax; helping protect the planet; employing staff on a socially acceptable basis; treating customers reasonably, etc? This might lead to the development or recasting of organisational values, but more importantly it might lead to a debate about how to create ethical culture and what needs to support this in terms of policies and practices.

Of course, a critical aspect of developing such a culture is leadership. We explore that elsewhere (see article by Tamkin P, p.56) but HR must also consider how it can contribute to the selection and development of organisational leaders, and how it can give the organisation a good chance that, when the pressure is on, the leaders will choose the right course of action. It is usually in the long-term interests of the organisation to behave ethically but the short-term demands of shareholders and the share price, of suppliers, and sometimes of customers, might make expediency more tempting.

This is not an easy role but HR might like to start with acknowledging it has a moral purpose in the organisation and make that the basis for its contribution to difficult business decision-making.

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More on this topic

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Swimming against the tide
HR Directors' Retreat
27–28 April 2016, Brighton

The theme of our annual HR Directors' Retreat this year will be 'Swimming against the tide'. The 2016 Retreat will explore the stories of those who have sought to do things differently or who have gone against the grain and in doing so, highlight what motivates people and what helps and hinders them on their journey. We will do so on Brighton's seafront, a city long-known for its nonconformity.

From consultation to co-production: high involvement change

Valerie Garrow, IES Principal Associate

'Often change need not be cajoled or coerced. Instead it can be unleashed.'

S Kelman, 2005

High-involvement work practices have featured in management research and literature for decades but when it comes to organisational change, people still tend to feel 'done to'. This might be because change is often happening in crisis mode when things need to happen quickly and control is centralised. There is usually some form of consultation but little real involvement in the design and development of structures and processes that will impact people's working lives.

During a recent interview a senior NHS manager told me that she had finally come to understand the real difference between consultation and 'co-production'. The latter involves removing barriers (both physical and perceived) to participation, ensuring everyone has a voice and genuinely listening to and working with those voices. But it is easy to pay lip service to staff/patient/service user involvement.

Co-production is firmly on the agenda for bringing about change in the delivery of public services, particularly in healthcare where genuine patient-centred care has to involve service users and their carers as well as key stakeholders such as GPs, the wider community, and social workers and other health professionals. The achievement of genuine co-production, however, requires a fundamental change of mindset, particularly for leaders and managers.

What is co-production?

According to '1000 Lives Plus', a national improvement programme supporting organisations and individuals involved in delivering healthcare for Wales:

> *Co-production encourages participation, mutuality and respect for others, valuing the experience, skills and knowledge that each participant brings and providing opportunities to extend their skills and knowledge. It aims to change 'traditional relationships of power, control and expertise' …this is quite different to other engagement activities.*

Spencer et al (2014)

Co-production encompasses co-design, co-delivery and co-evaluation and stakeholders are involved from the word go. It goes beyond 'buy-in', 'consultation' or 'good communication' and incurs shared responsibility for outcomes, so that while everyone does not necessarily agree with everything, the process allows for debate and democratic decision-making.

Two recent case study-based reports from IES have documented some examples that illustrate the potential of high-involvement organisational change. Both feature the work of the Organisation Development and Design Expert Service (OD&D Service), a small cross-Government service that supports departments going through complex organisational change.

Co-creation in organisation design

The first report (Garrow, 2013) draws on a short case story from the Treasury Solicitor's Department (TSol) who had asked the OD&D Service to support them with plans to integrate the majority of legal services into a single organisation that would almost double in size. It required the merger of different legal teams and cultures and the creation of a new brand and identity to reflect the best of the individual departments. It was decided from the start to involve staff in shaping the new organisation and the design was based on the principle of 'co-creation'.

An initial diagnostic phase, involving 1:1 interviews, provided the opportunity for wide stakeholder involvement and the chance to surface feelings and concerns anonymously. Themes from the interviews were aggregated to paint a vivid picture of perceptions and assumptions and, although previously unvoiced, it became apparent that many concerns were shared. For example, it was widely believed that the merger was a TSol 'takeover' and the diagnostics phase was seen as helpful in diffusing some of the resistance.

