

Whitepaper



Workplace Relationship
Development Indicator

Creating “New Deal” Employment Relationships

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The most complex organisational issue since the industrial revolution: the fundamental and irrevocable shift in the psychological contract between employee and organisation.

(Noer, 1993)

Introduction

Organisations and workers (a wider term than employee), have experienced significant impacts, both positive and negative, from over a decade of unprecedented workplace change. New workplace meanings and trends have emerged from this turbulence, but fundamentally the traditional employment relationship has been irrevocably changed. Both organisations and workers are now faced with a number of key employment related challenges. The “old deal” whereby organisations offered job security, promotion and advancement, in exchange for loyalty and service, is dead! A “new deal” is emerging which is more exchanged based, and incorporates new employee attitudes and values.

It is contended that the concept of the psychological contract is critical to understanding employment relationships, and creating the “new deal”. A diagnostic survey tool called the WRDI™ - Workplace Relationship Development Indicator, based on a research validated model of the psychological contract, offers a scientific approach to structuring and managing productive employment relationships. Individual reporting output from the WRDI™ also assists individuals to manage and develop their careers. The bottom line benefits to organisations in achieving enhanced workforce alignment and retention (of the “right” people), are considerable. This white paper outlines a way forward to achieving a win – win outcome for both organisations and their workers.

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Organisations will need to be lean, fast and flexible in order to remain competitive, continually redefining themselves through cost cutting, restructuring, re-engineering, divestments, acquisitions, etc.

Working In the New Millennium

Futute Predictions

The dawning of the new millennium and the threat of the Y 2K bug are now well and truly behind us, but what lies ahead for both organisations and workers in the new millennium workplace? Optimists are predicting that unemployment in Australia will continue to decline, with growth occurring in high and lower knowledge jobs, but declining in medium knowledge jobs. The twin forces of globalisation and technology, will continue to shape the new millennium workplace: a workplace which is certain to remain information driven and turbulent, with ever increasing diversity. Organisations will need to be lean, fast and flexible in order to remain competitive, continually redefining themselves through cost cutting, restructuring, re-engineering, divestments, acquisitions, etc.

Implications for Workers and Organisations

However, many workers, from senior management down to shop floor level, are continuing to experience the legacy from a decade of workplace change (e.g., outsourcing, contracting out, restructuring, downsizing, mergers and acquisitions, etc.). The adverse psychological impacts from these changes include a sense of loss (organisational identity and affiliation), insecurity, anxiety and alienation. Many workers are struggling to come to terms with:

- the abandonment of traditional employment and career models;
- the new age of self-determinism;
- the need to readjust career aspirations (given limited promotional opportunities with flatter structures);
- the demands of the continuously changing workplace;
- the need to upgrade their skills and knowledge to remain marketable;
- the need to perform at a consistently high level; and
- the need to balance work and family demands.

A number of workers are in "survival mode", with their motivation coming from the fear of job loss; **a motivation which is hardly likely to inspire competitive advantage!** Other workers who have proactively embraced recent workplace change, have become more of "free agents", whose loyalty is predominantly to themselves.

In Australia, there is currently around a 10% "churn" factor in the professional workforce, which means on average, each Australian company will loose 1 in 10 of their professional staff each year. These workers have taken advantage of the autonomy, freedom, flexibility and new career choices that the contemporary workplace has to offer. Their attachment to particular organisations has become tenuous, as they seek "employability" (i.e., development of their knowledge, skills and experience), rather than employment. Yet the value, knowledge and commitment that they contribute, particularly those core knowledge workers (senior managers or



key specialists), are vital to the retention of corporate memory, organisational effectiveness and sustainability.

Notwithstanding, organisations now have greater flexibility with their workforce. Opportunities are readily available to import knowledge and expertise, including diversification and expansion through the establishment of alliances, virtual organisations, etc. However, this flexibility has come at the cost of some erosion of workers' trust, loyalty, and organisational commitment, including the ability to attract and retain valued workers. Additionally, management is faced with the challenges of the motivation of lower knowledge workers (given their limited promotional opportunities), and monitoring remote workers with the delocalisation of work.

New Meanings and Trends

As we enter the new millennium, the traditional notions of employment and careers have changed, as have the characteristics of organisations and the workplace. Some concepts such as “job security” are fading. The term “management” has acquired a new significance, with an increased emphasis on strategic considerations, co-ordination, integration, facilitation, support and reduced authoritarianism. Traditional boundaries between organisations and customers have become blurred. Both workers and organisations now come in many different forms.

