Chapter 2: Engaging and motivating employees and managing organisational change

LEARNING OBJECTIVES

- Discuss the different reasons people work and the implications for motivating employees
- Identify how employees' focal and discretionary behaviours play a vital part in SHRM
- Define motivation
- Describe the key motivation theories and discuss which are useful for motivating people effectively
- Discuss the relevance of the psychological contract in today's workforce
- Describe the characteristics of a positive work environment and how human resource development can develop and maintain such an environment
- Explain SHRM in relation to business ethics
- Distinguish between the two different styles of strategic management
- Discuss the importance of the combined use of 'soft' and 'hard' SHRM
- Describe the key reasons for resistance to change and how best to respond
- Discuss the most important characteristics of successful change programs.

CASE STUDY: *A rare case of successful organisational change through employee empowerment*

Summary

This case study outlines a change intervention undertaken by Mobil Oil Australia (MOA) whose goal was to increase profitability and change the organisational culture. A six-phase change project is discussed, as are specific process and content interventions. Successful outcomes are also canvassed.

Discussion questions (p. 58)

1. Link the processes used by MOA to the CHRM model.
The process used by MOA had six phases that can be broadly linked with the CHRM model. The first phase in the MOA change process was 'Initiation' which links with the first step of the CHRM model – 'Analysing environmental factors'. The second phase in MOA was 'Diagnosis'. This aligns with steps two and three of CHRM –

'Detecting' and 'Verifying potential problems or opportunities'. Phases three and four in MOA, 'Process re-engineering' and 'Organisation design' can be seen to be equivalent to step four of CHRM – 'Devise plan and success criteria' and phases five and six in the two models align directly with both models discussing implementation at step five and evaluation/review at step six.

2. What motivation theories did MOA apply in the change process?

Skinner's reinforcement theory can be seen to apply as employees were rewarded by having their ideas implemented. Seeing their ideas being implemented was reinforcing and encouraged innovation and further idea generation.

The case study is also representative of Vroom's expectancy theory where staff may have developed an expectation that idea generation and self-management will be linked to rewards (expectancy) such as idea implementation and increased responsibility (instrumentality) and that these rewards are important to them (valence).

Hertzberg's two-factor theory can also be observed as jobs were redesigned to have increased challenge, responsibility and recognition - factors which according to this theory increase motivation. It is unclear in the case study whether Hertzberg's hygiene factors (e.g. pay, status, security and working conditions) were also managed during the change process to ensure job dissatisfaction did not increase.

Last, Locke's goal-setting theory can be seen where the workers who had undergone the change became champions of the process, convincing others of the importance of also attaining this goal. Increased goal commitment in others may occur as a result, thereby motivating their positive goal-striving behaviour. Of course, the specificity of the goal is important in this theory and although goal specificity may have been articulated to staff, it was not visible in the case description.

3. Was the psychological contract modified as a result of the change project? Give your reason(s).

Before the change the psychological contract was more aligned with a 'parent and child' relationship. In this type of psychological contract, the expectations of employee and employer behaviours mean that control is primarily with the employer and the employees follow directions, being 'good and loyal'. As a result of the change, the psychological contract became more 'adult', focusing on mutual

benefits for the employer and employee including growth through autonomy and accomplishment.

4. Discuss the case in light of the characteristics of a positive work environment.

This case demonstrates many of the hallmarks of a positive work environment. The change was spearheaded through positive leadership which aimed to achieve change in a supported way by rewarding staff participation through the implementation of their ideas. This, in turn, created a safe psychological environment where employees felt supported and developed a sense of trust and positive justice perceptions.

5. Discuss the case in relation to business ethics and SHRM.

The driver for change in this case study may have been aligned with the utilitarian theory of ethical management, where a positive consequence for shareholders is the primary driver of 'ethical' behaviour. When considering how the change process occurred at MOA, however, a stakeholder theory perspective is a better fit. Although shareholder profits were realised, the organisation was 're-energised' and employees enjoyed mutual benefits from the change, meaning that multiple stakeholder needs were considered.