Co-creation can feel uncomfortable because the outcome is unknown at the start and to help clients work with this ambiguity the OD&D Service is clear that there are parameters and boundaries within which people can influence change. Senior leaders are therefore encouraged to be clear about where 'the red lines' are. At TSol, people initially couldn't see how the organisation would be different, so a new strategic aim was produced collectively, from which eight design principles were agreed by the senior leadership team. Giving people the ability to articulate what they felt the organisation should be about had a significant impact in providing direction.

Collaboration and co-creation might appear to be a slow process where there are multiple stakeholders but the OD&D Service consultants found ways to maintain steady progress while retaining the participative principles. For example, by the design stage, there was greater trust to allow small groups to work on strategy, design principles and benefits on behalf of colleagues, reporting back on findings and recommendations. Confidence in the process was cited as one of the key benefits of working with the OD&D Service team and, while not everyone agreed with everything, the co-creation process gave a sense of structure and an opportunity for people to feel they had been heard.

Unleashing the energy for change at UKVI

The second report (Garrow, 2015) focuses on UK Visas and Immigration (UKVI) and is an excellent illustration of where you might start to genuinely engage people in change in a very large organisation where there is a legacy of blame and a loss of confidence. In a challenging political and economic environment UKVI remains constantly in the public eye.

In this case the methodology adopted was Appreciative Inquiry (AI), which amplifies what is working well rather than focusing on fixing problems, thereby generating positive energy for change. In a climate that had been characterised by blame, a core team of eighteen individuals from across the organisational hierarchy were trained in AI interviewing techniques and went out into the organisation to collect 120 'high point' stories about when people felt at their best. An analysis of the common themes in the stories produced several 'root causes' of success.

The root causes of success at UKVI

Armed with these 'root causes' of success, the core team reached out to new audiences, presenting findings, producing literature and putting up notice boards and displays. They found the stories resonated with colleagues across the organisation and people readily identified with the root causes of success.

A wider audience of 120 people accepted an open invitation to a large scale event (the Summit) to share more stories and focus on 'what we want more of' in order to meet future challenges. Using the four-stage AI process of Discover, Dream, Design and Destiny, the team used the root causes of success to plan and mobilise for action.

Positive Action Groups

The Summit closed with an invitation for people to join Positive Action Groups (PAGs) to work on issues that were important to them, making changes at a local level. These groups were run by staff on a collaborative basis with their peers, and participants identified the issues that they wanted to take forward in their own locations and across geographical and departmental boundaries.

One PAG, for example, took up the root cause of *joining up and working together*. The project team, which included staff from both UKVI and HMPO, set out to improve the services offered by both organisations when interviewing clients, whether they were applying for leave to remain in the UK, or a British passport. Working together they designed a twelve-week pilot which, during that time, was able to deliver: hundreds of additional interviews; a 35 per cent reduction in appointment duration; a 50 per cent increase in the volume of interviews conducted per day; increases in the number of applications meeting the 20-day service level agreement and an enhanced customer experience with 90 per cent of UKVI customers rating their interview experience as positive.

The successful pilot also trialled the use of digitisation in interviewing, which had been a development ambition. The project was nominated in the 'working together' category in this year's Home Office Excellence Awards and illustrates genuine co-production in practice.

The impact of high involvement

At the time of writing *UKVI: Facing into Change*, there were already many benefits emerging from the AI initiative.

For individuals

- People engaged in the AI process were feeling more positive.
- They found it refreshing to have their hard work and successes acknowledged.
- Evidence from the stories and interviews suggested that the movement was winning hearts and minds.

For teams

- Team meetings were more positive, identifying new ways to bring about improvements and raise productivity.
- There was an increased sense of pride and new ways introduced to acknowledge and celebrate success.
- It was easier to talk about change.

At the organisational level

- There was a sense of engagement where AI has been introduced.
- AI had provided opportunities to create trust between managers and staff that it was 'OK to collaborate and think outside the box'.

- More people were talking positively about Continuous Improvement (an existing change initiative).
- People were spotting and taking forward opportunities for improvement.
- There were examples of collaboration across teams and building networks to improve efficiency and productivity.
- It had provided an opportunity for talent spotting, giving individuals who may not otherwise have had it, the opportunity to be leaders of change.
- PAGs were demonstrating a bottom-up approach to change.