Organisational trends include:

- an emphasis on competitive advantage in the recruitment and retention of capable and valued workers;
- an emphasis on organisational agility and faster response times;
- the development of service oriented cultures; and
- the emergence of worker - management tension, with the abandonment of the traditional employment relationship.

At an individual level, new values and expectations of the workforce are emerging as workers seek new meanings in their work and careers, including:

- a greater involvement in, and an understanding of, what is going on around them;
- greater autonomy;
- more flexible work arrangements (including the balancing of work/family demands and career needs/aspirations); and
- recognition of their individual needs and support.

*We now live in the era
of employment relations
- not industrial relations!*

The employment agenda spotlight has now shifted to the relationships between management and workers. **We now live in the era of employment relations - not industrial relations!**



Employment Relationships

The Changing Employment Relationship

Many organisations have reviewed their employment strategies over the past decade in order to remain competitive. These organisations have adopted more flexible employment practices such as contracting out, fixed term contracts, recourse to the use of casuals, etc. Overall, there has been a move towards the externalisation of workers, which reflects more of a reliance on economic rather than social exchange considerations.

This best practice approach segments the workforce in much the same way a marketer segments their customers: one size does not fit all!

The **Core / Complementary model of employment** has come into vogue, whereby organisations view their workers as belonging to a number of levels or segments. This best practice approach segments the workforce in much the same way a marketer segments their customers: one size does not fit all! These segments may include an inner core of senior managers and key specialists, surrounded by successive layers of middle managers, supervisors, sales personnel, general and front line workers, casuals, contractors, etc.

The Core / Complementary Model of Employment





A sharper differentiation between **high, medium, and lower knowledge jobs** has also emerged. The "old deal" between organisations and workers, based on the straightforward exchange of job security, career development and material rewards for loyalty and service, is dead! As a consequence, **the fabric of the traditional employment relationship, or psychological contract, between employers and workers has been severed!**

Employment Relationships are Distressed

However, many organisations are suffering from the effects of **corporate anorexia** – thin but unhealthy! **Employment relationships are distressed**, more from a "psychological" rather than an "industrial" perspective. The continually changing workplace, the failure of many downsizing and restructuring programs to reach their stated goals, and other *ad hoc* or "band aid" approaches aimed at organisational survival, have all contributed to this distress. The consequences of this distress include:

- erosion of workers' trust, loyalty and organisational commitment;
- worker disempowerment and/or adjustment difficulties;
- unrealistic organisational and/or worker expectations and attitudes;
- disagreement on what has, or should be, provided by organisations;
- the failure of either party to deliver on emerging expectations and obligations; and
- management confusion concerning the adoption of appropriate workforce relationship management strategies and HR policies.

Quality relationships within organisations, and with business partners, customers and suppliers, cannot be sustained if the core relationships between employer and workers are distressed.

Quality relationships within organisations, and with business partners, customers and suppliers, cannot be sustained if the core relationships between employer and workers are distressed. Other consequences of this employment relationship distress are a reduced capacity for innovation, and the disengagement, or "outering" of some workers from their organisation. Whilst these workers may still be committed to their jobs (i.e., working hard and long), their job satisfaction and effectiveness may have declined, with higher levels of workplace stress being experienced. The benefits of their "citizenship behaviour" may not be captured, where workers care about and act on behalf of the organisation and are prepared to go the "extra mile". Citizenship behaviour is the "glue" that binds the organisation together and enhances efficiency and effectiveness. The alternative is a workforce of loners whose loyalty is to themselves: hardly a basis for organisational sustainability! However, loyalty and commitment now need to be generated through different avenues, given that the ability of organisations to offer job security and promotional opportunities is declining.



Employment Challenges

The key HR and employment challenges facing both organisations and workers in the new millennium workplace have been summarised in the Table below.

