

The following Fact Sheets are available on line at www.aofp.ca:

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2. Employee Turnover
3. Using the Turnover Calculator
4. Fostering Employee Commitment
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How can this Fact Sheet help me?

When a company is small and starting up, it usually consists of a tightly knit group of dedicated individuals. As it grows, how do you ensure that the company continues to grow in the direction you want? Many owners respond by working longer hours and trying to rigidly control all aspects of the business. Eventually it becomes impossible to do everything yourself. This fact sheet is designed to help you manage your business by ensuring that your employees are committed to their jobs.

Challenges and Opportunities

A top-down management system requires upper management to have tight control over how work is distributed and how employees perform their jobs. When control is maintained employees do not deviate from procedures, and there are minimal variations in quality. Employees have little, if any, decision-making power. As there are few opportunities for employees to generate ideas to improve the quality or efficiency of their work, management usually solves all work-related problems.

This tightly controlled and rigid management approach results in less than optimum employee performance. Peer pressure keeps employees from exceeding minimum standards and taking initiatives to go beyond job specifications. By the same token, management must assume the role of overseer and enforcer in order to ensure minimum work standards. If management is absent, efficiency and quality may suffer.

A top-down rigidly controlled system can restrict opportunities for growth, because it is associated with higher absenteeism, lower employee commitment, less creativity and innovation, and higher turnover. Not only does it underutilize the brainpower of your workforce, it can also restrict the type of employees interested in working for your company.

What does a top-down system look like?

Employees are viewed as a variable cost to be reduced.

Management hierarchy reflects a strict order of command that cannot be readily bypassed.

Work is organized into narrowly defined and fixed jobs that can be controlled.

Bargaining with union (where applicable) focuses primarily on specific performance details and economic matters.

Line management does not take responsibility for human resources management.

An alternative approach to managing your workforce is commitment-based management strategy. This approach focuses on gaining the commitment of employees. But it too has its challenges:

- It requires a more sophisticated approach to workforce management by everyone in the organization.
- It requires investment in the development of employees and managers who both assume broader job responsibilities, often in teams.
- It takes longer to integrate people into the organization.
- Recruitment and selection may need to change to reflect broader job responsibilities and different skill sets.
- Management must share power and information and give up some control over work processes in order to empower employees to do their best.
- Reward systems may need to be changed to compensate and recognize different performance standards.

Solutions

The aim of a commitment-based management strategy is to win the hearts and minds of employees and inspire them to do their best. These strategies can help:

- Recognize that employees are a valuable resource and a source of competitive advantage.
- Commit to providing job security.
- Create a flat management structure with broader responsibilities, greater decisional discretion, and flexibility.
- Give employees broader job descriptions with direct responsibility and control over work processes. Invest in employee development and training.
- Share important information with employees (e.g., corporate vision, market share, product costs).
- Encourage employees and teams to work together.
- Use teamwork, where appropriate, and allow teams to be self-supervising and collectively responsible for a set of related tasks.
- Set high performance expectations and encourage employees to work hard to reach objectives.
- Encourage employees to contribute and take satisfaction in their work.
- Base compensation on individual performance, team success and corporate profitability.
- Encourage human resources personnel and line management to work together.
- Train and empower line management to take responsibility for how people are managed.

Case Study

Strub's Pickles has managed to successfully move from top-down to commitment-based management.

Initially, although family members recognized the need to hire professional managers, they found delegating responsibility to them to be challenging. This created considerable conflict and confusion.

This was reflected in an employee survey which found that the majority of Strub employees were highly committed to their jobs and the company, but were frustrated by the management and leadership of the organization, in particular, the lack of communication and opportunity for input and decision-making.

Changes were made: more authority was delegated to non-family managers, more information was shared with all employees, and opportunities for input were created.

For example, everyone in a supervisory/management position now gets together every three or four months to review key targets and results (sales, profits, quality, shipping shortages) and discuss possible actions. In addition, the plant manager holds meetings for all plant employees at least every month.

Most recently a new way of sharing information was put in place. Employees can sign up for lunch with two of the family members who plan to meet with up to six employees per month at a local restaurant. They will talk about the goals of the company, performance and any employee questions, concerns and ideas for improvement.

References

Walton, R.E. (1985). From control to commitment in the workplace. Harvard Business Review. 76-84.

Another Fact Sheet that may be helpful:

6. Employee Engagement

This resource is available on line at www.aofp.ca under Workforce Development.

How do I start?

In order to make the change from a top-down management strategy to a commitment based management strategy, the following key questions need to be considered:

- What are your business goals? Where do you want your business to be in five years?
- What type of workforce will you need to achieve those goals?
- Do you have the right management structure in place to support your goals?
- What changes need to be made?

Once you have answered these key questions, you will need to develop a strategy that is appropriate to your company to make the change.

Benefits of a commitment-based management strategy

- There are fewer levels of management.
- There are fewer specialized departments.
- Employees are encouraged to identify and solve problems.
- Your workforce is more flexible and broadly skilled and your organization is better able to adapt to change.
- You are less likely to experience absenteeism and turnover and more likely to rate well on employee satisfaction and safety.

ADVANTAGES OF BEST PRACTICES

- More qualified job applicants
- Better trained and informed employees
- Better health and safety practices
- More engaged and productive employees
- Fewer line interruptions
- Fewer product quality problems
- Easier implementation of new technology
- Lower absenteeism and employee turnover
- Higher sales per employee
- Higher market value to book value