Some of the challenges of high involvement

So why are all organisations not reaping the benefits of 'co-production'? Directors at UKVI expressed surprise at the thirst for it and the strength of passion, and engagement scores are already improving.

Top-level support

One reason already mentioned above is that genuine co-production means that outcomes are not known in advance. Not all leaders are comfortable with the ambiguity of 'unleashing' change that might go in an unpredictable direction. It requires a good deal of trust and shared values to make it work.

Even with solid top-level support, middle managers are a key group whose support is vital. Bottom-up change requires a willingness to loosen, and in some cases let go of, the reins in order to support fledgling ideas and projects, allowing time for staff to meet and plan.

One of the strengths of the movement at UKVI, a traditionally hierarchical institution, was the lack of importance of grades, with junior people on the core team having access to and influencing the Board.

Participative structures and processes

Bottom-up change is likely to stray into established territory! For example, at UKVI, one of the PAG groups chose to work on the appraisal system and how staff could be engaged and appreciated more. This meant that HR had to be on board to support but also to establish boundaries.

The organisational architecture has to be flexible to support bottom-up change. That might mean new types of communication, flexibility in integrating other change programmes, and new forums and networks for the sharing of ideas.

Spread and sustainability

IES summarised the UKVI case story with an evaluative summary, mapping the initiative against the IES social movement model (Garrow et al, 2010). The success of social movements depends on their ability to attract and mobilise support until a 'tipping point' is reached where change becomes the new normal. Along the way there are various pitfalls: being seen at the outset as orchestrated from the top; sparking interest but lacking any invitation or opportunity to get involved; mobilising people to action but lacking organisation, thus leading to negative outcomes, disillusionment and even conflict.

If a social movement does not expand and relies on the original core activists, it is at risk when those people move on. It can also soon feel elitist so that it deters rather than promotes involvement. New blood and fresh ideas are vital to propel the movement forward.

Finally…

High-involvement change brings huge benefits accompanied by big challenges to leaders who have to balance providing sufficient direction and structure in order to avoid anarchy, with the 'unleashing' of creativity and passion. For other stakeholders, co-production brings rights and responsibilities for the outcomes of change but it is easier to live with both mistakes and successes that one has had a hand in designing and implementing.

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Workshop

High involvement change: from consultation to co-production

Thursday, 7 April 2016, London

The management of change often receives rock-bottom ratings in the employee survey, with employees complaining that their voices are not being heard. There is evidence that paying lip-service to consultations is demotivating and promotes mistrust rather than involvement. HR and change practitioners, on the other hand, feel frustrated that people are quick to criticise but slow to get involved.

How can this no-win situation be transformed, so that employees feel genuinely involved and participate willingly and creatively in offering ideas and bringing about change?

This event will be facilitated by Valerie Garrow and Dilys Robinson.

To find out more and book a place, visit www.employment-studies.co.uk/events

Can values add value?

Wendy Hirsh, IES Principal Associate

'Values' are all around us, especially these days in relation to employing organisations and behaviour at work. Corporate websites often proclaim 'Our Values' although, as we will see below, many of them look pretty similar. Values sometimes also appear in recruitment information and other people management processes. Being seen to 'Live the Values' is a modern requirement for getting what you want, such as your performance bonus, or promotion.

It is especially noticeable that the volume on values is turned up whenever some kind of corporate scandal is exposed. There is a steady stream of these events and the negative publicity they now generate leads to massive reputational and financial damage. So it's no surprise that even in the hard-nosed world of executive reward, The Financial Reporting Council (FRC) has strengthened its emphasis on the role of Boards in establishing the right '*tone from the top*' in terms of culture, values and ethics (FRC, 2014).

But are organisational values just lists of words? How are they different from all the other lists kicking around organisations? Where do the words about values come from? How do they reflect changing business priorities? Above all, can values get employees to behave differently?

Deep and unchanging beliefs

Many commentators see values as one of the most important things about an organisation. A value, however, is no more than an idea or a belief. The term '*enduring belief*' comes close to the mark (Rokeach, 1973). So values are slippery things to deal with. It is generally agreed that values are 'deep-seated', in other words that they lie beneath some of the more visible aspects of an organisation such as the ways in which people behave, the way decisions are made and so on.