Table: Key Challenges Facing Organisations and Workers

Organisations	Workers
<ul style="list-style-type: none"> • structuring adult - adult relationships; • rebuilding trust • maintaining flexibility • attraction and retention of core knowledge and valued workers; • the accommodation of a variety of career needs of workers • fostering citizenship commitment and a sense of community • fostering innovation and a development culture to move forward • performance enhancement, including motivation of lower knowledge workers whose advancement prospects are limited 	<ul style="list-style-type: none"> • coping and adapting to change • adding value and performing consistently well - <i>the age of the contingent worker</i> • taking charge of one's own career; managing one's career through different stages and cycles • personal ("soft skills") development including greater self-reliance (identity no longer as closely tied to the organisation) • commitment to ongoing learning • balancing independence and interdependence - <i>the age of the 'collaborative individual'</i>

The question is: **How can these challenges be addressed in an integrated way?**

How do organisations create alignment and enhance the commitment, motivation and effectiveness of their workforce (gain a competitive advantage) when:

- *loyalty and trust may have been eroded;*
- *workplace is reeling from the legacy of a decade of change with adverse psychological impacts (i.e., loss of job security, loss of a sense of belonging and alienation, anxiety, abandonment of traditional career models and the new age of self-determinism, need to upgrade skills);*
- *some workers have become 'free agents', whose loyalty is more to themselves; and*
- *new employee values and expectations are emerging.*

How do organisations build high performance cultures, dedicated customer relations, and long range capability?



Relationships are foundational, be it in personal or organisational life.

The “New Deal”

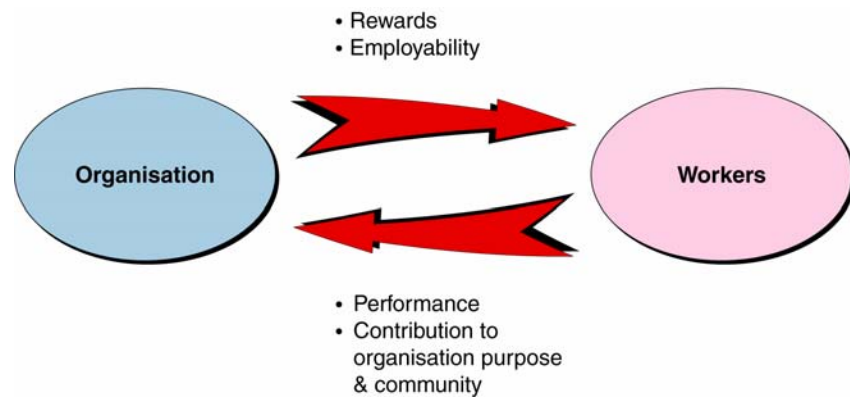
Relationships Hold the Key

There are no simple solutions to complex problems, nor can any particular approach promise to be a universal panacea or "silver bullet". What is required however, is a **paradigm shift** and a framework of understanding that provides a way forward to addressing these challenges. It is contended that this paradigm is a relational one.

Relationships are foundational, be it in personal or organisational life. The nature and quality of any relationship impacts significantly on the commitment of the parties. For example, a healthy marriage includes such characteristics as; trust, fairness, ongoing communication, support, openness, development or growth, and satisfaction of various individual needs. However, such relationships are also dynamic, where the respective needs of both parties change and need to be renegotiated. The reasons for getting married may be different to the reasons for staying married! And so it is in the workplace, where a "new deal" employment relationship has emerged.

Characteristics of the “New Deal” Employment Relationship

The Typical “New Deal” Employment Relationship



Whilst a variety of new employment relationships have emerged, the typical "new deal" employment relationship is more "transactional" or "exchange based". The characteristics of this relationship are:

- more arm's length;
- less paternalistic;
- of shorter term duration; and
- more performance based.

What counts now is the current value that each worker contributes. Yet despite the individualising of the employment relationship, there is a move towards strong corporate cultures with an emphasis on **quality relationships** (teams, alliances, dedicated supplier and customer arrangements). **Organisations now need to**



The "new deal" employment relationship, is based on a "win-win" outcome for both parties.

have it both ways in terms of the flexibility and commitment of their workforce.

More about the "New Deal" Employment Relationship

The "new deal" employment relationship, is based on a "win-win" outcome for both parties. It incorporates clarified mutual expectations, responsibilities, understandings and commitments between organisations and their workers. The "new deal" is characterised by:

- adult-adult attitudes and responsibilities (i.e., less paternalistic);
- a more mature form of commitment (i.e., to the vision, values and goals of the organisation, as opposed to "blind loyalty");
- openness and trust;
- flexibility, including a tolerance for role ambiguity and change;
- autonomy;
- mobility (of shorter term duration);
- a greater worker involvement and "voice" in what is going on;
- the fostering of career prospects (for higher knowledge workers, as well as high potential lower knowledge workers), where "employability" is emphasised rather than job security;
- an emphasis on quality working relationships (e.g., teams, customers, suppliers, alliances); and
- a recognition and deeper understanding of the continually changing needs of both parties.