6. Discuss the case in light of 'soft' and 'hard' SHRM.

This case describes an organisation making a transition from hard SHRM to soft SHRM. That is, MOA used specific techniques to change from a SHRM philosophy that used control-based, compliance-focused techniques for managing people (i.e. hard SHRM, also known as Theory X) to a more open-systems approach where management aimed to gain commitment and motivation of staff through empowerment, discovered solutions, flexibility and self-managed teams (i.e. soft SHRM, also known as Theory Y).

7. What lessons can be drawn from the case about the most important characteristics of successful change programs?

This case highlights the importance of active, senior management commitment to communication with staff and the active and authentic participation of all staff in the change process. Giving staff a voice, engaging and acting on staff ideas, as well as structural change to support cultural change efforts, helped achieve real staff empowerment and gave them a sense of control in the change process.

A VIEW FROM THE FIELD: *The acquisition manages an integration*

Summary

This case describes the events preceding an acquisition of National Foods Limited by San Miguel Corporation. San Miguel acquired National Foods, the Australian milk and dairy food company with an annual turnover of AU$1.3 billion, in July 2005. San Miguel is Southeast Asia's largest publicly listed food, beverage and packaging company. Immediately following the acquisition, San Miguel chose to integrate another acquisition, Berri (a juice company), with National Foods. The integration was driven from National Foods and involved rationalisation of both operations.

Discussion questions (p. 62)

1. The integration of Berri was a commercial deal with a focus on maximising the value of the investment in an acquisition. What role, if any, should HR play in this undertaking?

No doubt the focus on managing the change and maximising the potential benefit sits with business managers. However, HR could play a key role in providing clear and consistent change management protocols and communication strategies. The communication strategies illustrated in the case were both general (directed to all staff) and specific (aimed at key personnel or 'talent'), and were instrumental in retention of staff and continued low levels of turnover during a very uncertain time.

The case provides an excellent example of a HR function that was responsive and efficient in establishing transparent recruitment and selection processes and reviewing and integrating the two companies' policies with a view to fairness and equity for employees, with minimal disruption for business operations. The HR function often ends up as the 'honest broker', ensuring fairness in processes and decisions with a view to protecting the organisation from legal challenges and guarding the organisation's reputation as a good employer.

The case also provides a good example of empathetic and efficient administration of redundancy packages and leaving arrangements for staff exiting the organisation.

2. All change brings threats and opportunities. What are the threats and opportunities that mergers, acquisitions and integrations present to employees? How might such threats and opportunities affect the way employees feel, the way they think about the organisation and their career, and the actions they take?

The threats and opportunities presented to employees by mergers, acquisitions and integrations include:

Threats
- Job loss
- Fear of the challenges of a new job/role
- Loss of relationships with managers, colleagues and clients
- Uncertainty and disruption as jobs are thrown open for competition
- Loss of benefits.

Opportunities
- New work relationships
- New ideas and ways of working
- Promotion
- More opportunities
- Bigger company
- Better practices.

Reactions will vary widely according to an individual's personality, coping skills and experience of similar situations. Some people take a proactive and problem-solving stance which can benefit the organisation and their own performance. Others may withdraw or engage in destructive behaviours such as shifting blame to others and treating others unjustly.

3. Judge the effectiveness of the National Foods' executive team's management of the period of acquisition and the integration process from the perspective of an employee. Then consider how effective David Clark and his HR and Communication team were in implementing the executive team's decisions. What were the activities that were effective? Were there other activities that should have been undertaken? Explain your answer.
From the perspective of an employee, it seems that the CEO and executive team kept employees informed about what was happening, right down to telling people when nothing was happening. The visibility of the executive team during the whole change process would have been reassuring and the regular communication bulletins welcomed. For National Foods' employees the situation would have changed when National Foods began the integration of Berri, as it was yet another period of uncertainty to cope with. Berri employees, by contrast, were facing a greater unknown and were subject to the policies and decisions of National Foods.

What was effective?