Deutsche Post (2004) defines a value as '*an orientation or an idea that an individual considers correct and important*'. They see an organisational value as '*the common denominator, in an organisation as in a company, or that which people consider worth striving for in this context*'.

Jim Collins (2000) sees values as both '*deep and unchanging*'. This contrasts with other high-level statements about business strategy, policies and so on, which certainly would be seen as changing over time. The purpose of the organisation (sometimes expressed as vision and mission) and its values are taken to be the aspects that provide continuity and a guide to shorter-term decisions.

Some organisations do not use the term 'values' much but tend to talk about 'principles.' For example, John Lewis is certainly a values-based business and has an unusual governance and ownership structure. It uses six *'principles'* to capture its beliefs and intentions. Four of these are arranged in relation to its different stakeholders: members (ie staff), customers, business relationships and communities. The other two define its ideas about power sharing and profit. Ideas often taken to be values, such as integrity, mutual respect and so on are housed within these principles along with more practical aspects of governance, staff reward and so on.

Google (2016), in its characteristically slightly playful style, chooses to express *'Ten things we know to be true'*, including *'Focus on the user and all else will follow'* but also *'You can be serious without a suit.'* This set of beliefs rather powerfully conveys much of the Google culture as well as 'beliefs', including a wide approach to employee benefits.

So organisations can certainly have values without necessarily listing them under a heading called 'values'. However expressed, values and/or principles act as a bridge from the vision, mission, or purpose of the organisation (why it is there) to the culture of the organisation (how people behave) and so through to how employees can expect to be treated and what is expected of them.

Can organisations 'believe'?

Organisations certainly have cultures: patterns of behaviour and ways of doing things. But do organisations have beliefs? Beliefs really reside in the minds and emotions of individuals and individual values are influenced by early life experiences. In that sense the values of organisations are often seen as stemming from the beliefs of their early owners or leaders. So is it really practical for organisations to try and tell employees what to believe through lists of values?

Effective leaders do not really think they change their values according to where they work. Rather, they seek organisations to work for that fit their personal value systems. They also quit organisations where their own values are in deep or persistent conflict with the behaviour they experience around them (Tamkin et al, 2010).

This brings us to two rather uncomfortable observations on organisational values:

- Values are already there. You can't sit down and write them and hope they become true.

- They are there in the people you already employ and especially in those who most fully enact the purpose of the organisation.

> *'You cannot 'set' organizational values, you can only discover them. Nor can you 'install' new core values into people. Core values are not something people 'buy in' to. People must be predisposed to holding them. Executives often ask me, 'How do we get people to share our core values?' You don't. Instead, the task is to find people who are already predisposed to sharing your core values. You must attract and then retain these people and let those who aren't predisposed to sharing your core values go elsewhere.'*
>
> Jim Collins (2000)

Perhaps for this reason, some organisations choose to express their values largely in terms of the kinds of people they employ. For example, the United Nations does say its values are integrity, professionalism and respect for diversity. Its website, however, foregrounds: *'We want people with integrity. People who are fair, impartial, honest and truthful. We want dynamic and adaptable persons who are not afraid to think creatively, to be proactive, flexible and responsive.' (United Nations, 2016)*

Should values be distinctive?

When you look at the ideas that organisations list as their values, there are some common items and clusters. The Center for Values-Driven Leadership identified the values held by companies on the global Fortune 500 list (Ludema and Johnson, 2016).

Those most commonly occurring, in alphabetical order, were:

Accountability	Loyalty	Responsibility
Commitment	Openness	Safety
Diversity	Partnership	Service
Excellence	Passion	Social Responsibility
Honesty	Professionalism	Sustainability
Innovation	Quality	Team work
Integrity	Reliability	Transparency
Leadership	Respect	Trust

So what do we see in here? Some clusters seem to include:

- Ethical or moral concepts, eg honesty, integrity, accountability.
- Attitudes towards or ways of working with others, eg respect, openness, loyalty, team work, trust.
- Quality of work, eg excellence, professionalism, quality, reliability, service.

- Emotional attachment, eg commitment, passion.
- Longer-term or societal impact, eg social responsibility, sustainability.
- Future or improvement orientation, eg innovation.