However, no one "new deal" will provide the ultimate collaborative solution, given the diversity of the nature of industries, organisations and the environments in which they operate, and the value which various levels or segments of workers contribute, and their respective needs and interests.

Creating "New Deal" Employment Relationships

In the creation and development of "new deal" employment relationships, two key issues need to be addressed:

- dialogue and agreement on the realistic expectations and obligations of both parties (i.e., alignment of the employer / worker relationship or the development of healthy "psychological contracts"); and
- a "mindshift" from the paternalism or entitlement mentality of the past, towards self-reliance and independence (i.e., addressing of the "deeper" development needs of the workforce).

These two issues are further elaborated upon below.



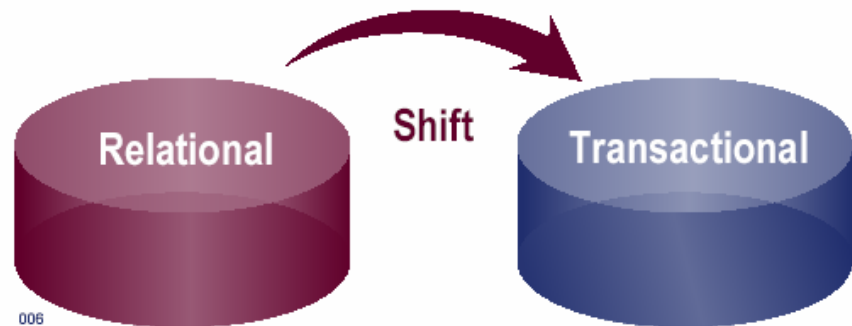
The Psychological Contract and Alignment

The Psychological Contract

At the heart of the “new deal” employment relationship is the concept of the **psychological contract**. The psychological contract is: *the stated and implied set of expectations, obligations, and understandings operating between workers and their employers*. It defines the **essence** of the employment relationship. The psychological contract is a broader concept than an employment agreement or contract, and includes what has been written, said, and observed. It is not a legal document as such, but it is nevertheless **real** in the minds of employers and workers. The psychological contract is a **powerful determinant of workers’ behaviour**.

The changing psychological contract has been identified as a key contemporary HR concept, by a number of researchers and writers. **This concept offers a way forward in addressing difficulties in the employment relationship**. The psychological contract comprises a mix of **tangibles** (e.g., pay and benefits) and **intangibles** (e.g., support, advancement, job security, etc.). Psychological contracts vary along a continuum from “relational” to “transactional”, with a shift having occurred towards the latter in recent times.

The Changing Psychological Contract



- Ongoing
- Monetary Benefits
- Identity Linked with Organisation
- Non Monetary Benefits
 - Mutual Loyalty
 - Support
 - Career Rewards / Development



- Time Based
- Immediate Rewards
- Monetary Benefits
- Identity Linked to Skills & Competencies
- Little Emotional Attachment Invested



Linking Psychological Contracts to the Business Strategy

The nature of the psychological contract needs to link to the business strategy, taking into account the:

- stability of the external environment;
- history and positioning of the business;
- nature of customer service provided;
- value and knowledge which various workers contribute (refer core / complimentary model of employment); and
- the individual needs of workers.

Within most organisations, a variety of psychological contracts will exist with various levels or segments of workers (e.g., senior managers, middle managers, sales personnel, front line or general workers, etc.). The needs of these segments will vary. For example, senior managers will have higher needs concerning career development and job challenge issues, whereas sales personnel will have higher needs for recognition. General or front line workers may place more of an emphasis on working in a supportive environment.

It is important to have clearly defined, realistic expectations (including both tangibles and intangibles), as to what is being provided to each of these groups or segments. Unspoken expectations may be unmet, giving rise to discontent. These agreed expectations constitute the “deal” or employment proposition. Apart from the nature and delivery of the “deal”, other factors critical to the development of “healthy” psychological contracts are the level of trust existing between workers and management, and workers’ fair treatment.

Latest Research Findings and the Psychological Contract

Latest research has demonstrated the link between healthy psychological contracts and enhanced worker commitment (including lower turnover), motivation, and job satisfaction.

