From silos to synergy: HRM & ER as two sides of the same coin

Jordaan, Barney J[1] (see p.24 for biography)
barney.jordaan@vlerick.com
Vlerick Business School
Leuven
Belgium

Cillié, Gawie G[2] (corresponding author and presenter) (see p.24 for biography)
ggc@sun.ac.za
Department of Industrial Psychology
Stellenbosch University
Stellenbosch
South Africa

Introduction

The economies of emerging and developing countries have witnessed significant changes during the last two decades as a result of two contradictory pressures. First, as global markets opened up, market competition has increased, neo-liberal reforms have emerged, and privatisation has increased apace, all of which place strong downward pressures on labour standards. Increasingly, labour has become more informal and less secure, cost-cutting through outsourcing of labour has become more the norm and enforcement of labour standards has become more difficult as a result.

At the same time, however, these pressures have been somewhat mitigated by the growing adoption of international labour standards, and the role played by international bodies such as the International Labour Office with its "decent work" agenda. Multi-national corporations are also playing their part in this changing landscape: many have ruthlessly pursued agendas of cost-cutting and union bashing, often without regard to host country norms, while others have actively sought to apply best practices from their country of origin in their host countries. In the middle of all of this stands an often divided trade

[1] Professor, Vlerick Business School, Belgium (www.vlerick.com); professor extraordinaire University of Stellenbosch Business School (www.usb.ac.za)
[2] Lecturer, Department of Industrial Psychology, Stellenbosch University (www.sun.ac.za)

union movement that meets considerable resistance from employers and governments yet has to defend workers' rights and interests against a background of declining employment security and labour conditions, raising questions about their adequacy and ability to do so.

The aim of this paper is to suggest that a 'de-siloing' of HRM (Human Resource Management) and ER (Employment Relations) theory and practice could assist in helping to achieve the ostensibly competing objectives of management and organised labour in these environments. We also propose an appropriate theoretical framework for this.

An exploration of a proposed theoretical framework for greater integration of HRM and ER should start with an analysis of the objectives of the employment relationship. According to Budd,[3] those objectives are efficiency, equity, and voice - elements that he regards as imperatives in democratic and moral societies. The ideal employment relationship is one that results in the efficient production of goods or services, provides employees with equitable and fair conditions and circumstances of employment and ensures that employees have both an individual and collective voice in deciding issues of concern to them.

These objectives are often treated as mutually exclusive by management and labour. Indications are that the traditional divide between HRM and ER is a major contributor to this tension. We would submit - based on a study of both ER and HRM literature - that the elements of voice, efficiency and equity are in fact complementary: efficiency is maximised in environments where employees are treated equitably and are engaged (i.e., given

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[3] Budd, J.W. (2004). *Employment with a human face: balancing efficiency, equity and voice.* Ithaca: Cornell University Press.

"voice").[4] Yet lack of trust is a major contributor - probably *the* major contributor - to the inability of managers and workers to collaborate in achieving higher levels of participation, equity and efficiency.

In the proposed theoretical framework management style becomes a strategic choice in the development of workplace strategies that integrate high levels of investment in human resource development, ("individualism") with the nurturing of cooperative management-union relations ("collectivism'"). In this process, formalisation and trust could contribute to "good" employment relations and the achievement of the stated objectives of a pluralistic employment relationship.[5]

Using the frameworks developed by Budd and Purcell, an integrated HRM and ER theoretical framework is proposed, one which facilitates the development of more complete workplace strategies for the achievement of the objectives of the employment relationship, particularly in challenging environments.

A brief history of the origins and development of the ER/HRM divide

Definitions

Contributions to the debate about the relationship between industrial / employment relations (ER) and human resource management (HRM) have traditionally focused on the tensions between the disciplines. Employment relations is defined as the field of study

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[4] Purcell, J. (2012). "Voice and Participation in the modern workplace: challenges and prospects" pp.1-18 ACAS Future of Workplace Relations. Discussion paper series (available at www.acas.org.uk/media/pdf/g/7/ Accessed 24 January 2014. See the next section for a possible explanation for the divergence. The two fields were initially converged under the broad umbrella of industrial relations in the early 1900's but for a variety of reasons went their separate ways after the 1960's.
[5] Purcell, 1987 …

involving not only union-management relations, but all aspects of the employment relationship. HR management involves a series of integrated decisions about the employment relationship that influence the effectiveness of the organisation and its employees. These definitions reflect both the overlap and possible convergence of these two fields of study.[6]