- The communication strategy and visibility of the executive team
- The speed of execution meant the 'torture' was not prolonged
- The use of experts in recruitment and selection facilitated an efficient process that was conducted in a professional manner
- The emphasis on getting people redundancy quotes and access to outplacement services as a priority was respectful of people's rights
- Reviews of both companies' policies and fair decisions ensured no disadvantage in future policies.

What other activities should have been undertaken?

There was no mention of counselling or assistance being offered to employees during the uncertainty. Some type of independent counselling service, such as an Employee Assistance Program (EAP), may have been worthwhile.

Specific and separate strategies for the employees at Berri may have enhanced the effectiveness of the integration. It appears the impact of the integration was more significant for that group.

4. Not all organisations include the head of human resources on the executive team (i.e. the group directly reporting and working with the CEO). In the case of National Foods, however, David Clark, as head of the HR and Communication team, was included. Would it have made any difference to the effectiveness of the integration if David Clark had not had a seat on the executive team? Explain your answer.

The inclusion of the head of human resources on the executive team allowed him to contribute his HR expertise and experience in the pre-acquisition period and to the planning and management of the integration. HR strategies and communications were, as a result, integral to moving forward and the HR team were able to be proactive in dealing with the changes.

The failure to include HR in the early stages of uncertainty and the integration may have meant that some issues were overlooked (e.g. communication and retention strategies). Other actions, such as the recruitment and selection strategies, may not have been executed so smoothly if the HR team had been in a more reactive mode.

A MANAGER'S CHALLENGE: *Reducing the risk of organisational change*

Summary

This section outlines the key role of middle managers in the change process and discusses research findings regarding four interlinking factors that are integral in engaging middle managers in change initiatives.

Discussion questions (p. 64)

1. How can organisations engage their middle managers with change initiatives?

Organisations should strive to ensure that middle managers have values that align with those of the broader organisational community – that is, that managers are not purely self-interested. Second, managers should be given an opportunity to gain clarity about their own and the organisational values so they can understand the alignment of their own values with the organisational values. In this way, they can see a win–win opportunity associated with the change. Various communication accounts could be used to achieve this alignment, but particularly causal and ideological accounts, where managers are provided with the reason why the change needs to occur and a vision of where the change will take them. Last, managers should be made aware of the meaning of their future work so they are motivated to engage in the change initiatives.

2. What conditions increase the chances of constructive engagement with change?

Chances of constructive engagement with the change are increased in conditions where the organisation's values are clear and visible to staff and where managers have clarity about their own values. The use of communication strategies to achieve trust and attitude alignment of all parties involved in the change is also an important condition. Last, a condition where work after the change is meaningful and that those undertaking the work have appropriate skills to undertake this work is important.

3. What conditions increase the chances of destructive engagement with change?

Middle managers are more likely to destructively engage with change when there are challenges to their aspirations, their abilities and/or their vested interests. This can occur through poor diagnosis of organisational problems, through an absence

of participative input or voice, through poor communication about the change or through an absence of measures to keep change projects in scope.

REVIEW QUESTIONS (p. 65)

Review Question 2.1

Based upon the content and process theories of motivation, and on hard SHRM and soft SHRM concepts, how can HR managers effectively implement various HRM practices to enhance employees' performance?

The hard and soft variants of HRM reflect the opposing perspectives of 'managerial control strategies' versus the 'nature of people'. Hard HRM focuses on achieving high performance through the rational strategic approach, which is based on the belief that workers need to be controlled to achieve the bottom line (e.g. Theory X). Soft HRM, on the other hand, focuses on gaining employees' commitment through quality of work life, based on the belief that employees need to be motivated and self-directed through flexibility and adaptability rather than being controlled by management (e.g. Theory Y). Understanding this paradox is very important for today's rapidly changing organisation, namely, restructuring through mergers, acquiring and de-layering of the workforce, which resonate the hard HRM tenet. Organisations need to consider the human aspect of managing change.

Content theories of motivation focus on the needs and wants that direct individual behaviour. Process theories, on the other hand, focus on the thought patterns that underpin behaviours. HR managers can utilise knowledge from these theories to motivate employees and therefore enhance their performance. For example, the way HR activities such as training and development, career advancement and compensation and rewards are implemented can drive worker effort, job satisfaction and task performance via the theoretical underpinning of both process and content theories (See Table 2.2).