Latest research has demonstrated the link between “healthy” psychological contracts and enhanced worker commitment (including lower turnover), motivation, and job satisfaction. Conversely, an “unhealthy” psychological contract is hardly a foundation for organisations to develop and move forward! “Unhealthy” psychological contracts are characterised by workers’:

- unfulfilled expectations (based on stated or implied promises and understandings);
- lower levels of trust and fairness;
- lower affective commitment (emotional attachment, engagement or “fit” to the organisation);
- lower job satisfaction; and
- lower intention to stay (with resultant high turnover).

Of course, some workers will have “unhealthy” psychological contracts, but choose to remain with their employer, seeing few alternative employment opportunities. These workers are the walking wounded, who are “stuck” in their jobs: hardly a basis for the organisation to move forward!



The lack of impact of many organisational change programs and other initiatives can be explained, in part, by their failure to address the changing psychological contract.

Change Management Programs and the Psychological Contract

The lack of impact of many organisational change programs and other initiatives can be explained, in part, by their failure to address the changing psychological contract. These programs are often akin to putting a "positive icing on a negative cake"! Alignment of employment relationships must form a fundamental part of any systemic approach to organisational change. Alignment constitutes an essential precursor to enhancing the commitment, satisfaction and motivation of the workforce.

Of course some organisations have chosen to treat their workers (including those on shorter term contracts), like a "plug in - plug out" commodity. Workers are viewed as just another kind of asset - ready made and expendable! Whilst this approach may be appropriate in some business environments (e.g., seasonal or cyclical industries), it won't lead to alignment, commitment, organisational effectiveness and sustainability (i.e., retention of corporate memory).

A Sporting Club Analogy

The approach of high profile, successful sporting clubs to the management of their players, makes for some interesting comparisons with the business world. These clubs:

- have their players signed on shorter term contracts;
- allocate resources to the **holistic development** of these players (e.g., their psychological maturity, attitudes and career development following completion of their playing days);
- build a supportive and motivating environment; and
- focus on getting the maximum performance from their team and individual players on the field.

Organisations that desire to become "employers of choice" must devise strategies and innovative programs which will satisfy a spectrum of both work and personal needs, including tangible and intangible rewards. They need to develop a competitive advantage in recruiting and retaining staff. They need to develop positive psychological contracts with their employees.

Anderson and Pulich (2000)

Addressing Workers' "Deeper" Development Needs

Why Workers Need to Reinvent Themselves

Reference has been made earlier to the addressing of workers' "deeper" development needs as a key issue in creating "new deal" employment relationships.



Moving from the paternalism of the past, to a more independent status, requires a new way of thinking. This "mindshift" originates from:

- **workers' understanding and adoption of new career models** (including associated career expectations and attitudes); and
- **an ability to deal with the associated psychological pressures accompanying these changes.**

Just as organisations have been reinventing themselves in order to "survive and thrive", workers also need to undergo a similar process of reappraisal. This process involves:

- a questioning of traditional beliefs and values;
- the shift to a more internal focus;
- a reappraisal of abilities, interests and attributes;
- enhanced self-awareness and understanding; and
- a strengthening of self-identity and purpose.

However, old beliefs and patterns are deeply embedded, and can be difficult to shift, particularly at an emotional level! **Workers have not generally been given the tools to adapt to these changes, particularly in the case of more mature aged workers.** Their "deeper" development needs have not been adequately addressed.

Their [worker's] "deeper" development needs have not been adequately addressed.

How Organisations Can Assist

Organisations have a responsibility to help their workers make sense of what is happening. Implicit in this approach is an understanding of the drivers of recent workplace change, the dynamics of the contemporary workplace, and effective adaptation/coping strategies. The development of "soft skills" needs to be reinforced, including:

- self-responsibility;
- proactivity;
- perseverance;
- relationship building;
- resilience or hardiness;
- flexibility and adaptability;
- innovation;
- continuous learning; and
- self-marketing skills.

Demands of the Contemporary Workplace

Apart from the need for employment relationship alignment, there are other organisational benefits in addressing the "deeper" development needs of workers, including:



-
- the increased requirement for self-discipline and self-sufficiency with the delocalisation of work;
 - the need for self-regulation in the workplace given the prevalence of flatter structures without formal hierarchy; and
 - a required emotional display and self-management of feelings, particularly in customer service roles.

The demands of the contemporary workplace require a "new kind of worker": one who is better equipped to manage a complexity of career and workplace issues, and deal more effectively with psychological pressures (whether their origin is from inside or outside of the workplace).