To understand the history of the divergence it is necessary to go back to the development of the broader industrial relations field at the turn of the 20th century. Here we rely primarily on the contributions of Kaufman[7] and Kelly.[8]

From common roots to divergence

HRM and ER have common roots dating back to late 1910s and arose in universities and the business world in the USA as a progressive reform movement aimed at increasing the efficiency, justice, and humanity of the workplace.[9] Initially both fields were dealt with under the broad title of "industrial relations". Kaufman observes that this progressive heritage still provides a common ethos for people engaged in the two fields, as exemplified by the continuing effort of researchers and practitioners to craft better solutions to a host of employment-related problems. He highlights the following commonalities between the two fields:

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[6] Johnson, C.D. and King, J. (2002). "Are we properly training future HR/IR practitioners? A review of the curricula". *Human Resource Management Review* vol. 12 pp. 539–554.

[7] Kaufman, B.E. (2001). "Human resources and industrial relations: commonalities and differences" Human Resource Management Review vol. 11 pp. 339–374. Prof Kaufman is professor of economics at Georgia State University, Atlanta.

[8] In Brewster, D. (1995). *Industrial Relations and Human Resource Management*. Industrielle Beziehungen, 2(4), 395 – 413.

[9] Kaufman, B.E. (2001). "Human resources and industrial relations: commonalities and differences" *Human Resource Management Review* 11 pp. 339–374.

- both HRM and IR are concerned with the process, organisation and structure of work, as well as the relationship between employers and employees;

- both HRM and IR recognise that labour is embodied in human beings, both are thus a social science; and

- both HRM and IR are applied, multidisciplinary fields of practice.

However, despite their common heritage and being parts of a larger field dealing with the organisation, treatment and regulation of work, this intellectual confederation has largely dissolved, leaving HRM and ER as separate and competing fields.[10] Whereas ER was until the late 1960s typically defined very broadly to subsume all aspects of work and both union and non-union employment relationships, over the next four decades the term increasingly took on a much narrower meaning that equated it primarily with labour relations, i.e. the study of unions and collective bargaining; the activities/functions that go with these in the world of world; workplace democracy; and issues associated with national labour policy and various workforce/employment problems.

The HRM field, in turn, focuses on the employer's solution to employee issues; makes increased organisational effectiveness the primary goal; and examines the role management and HRM practices can play in this process. While ER also considers organisational effectiveness an important goal it emphasises, in addition, the independent importance of protecting and promoting the interests of employees. Hence, while ER views the employer as a key actor in the employment relationship, considerable attention is also

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[10] According to Swanepoel some describe IR in a more broad fashion, whilst others attempt to limit the field of study. For example, those who take a broad perspective will in all likelihood include all the relevant HRM topics under the ER field of study. To others, HRM is something irreconcilable with ER. Swanepoel, B.J. (Ed) (1999). *The Management of Employment Relations: Conceptual and Contextual Perspectives.* Durban: Butterworths.

given to workers' interests through trade unions and collective bargaining as well as society's interests through labour legislation and social security.

Kaufman summaries the key differences as follows:

- HRM and ER differ in the subject areas that are the focus of research: HRM research focusses on management related topics (e.g., recruitment and selection, compensation) while ER research focuses on the employee side of the employment relationship (e.g., wages and other terms and conditions of employment);
- HRM and ER differ in their approach of studying the world of work: HRM researchers look for the source of labour problems *inside* the organisation, whereas ER scholars look for the cause of labour problems in conditions *outside* the organisation;
- HRM and ER also differ regarding the causes and appropriate resolution of conflict between employers and employees: HRM looks to management as both the cause and the solution. ER perceives that workplace conflict reflects the clash of divergent goals and interests, but also the inevitable tension between management and employees;
- HRM and ER differ in terms of the role and relative importance of management, trade unions and government. HRM gives greater weight to the role and importance of management, whilst ER gives greater weight to the role of unions and government.
- HRM approaches emphasise individualism whereas ER also emphasises the collective dimension of workplace relations.

Numerous other differences also separate the two fields, such as HRM's ''internal'' versus ER's ''external'' approach to workplace research and problem-solving; the dominance of the behavioural/organisational sciences in HRM research versus the role of economics

and law in ER research; the emphasis given to unity of interest (HRM) versus ER's recognition of conflicts of interest in the employment relationship; and the role of power in the workplace.