Some items may carry a wide range of meanings. For example, responsibility may mean individuals being accountable and/or the organisation behaving responsibly towards its customers, its workforce or society.

Amongst all this 'motherhood and apple pie', one might hope that at least some would reflect the particular purpose and nature of the organisation.

Rolls-Royce, which builds engines that air passengers have to rely on, want to be '*trusted to deliver excellence.*' 'Trust', 'deliver', and 'excellence' seem quite resonant values in this case. If they do not earn trust through care, competence and high ethical standards, and their engines are not delivered with reliability and safety in mind, then they will not be seen as excellent and passengers may expect trouble.

Comparing a number of international development charities we see that *'accountability'* comes high on their lists, as does *'integrity'*. If a charity does not show it is accountable for the money it spends and is not honest in its dealings, then why would you or a grant-giving organisation want to support it? Likewise they mostly highlight *'respect'* for others. Differences only emerge round the edges. Christian Aid (2016), for example, includes *'love and solidarity'*. Médecins Sans Frontières (2016) expresses its values through principles and includes '*neutral and impartial*', clearly key when you consider where and how they work in conflict situations.

Expressing values in behavioural terms

The jump from what an organisation says about values to what its employees do is of course a huge challenge. It is important is to concentrate on aspects of the business that stop people behaving in line with the values, and also on ways of creating more meaningful alignment between what happens and the espoused values.

Expressing values in terms of practical behaviours may help employees know what is expected. If employees themselves generate these behaviours they are more likely to be in straightforward language and apply to all staff. Such an approach was used by Guy's and St Thomas' NHS Foundation Trust (G&StT). Five values were illustrated by a range of behaviours for each value, generated by staff (G&StT, 2016). These were refreshingly down to earth. For example, *'I avoid hurtful gossip'* (under Respect Others), *'I am open, honest and say sorry when appropriate'* (under Act with Integrity), *'I explain my role and why I am here'* (under Put Patients First).

Taking a lead

> *'Articulated values of an organization can provide a framework for the collective leadership of an organization to encourage common norms of behaviour which will support the achievement of the organization's goals and mission.'*

The Teal Trust, 2009

Leaders in organisations have a special role in 'living the values'. Schein (2010) – the guru of organisational culture – sets out how leaders create culture through their own behaviour, including what they pay attention to, reward, and role model. Leaders also have plenty of scope for what Schein calls 'sustaining' culture through organisational systems and procedures, the stories they tell and formal statements they make.

Ludema and Johnson (2016) push further on leadership by advocating the CEO as having a role as Chief Culture Officer. This may sound corny to a British ear, but they are getting at something here. In essence, leaders can make the difference between values as just another list to something that really can add value.

The HR function can support leadership and use varied Organisation Development techniques to involve staff in articulating values; keep them front of mind and embody them in a range of people management practices – what Collins calls '*mechanisms with teeth*' – to make values count. Recruitment and early employment experiences are especially important in both selecting people who will already share your values and then positively reinforcing these once they are with you (Culliney and Robertson-Smith, 2013).

HR may also have a role in reminding leaders that lists of values should not be used to communicate lots of things they want to fix. If values are really deep seated, long lasting and lived, they should be messed with as little as possible and actively supported as much as possible.

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More on this topic

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Ethical leadership

Penny Tamkin, Director, Employer Research and Consultancy

The CEO of an organisation I used to work for once told me that ethics had no place in business. As the Head of HR I had prompted this response because I was resisting his attempts at fixing the job evaluation process to increase the pay of one of his lackeys, who was doing a blatantly made-up, cobbled-together, non-job. Some years earlier in a different organisation, I was involved in decommissioning an old building and selling off the various unwanted fixtures and fittings to staff who were submitting closed bids for items they wanted. The CEO insisted that the bids for some of the items of particular interest were opened early so he could outbid them. These two instances were many years ago but I still find them both breath-taking in their audaciousness and the complete lack of regard for ethical behaviour from leaders of the organisation.