Furthermore, managers must be able to:

- "manage upwards effectively" (otherwise senior management becomes isolated from the "coal face");
- manage change and transitions effectively (given the constantly changing workplace); and
- develop basic counselling skills in order to support and motivate their staff.

Thus, addressing the "deeper" development needs of the workforce (including managers), is consistent with these contemporary employment trends.

However, development is a two-way responsibility. Some workers may decline or be unable to take up the challenges of the contemporary workplace. They risk being left riding in the "white water turbulence"! Notwithstanding, the "greening" effect of this developmental emphasis, coupled with other complimentary strategic organisational initiatives (e.g., emphasis of "soft skills" in recruitment, performance appraisals), will assist in the desired transformation.



The Psychological Contract Revisited

Measuring the Psychological Contract

Thus, there is a need to successfully re-engage the hearts and minds of the workforce.

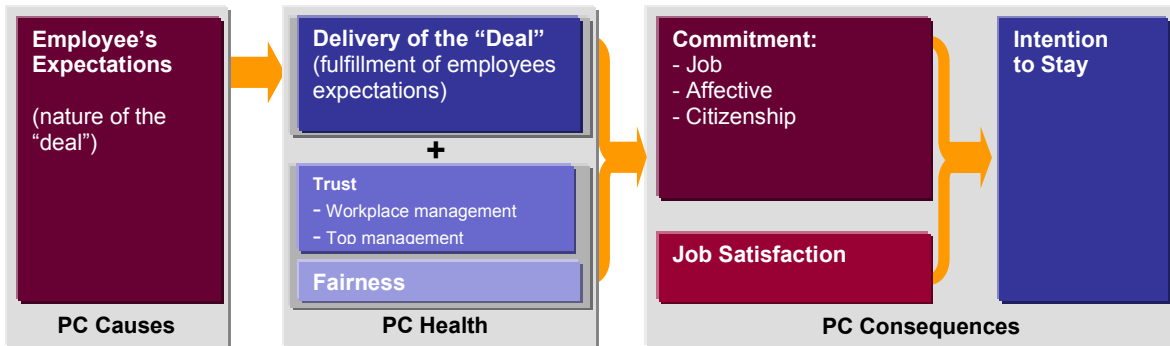
Employment relationships are rarely assessed or discussed, except perhaps at times of critical incidents (e.g., downsizing, restructuring), which is hardly a basis for rebuilding trust. The lack of reliable tools to measure and diagnose the health of these relationships has contributed to these difficulties. Both employers and workers need to be clear on their respective expectations and obligations. Implicit in the process of alignment is the need for "healthy" dialogue, trust, fairness. **Thus, there is a need to successfully re-engage the hearts and minds of the workforce.** It is precisely in this area of communicating with workers that the psychological contract is so important.



The Workplace Relationship Development Indicator (WRDI™)

To that end, a recent innovation in the HR metrics area is the development of a diagnostic survey tool, the **Workplace Relationship Development Indicator (WRDI™)**. The WRDI™ is based on a research validated model of the psychological contract, and incorporates rigorous psychometric properties.

The WRDI™ Model of the Psychological Contract (PC): Causes, “Health” and Consequences



More specifically the WRDI™ measures, from workers' perspective, the:

- nature and extent workers' expectations (i.e., the employment proposition or "deal");
- “health” of the psychological contract (includes the delivery of the "deal", plus measures of trust and fairness); and
- consequences of the psychological contract (includes job satisfaction, commitment to the job and the organisation, and intention to stay with the organisation).

The “deal” includes a mix of both tangibles and intangibles across a total of 16 items, grouped under the four (4) categories of:

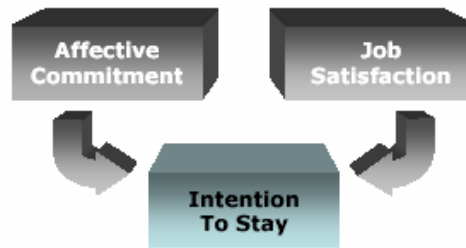
- rewards and recognition (e.g., pay based on performance);
- safety and job security;
- career development (e.g., job challenge, training, autonomy, advancement); a
- support and social aspects of the job (e.g., management support, group support, flexible work arrangements, adequate resources).

The items, together with the relationship scales of the WRDI™, capture key elements of the “new deal”.