Normative "blind spots"

Kaufman also points out that both HRM and IR have normative ''blind spots'' in their research agendas and problem-solving recommendations:

"By seeking to promote the employer's solution to labor problems, HR inevitably takes on the interests and perspectives of management. In doing so, HRM researchers lose a certain degree of objectivity and neutrality, leading to a number of problems such as neglect of research issues that reflect badly on management, adoption of a managerialist ideology and approach to theorizing, and advocacy of practices and policies that favor management interests over those of employees … . IR is guilty of the same sins, but in the opposite direction. IR researchers, by emphasizing the workers' and community's solutions to labor problems, become unduly critical or neglectful of management, often have a predisposition to favor 'collectivist' solutions to labor problems, and too frequently turn a blind eye to the abuses and shortcomings of unions and government.

"Because of these normative blind spots, both fields lack a sufficient sense of contingency with respect to their preferred means to resolve labor problems. For example, many HR researchers become so advocatory of strategic, 'high involvement' HRM that they lose sight it is neither appropriate for nor practiced by the majority of companies, while IR researchers similarly seem to advocate collective bargaining and union representation as a broad-brush policy without adequate consideration of the benefits and costs across different employment situations. The

mixing of normative and positive also leads to a confusing melange of descriptive, prescriptive, and conceptual analysis."[11]

In HRM, the end goal presumed in research and toward which practice and policy are aimed is, typically, achievement of maximum organisational effectiveness/efficiency, i.e. it is focused on the employer's solution to labour problems. This necessarily imparts to the field a managerial perspective: the end goal of management is to operate the business organisation in as an efficient and effective manner as possible.

ER researchers, by contrast, take as an end goal that business organisations should be run effectively and efficiently, but they also take as an end goal that the interests of employees should be protected and advanced independently of what is good for business organisations.

Kaufman concludes:[12]

> "In the final analysis, however, HR and IR are at least as much complements as substitutes in analyzing and solving workplace problems and therefore need to be seen as partners in a larger intellectual enterprise. If the name 'industrial relations' no longer works, scholars need to find another term and then rebuild cross-disciplinary dialogue and supporting institutions so the field once again can claim jurisdiction to be the study of 'all aspects of work'.''

The question therefore arises whether HRM has to equate to a non-union individualistic model of ER or can there be a form of "dualism" within the organisation where HRM

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[11] Kaufman, 363.
[12] Kaufman, 370.

coexists with ER? It is submitted below that Budd's analysis of the purpose of the employment relationship and Purcell's work on management style in ER provide a basis for this.

Budd: the objectives of a pluralistic employment relationship

Budd's analysis[13] provides a useful starting point for 'de-siloing' the theory and practice of HRM and ER. He identifies efficiency, equity, and voice as the core objectives of a pluralistic employment relationship. These objectives are moral imperatives in democratic societies, according to Budd. The ideal employment relationship is one that results in the efficient production of goods or services, provides employees with equitable and fair conditions and circumstances of employment and ensures that employees have both an individual and collective voice in deciding issues of concern to them. Virtually all tensions in the workplace involve claims for more versus less efficiency, more versus less equity, and more versus less voice.

Budd asserts that the rights and responsibilities of workers and their employers go significantly beyond typical HRM concerns relating to productivity, competitiveness, economic prosperity, the effective use of scarce resources, and the like (concerns that he groups together under the shorthand heading of "efficiency"). In particular, he states, employees are *entitled* to fair treatment ("equity") and opportunities to have input into decisions that affect their daily lives ("voice"). Equity concerns fairness in both the distribution of economic rewards (such as wages and benefits) and the administration of

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[13] Budd, J.W. (2004). *Employment with a human face: balancing efficiency, equity and voice.* Ithaca: Cornell University Press. For critique of, and support for Budd's thesis, see "Symposium on John W. Budd: Employment with a Human Face: Four Views on Efficiency, Equity, and Voice in the World of Work", Employee Responsibilities and Rights Journal, Vol. 17, No. 2, June 2005 pp. 109-199.

employment policies (such as fair treatment, non-discrimination and protection against unfair dismissal). Voice is the ability to have meaningful employee input into decisions that affect them both individually and collectively. This includes not only freedom of association and speech, but also direct and indirect participation in workplace decision-making. The ideal is to find a "balance" between the three elements.[14]

The great value of Budd's contribution is that it provides a useful framework for analysing central human resources and employment relations issues.[15] It can also be used to compare and evaluate workplace dispute resolution mechanisms.[16]

Approaches to employee voice as the key difference between HRM and ER

The elements of equity and efficiency refer to substantive outcomes for employees and management, respectively: in other words, the "what". "Voice", by contrast, is concerned with the "how": how to maximise efficiency while ensuring this is done in a manner that is equitable. "Voice" becomes the central pillar for trying to achieve a balance between efficiency and equity.