I could take solace from the fact that these were both a long time ago, and involved individual rather than widespread corporate morality and behaviour but the headlines continue to suggest that poor behaviour from leaders remains a current issue. In fact there has been a regular drip-drip of media stories that suggest organisational leaders have been turning a blind eye to what is right in favour of what is profitable or expedient. The VW emission scandal is the latest in a very long line of eyebrow raising corporate misbehaviour, which over just the last few years has included:

- The 2013 horsemeat scandal, which saw several suppliers dropped by major supermarkets and a 43 per cent drop in burger sales.
- The Libor-fixing scandal, which involved banks falsely inflating or deflating their rates so as to profit from trades, or to give the impression that they were more creditworthy than they were. In June 2012, multiple criminal settlements by Barclays Bank revealed significant fraud and collusion by member banks connected to the rate submissions.
- The April 2010 Deepwater horizon oil spill, which resulted in BP and its partners being blamed for a series of cost-cutting decisions and an insufficient safety system. Federal criminal charges were made and BP pleaded guilty to 11 counts of manslaughter, two misdemeanours, and a felony count of lying to Congress and in July 2015, BP agreed to pay $18.7 billion in fines, the largest corporate settlement in US history.

- Illegal phone hacking by UK national newspapers, which saw multiple prosecutions and the closure of the News of the World.
- The MPs’ expenses scandal of 2009, which resulted in a large number of resignations, sackings, de-selections and retirement announcements, together with public apologies and the repayment of expenses. Several members or former members of the House of Commons, and members of the House of Lords, were prosecuted and sentenced to terms of imprisonment.

On the one hand, it is seemingly obvious that these behaviours were not only wrong but also high risk in terms of personal and organisational reputation and financial performance. Whilst some may be indicative of outright criminal activity (as appears to be behind the horsemeat scandal), others are the result of an embedded corporate culture that has allowed unethical (and sometimes illegal) behaviours to flourish. In such circumstances there appears to be a distinct absence of appropriate leadership that ensures individuals do not pursue individual or organisational gain at the expense of ethics. On the other hand, the commonality of such scandals suggests significant forces operate to encourage such wrongdoing. It has been suggested that when managers allow the pursuit of money or firm reputation to dominate, an amoral or immoral organisational character emerges in which attention to pride, job satisfaction, and other internal motivators is forsaken and excessive attention to material concerns thrives (MacIntyre, 1985; Moore, 2005).

One aspect of ethical behaviour which is often conveniently ignored is importance of restraint when setting your own rewards. Executive pay has grown since the 1990s from 60 times that of the average worker to almost 180 times, according to the High Pay Centre. A report in The Telegraph also highlighted a jump of 32 per cent in executive pay in 2010 compared to seven per cent across the FTSE 100 and only two per cent increase in workers’ salaries. The figures were even more stark in the top 25 companies, where chief executives saw their pay rise by 86 per cent.

It is difficult to argue that such discrepancy in rewards doesn't affect workers’ trust in their management. Small wonder then, that the latest CIPD data for autumn 2013 showed that around a third of employees said they personally do not trust their senior managers and a third say that employees in general think trust is weak (CIPD, 2013). Results are worse in the public sector and tracking data suggests that public trust in big businesses is in decline, which the CIPD suggest has further implications for individuals’ trust in their leaders.

Concerns about trust need to be considered against the raft of evidence that has found trust improves employee performance; raises motivation and positive attitudes, lowers costs (due to higher productivity, lower wastage, reduced employee turnover, reduced grievances and other negative behaviours etc.); enhances pro-social and citizenship behaviours; enhances knowledge sharing and innovation; and improves co-operation

(Searle and Skinner, 2011, in CIPD, 2012). Low levels of trust affect productivity and performance in part because greater resource needs to be expended by managers on checking staff and by employees on covering their backs. Trust is also associated with the willingness to take risks and therefore innovate.

Hope-Hailey et al (2012, in CIPD 2012) concluded that leadership, culture and behaviour all contribute to levels of trust. Trust is enhanced when employees are treated fairly, and when leaders walk the talk on corporate values. The CIPD (2012) have asserted that ethical leaders are more likely to create a climate of trust because they tend to demonstrate the key characteristics necessary for trust:

- benevolence – a concern for others beyond their own needs and having benign motives;
- integrity – adherence to a set of principles acceptable to others encompassing fairness and honesty; and
- predictability – a regularity of behaviour over time.