The two most critical consequence measures of the WRDI™ are **affective commitment** (i.e., emotional attachment to the organisation), and **job satisfaction**. They are indicators of person – organisational “fit” and person - job “fit” respectively, and the two strongest predictors of intention to stay (which is the strongest predictor of retention).



The Two Strongest Predictors of Intention to Stay



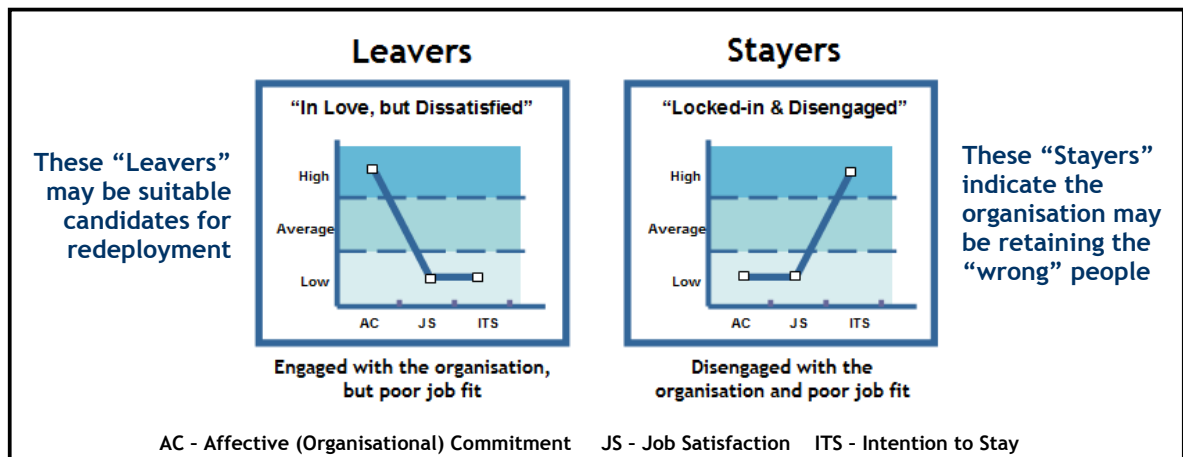
Higher alignment (i.e., workers’ affective commitment and job satisfaction), will result in:

- enhanced retention;
- higher levels of performance;
- enhanced workforce well being (i.e., less workplace stress); and
- more satisfied customers.

Hence there are both organisational and individual benefits in achieving enhanced alignment.

Diagnostic Capabilities of the WRDI™

An innovative WRDI™ typology has been developed which classifies workers according to affective commitment (or engagement), job satisfaction, and intention to stay. It may be the case that an organisation is retaining the “wrong” people – a workforce which is unengaged, dissatisfied, but unlikely to leave (i.e., the “walking wounded”).



The WRDI™ provides a cause and effect analysis, linking the “health” of psychological contracts to workers’ engagement, satisfaction and retention (refer WRDI™ model). Profiles are generated from the WRDI™ findings which “pin point” specific areas of relationship misalignment or distress, for various levels or segments of workers. Comprehensive targeted interventions (at an organisational,



workplace, and individual level), with predictable outcomes, are then available to address relationship deficits, or effect desired improvements.

What gets measured, gets managed! The WRDI™ provides a scientific basis for structuring and managing productive “new deal” employment relationships, consistent with the business strategy. As part of the group or mass surveying of organisations with the WRDI™ on-line, individual Relationship and Career (RCD) Development reports can also be generated either immediately or subsequently.

The WRDI™ therefore offers a powerful, dual approach, working at a systemic or organisational level (i.e., top down), as well as at an individual level (i.e., bottom up). The RCD report includes tailored commentary and interventions, providing workers with a new framework to think about their work life and career development. It serves as the upfront diagnostic tool in so far as assessing the career development needs of the individual. This reporting feature of the WRDI™ enhances survey participation rates and constitutes a benefit for both the organisation and the individual, consistent with the “new deal”.

Note:

1. *There are other WRDI™ reporting outputs, viz:*
 - *for groups, the Audit of Workforce Alignment (AWA) Report;*
 - *for individuals, the Post Recruitment Assessment (PRA) Report for new recruits to assess their adaptation to the job and organisation.*

2. *The WRDI Institute has also developed a number of programs based around WRDI™ reporting outputs including the:*
 - *Talent Retention Program;*
 - *Workforce Alignment and (Career) Development Program.*

In summary, the WRDI™ diagnostic data:

- sweeps aside the mystery surrounding the commitment, satisfaction and retention of employees;
- provides critical human capital measures that link productivity and profitability;
- validates people management practices, quantifies retention risk, and determines whether an organisation is retaining the “right” people (i.e., selective retention);
- identifies causes of disaffection; and
- enables decision-making on targeted interventions that deliver predictable outcomes.