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[14] In justifying his use of the term "balance", Budd explains in his response to critique of his model: "I am not convinced that the best way to think about a balance is in terms of the equal weighting of efficiency, equity, and voice ... Rather, my vision for a balance in the employment relationship is as the search for arrangements that enhance one or more dimensions without undue sacrifices in other dimensions. "Symposium on John W. Budd: Employment with a Human Face: Four Views on Efficiency, Equity, and Voice in the World of Work", Employee Responsibilities and Rights Journal, Vol. 17, No. 2, June 2005 p. 197.

[15] Interestingly, section 1 of the LRA incorporates all of Budd's elements (and more) in its main objective, which is "to advance economic development, social justice, labour peace and the democratisation of the workplace".Sec.2 of the BCEA encompasses two of the elements, i.e. efficiency and equity: "The purpose of this Act is to advance economic development and social justice…" That these objectives are not being achieved is quite apparent to any student of the SA labour relations scene. See, e.g. Jordaan, B. (2014). "Employment relations in emerging markets" in Van Eeden, D. (ed) *The Role of the CHRO in Emerging Markets.* Johannesburg: Knowledge Resources pp. 227-235.

[16] See Budd, W.J. and Colvin, J.S. (2008). "Improved Metrics for Workplace Dispute Resolution Procedures: Efficiency, Equity, and Voice" Industrial Relations, Vol. 47, No.3 July pp. 460-479.

While ER and HRM both acknowledge the need for equity and efficiency in the workplace, a key difference arises in relation to the "how". HRM assumes that through enlightened management and alignment of objectives the end goal of maximum organisational effectiveness/efficiency will serve the interests of all parties to the employment relationship. This makes separate and independent consideration of employee goals largely redundant: what's good for the business is good for the employees. As Kaufman notes:

> "Typically, modern-day HR researchers assume that the bulk of employers will be led over the long run to promote the interests of employees and work toward accomplishment of fundamental human values for two reasons: managers recognize (or come to recognize) that doing so leads to greater organizational effectiveness, and because managers are ethical people and subscribe to the basic ethical principles outlined earlier. In this schema, meeting employee interests and human values is accomplished indirectly (or instrumentally) through good management. … "[17]

ER researchers, on the other hand, believe that managers, no matter how ethical or professional, will in many situations be led by the goal of organisational effectiveness and survival to implement HRM practices that are inimical to employees, human values, and the social interest:

> "The reason, they believe, is that competitive market forces and various kinds of market failures (e.g., externalities, public goods, principal–agent problems, employer domination of labor markets) provide firms both the pressure and the ability to treat workers in ways that are variously exploitative, callous, or unfair — in the process harming organizational effectiveness and economic efficiency. Given that employee interests and human values are independent end goals in IR, and the view that employers cannot always be counted on to promote and protect

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[17] Kaufman, 365.

these goals, IR researchers are inevitably led to the conclusion that collective bargaining and government legislation are not only necessary supplements to and constraints on the practice of HRM but, on net and if not overdone, have a positive impact on the overall economy and business sector."[18]

Purcell uses different terminology to make the same point as Budd, i.e. that "voice" is a necessary condition for ensuring both employee well-being and organisational effectiveness. The central concern for both ER and HRM should be how to achieve higher levels of employee "engagement". For Purcell, equity and voice ("engagement") are aspects of workplace justice. Engagement is an aspect of "procedural justice":

"[W]e are able to distinguish four types of justice: distributive, procedural, interactional and informational. Distributive justice is the perceived fairness of the outcome of a decision, like the distribution of performance related pay. Procedural justice concerns the way in the decision came to be taken, the information collected, the openness of the process and the extent to which people's views were taken into account. … Increasingly procedural justice is linked to interactional justice, the interpersonal quality of the interaction between the employee and the immediate manager, or higher level manager, and with fellow team members. Thus, procedural justice judgements play a major role in shaping people's reactions to their personal experience, in particular about being treated with respect. Informational justice perceptions are shaped through accounts and explanations provided by organisational authorities about reasons as to why certain procedures were chosen and why certain outcomes were distributed in a certain way.[19]