Similarly, the Edelman Trust Barometer (Edelman, 2016) places integrity as given the most stated importance of five attributes of trust.

Academic research appears to suggest that ethical leaders influence followers through a range of levers, of which trust is only one. Firstly, ethical leaders exhibit trustworthy behaviours and act with the interests of employees at heart. As a result, followers develop strong relationship attachments to such leaders which gives them greater personal power to influence follower behaviour. Secondly, ethical leaders create an ethical climate through modelling what is appropriate behaviour; communicating expectations of others; devising policies which make ethical expectations explicit; and holding employees to account for their behaviour (see, for example, Brown and Trevino 2006).

Research also indicates that unethical and unjust behaviour tends to have a trickle-down effect: when organisations, processes, or practices are perceived as unfair and/or unethical, individuals become less likely to behave ethically (Cropanzano and Stein, 2009, in Fyke and Buzzanell, 2013). So ethical leaders create ethical followers.

On the whole, people prefer to work for ethical organisations, so ethical leadership is also associated with organisational commitment and job satisfaction (Martin and Cullen, 2006; Brown and Trevino, 2006). Further, ethical leadership results in employees feeling a greater degree of psychological safety, ie people feel comfortable expressing difference and concerns, and voicing ideas (Walumbwa and Schaubroeck, 2009). These are important factors for innovation and creativity.

There is therefore a seemingly overwhelming case for ethical leadership. There is plenty of evidence that suggests ethical leadership generates positive gains for organisations in addition to preventing the losses associated with wrongdoing.

The question then is what can organisations do to promote ethical leadership? It might seem obvious that codes, standards and training would be part of any approach but the evidence suggests that they are unlikely to be enough in themselves. For example, Seeger and Kuhn (2011, in Fyke and Buzzanell, 2013) have noted that principled moral obligations, ethical codes, or normative standards by no means guarantee compliance, citing the example of Enron which had extensive ethical codes.

Training too does not appear to simply deliver the solution it promises. Lampe and Engelman-Lampe (2012) point out that although business students in the USA receive ethics training in the form of philosophy, case studies, religion and moral dilemmas, they still have the highest rate of cheating amongst college students from any other discipline. They go on to argue that mindfulness training may help students understand better how their minds work when making ethical or non-ethical decisions. Seeger and Kuhn (2011) highlight the difficulties of squaring pressures on efficiency and demonstrating Return on Investment with ethical standards.

It would seem a no-brainer for the HR profession to play a key role in helping organisations confront and resolve these difficulties but the profession appears to be disappointingly reticent to come forward in this regard. The CIPD community is currently debating what it is to be an HR professional. Whilst there seems to be unambiguous support for the concept of HR professionals demonstrating judgement, updating their specialist know-how and understanding the business, there has been starkly less support for constructs that have ethics at their heart (what it is to be professional, using knowledge for the good of society and a commitment to something bigger than self through the abandonment of self-interest).

With all that we know about the impact of ethics on the people in organisations and on their willingness to work hard, to innovate, and to do so in appropriate ways, an HR profession that fails to act on ethical issues is not just missing a trick, but much worse, is potentially compliant with a view that ethics has no place in business.

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More on this topic

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Workshop

Collective ethical leadership

Tuesday, 21 June 2016, London

Over several decades, researchers in business ethics have found a positive relationship between corporate social performance and corporate financial performance. In addition, we know that senior managers set the ethical 'tone at the top' and that external regulators and internal boards can influence formal ethical business programmes.

But surveys consistently show there is a gap between the stated ambition of operating as an ethical organisation and the actual experience of employees witnessing behaviours by line managers and co-workers which fall short.

So what more can HR functions be doing to help integrate ethical leadership practice into everyday ways of working at all levels to become part of the organisation culture?

In this briefing event we will review the research and present practical case study evidence on claims that person-centred leadership (as opposed to process or task-centred leadership) can transform leadership behaviours across an organisation.

Topics for discussion include the evidence of the benefits of ethical leadership, the mismatch between aspiration and reality, the styles of leadership that can make a difference and how they can be integrated into culture and practice.

This event will be facilitated by Penny Tamkin and Alison Carter.

To find out more and book a place, visit www.employment-studies.co.uk/events