Overall, the strategy must be to “fix the essence of the relationship first”, where upon many seemingly “hot” employment issues tend to dissipate. This approach, combined with addressing the “deeper” development needs of the workforce, provides an integrated basis for:



- “healthy” dialogue, where the needs, expectations and obligations of both parties can be discussed;
- agreement of realistic expectations by both parties;
- enhancement of trust and fairness; and
- monitoring of interventions and progress to facilitate relationship alignment and desired improvements.

A Way Forward?

Creating greater organisational agility, faster response times, and valuing people were identified as major issues facing HR management over the next three to five years. The people issues is expected to become even more problematic because of the decreasing numbers of skilled workers and "the changing psychological contract" whereby employees feel less loyalty in the past and a greater willingness to seek out greener pastures.

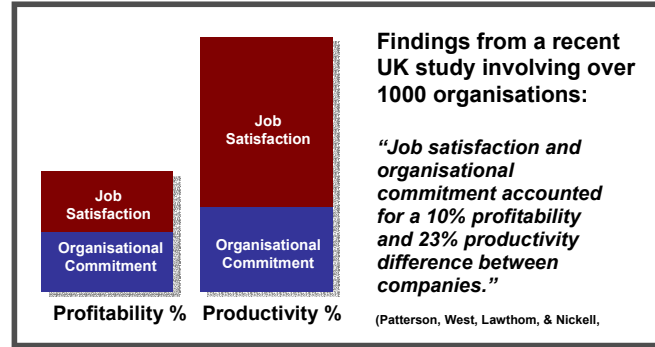
(International State of the Art / Practice Study conducted by the US-based Human Resource Planning Society, 1999)

The structuring and managing of "new deal" employment relationships provides a systemic way forward to addressing some of the key HR challenges of the new millennium. The WRDI™ underpins this approach, assisting managers to address a complexity of employment relationship issues. Different strategies will apply to the attraction, motivation, development and retention of high or core knowledge workers, compared to lower knowledge ones. However, there is a need to retain key elements of culture throughout the organisation, otherwise cohesion and integrity may be undermined

Making successful adjustments to changes in employment relations has enormous implications for employers in terms of sustaining a competitive advantage, based on the ability to access, motivate and retain a committed and skilled workforce. For example, the typical cost of voluntary turnover ranges from 0.5 to 2.5 times the annual salary of the job in question. The costs of turnover and loss of key talent in particular, can thus have a significant adverse impact on the bottom line.

A recent comprehensive U.K. study has confirmed decisively the link between good people management practices and bottom line results, with the following findings:

- the management of people had a greater effect on a business's performance than competitive strategy, quality focus, manufacturing technology and investment in R and D put together;
- job satisfaction and organisational commitment accounted for a 10% profitability and 23% productivity difference between companies; and
- "good" HRM practices (i.e., appraisals, training and development, worker involvement and team working), accounted for up to 19% of the differences in profitability and productivity between companies.



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The WRDI Institute is one of the world's leading authorities on human capital, workforce alignment and retention. The WRDI Institute provides HR measurement and solutions in the following areas:

- Human Capital Assessment;
- Retention (including key talent retention risk assessment);
- Talent Management;
- Career Development;
- Organisational Development, including Workforce Alignment and Performance Enhancement;
- Industrial / Employee Relations (EBAs); and
- Post Recruitment Assessment.

The WRDI Institute has developed a suite of white papers on the following contemporary workplace themes:

- Creating "New Deal" Employment Relationships;
- Managing Your Human Capital: The Ultimate Determinant of Organisational Performance?
- Improving the Bottom Line: A Diagnostic Approach to Enhancing Workforce Alignment Through Career Development;
- About Turnover and Retention;
- Retention Intervention: A Strategic Approach;
- The Psychology of Mergers / Acquisitions;
- Employer of Choice: Putting Substance to the Rhetoric!
- The Balanced Scorecard and the WRDI™;
- Managing Expectations: Strengthening Recruitment Practices and Enhancing Retention.

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