Review Question 2.2

What are the characteristics of a positive leader? What is the relationship between positive leadership and employee motivation?

Positive leaders work with and develop employees' strengths and provide timely and meaningful recognition and encouragement when it's due, insist on and model authentic and ethical behaviours and remain optimistic and solution-oriented when problems arise. Such leaders will, over time, create a positive emotional climate in the workplace, which in turn creates the context for employees to work to their highest potential. Positive leaders foster a positive, psychologically safe work

environment, where employees feel supported and rewarded by their leaders and have confidence and integrity, trust and justice perceptions about their relationship with others, including their leaders.

Review Question 2.3

What is the psychological contract? How has the environment changed the characteristics of today's psychological contract? Use examples in your answer.

Psychological contracts form an important part of employee motivation and of the employment relationship. They are informal contracts perceived by employees, which provide direction and guidance regarding the employment relationship.

There are three broad categories of psychological contracts: transactional, relational and ideological. The *transactional* contract refers to an 'effort bargain', or the reciprocal exchange of effort for reward (Maguire, 2002). This is the type of contract that most employees have; put simply, it is what people receive for working (such as the exchange of skills for salary). This contract predominantly represents cognitively driven contracts, which lean towards the hard HRM tenet.

The *relational* contract refers to the exchange of socio-emotional currency. For example, the employee's commitment, loyalty and trust are exchanged for a sense of security, career development and the opportunity to belong (Thompson & Bunderson, 2003). This contract predominantly represents affectively driven contracts, which lean towards the soft HRM tenet.

The *ideology-infused* contract refers to the exchange of effort in the belief that such efforts will be invested in the pursuit of a valued cause or principle. For example, the employee's voluntary helping or advocacy outside of work hours is exchanged to support the organisation's work towards a particular cause or ideal.

It is also important for HR managers to be aware of the impact that the turbulent business environment has on an employee's perception of their psychological contract, and the role of ethics and organisational justice. For example, in a recent six-hour briefing to market analysts and media representatives, Telstra announced a plan for a radical restructuring that will slash 12 000 jobs over the next five years. Telstra will be liable for the soft HRM actions such as emotional intelligence, proactive communication to staff explaining why restructuring is necessary, and

how it will manage employees' stress and tensions arising from the possibility of being made redundant.

Review Question 2.4

How can HR practitioners manage employees' organisational-justice perceptions during an organisational-change process (e.g. merger, acquisition)?

HR practitioners should ensure the three types of organisational justice are considered and addressed during an organisational-change process. *Distributive justice* should be addressed by ensuring consistent and considered criteria are used to determine how resources are accessed and used during and after the change. These criteria may consider factors such as merit and equitable gains and losses. *Procedural justice* should also be used by drafting and enacting procedures in a consistent way across workers and across the time period of the change. Consideration of accuracy, bias suppression and integrity are important in procedural justice during change processes. Last, *interactional justice* can be ensured by treating employees with respect and by communicating openly.

Review Question 2.5

What does the term 'emotional intelligence' mean? How can it lead to overall high organisational performance?

Emotional intelligence is the ability to perceive and experience emotions which then guide emotional responses and promote intellectual growth. This can be applied at the intrapersonal (e.g. own emotion), the interpersonal (e.g. co-workers' or clients' emotion) and the organisational (e.g. emotional climate at work) levels (Härtel, Zerbe & Ashkanasy, 2005).

Leading academics in this emerging management field concur that there are a number of performance areas where emotional intelligence is helpful; for example, where one's job involves social interaction or being subjected to stressful situations. Furthermore, empirical studies conclude that emotional intelligence plays a significant role in life satisfaction, self-esteem, individual success and wellbeing (Härtel et al., 2005). Coupled with the increasing popularity of teamwork, emotional intelligence at the intrapersonal, interpersonal and organisational levels can help to build trust, cooperative identity and efficacy, leading to overall high organisational performance (Druskat & Wolff, 2001).