Procedural justice is central to the generation of trust. Increasingly, procedural justice is also linked to "interactional" justice, the quality of the interaction between the employee

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[18] Kaufman, 365.
[19] Purcell, J. (2012). ACAS Future of Workplace Relations. Discussion paper series. availablehttp://www.acas.org.uk/media/pdf/g/7/Voice_and_Participation_in_the_Modern_Workplace_challenges_and_prospects.pdf Accessed 24 January 2914.

and the immediate manager or higher level manager, and with fellow team members. Procedural justice judgements play a major role in shaping people's reactions to their personal experience, in particular about being treated with respect. "Informational" justice can be especially important in positively influencing employees' attitudes and behaviour in change initiatives:

> "It flows through to procedural and interactional justice since 'accounts and explanations' are provided by middle and lower level managers who will also be involved in taking action at the local level, for example in a corporate restructuring exercise."[20]

The benefits of engagement: ensuing equity and driving efficiency

Voice is a central requirement for achieving equity. Equity is created not just by consistent, bias-free, and ethical procedures, but by allowing employees to express an opinion in relation to management actions and decisions that might affect them. Interestingly, research shows that even if employees think their opinions will not influence a decision, the mere fact that their opinions were asked is enough for perceptions of fairness to grow and persist, and for ensuring greater commitment to management decisions.[21] This is because giving voice to employees ensures that decision-making, especially in employment and job related matters, is explained and understood with an opportunity to contribute, and is seen to be fair. This strongly shapes people's reactions to their personal experience and those of their colleagues.[22]

Voice is also key to promoting efficiency. Purcell puts it as follows:

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[20] Purcell (2012), 9.

[21] Kim, W. C., & Mauborgne, R. Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.

[22] J. Purcell. "Time to focus on employee voice as a prime antecedent of engagement: Rediscovering the black box." http://www.engageforsuccess.org/wp-content/uploads/2014/03/John-Purcell.pdf Accessed 23 January 2104.

"The point here is that when embedded voice practices on the shop floor, led by front-line managers, co-exist with top level consultative committees, run by senior managers, the effect on employee engagement and commitment is greater than each by themselves. What is more, I do not know of other initiatives with the same positive outcomes. Employee voice really is important for organisational climate and engagement.

"Employee engagement is worth pursuing, not as an end in itself, but as a means of improving working lives and company performance. The evidence of positive business outcomes is as strong as you can get it, even if it is never conclusive. And employee engagement is a classic win-win initiative since it is associated, when done properly, with better employee well being as well as wealth creation. It puts employees at the heart of the enterprise since it is they who judge their managers for their fairness, trust and acting with justice and who, in return, work better in their job, cooperate in innovation and change, and support the organisation which employs them. As such, if we ever doubted it, it returns employment relations to its proper place in business."[23]

The benefits, therefore, include improved employee trust in management; greater satisfaction with work and the job; improved levels of performance, efficiency and commitment as well as a sense of achievement from work.[24]

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[23] Purcell, J. and Georgiadis, K. (2007) 'Why should employers bother with worker voice?' in Freeman, R.; Boxall, P. and Haynes, P. (eds) *What Workers Say: Employee Voice in the Anglo- American Workplace.* Ithaca, NY: ILR press, pp. 181-197. See also Purcell, J. "The limits and possibilities of employee engagement", Warwick Papers in Industrial Relations 96. Available at http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/wpir/wpir_96.pdf Accessed 24 January 2015.

[24] Kim, W. C., & Mauborgne, R.   Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.

The dividing line between HRM and IR

The central theme of the preceding section is that while HRM and ER both acknowledge the need for equity, efficiency and voice ("engagement"), the dividng line seems to lie in the conditions for engagement and the locus of control over it. For those concerned with ER, the more extensive the range of opportunities for engagement with employees and their elected representatives, the better. For those concerned with HRM, however, leaving control - or too much of it - over engagement in the hands of employees and trade unions can be perceived as a challenge to management unilateralism.

In many cases engagement is driven by the organisation in typical HRM fashion, i.e. top-down. This is often also accompanied by an obsession with outcomes, ignoring the inherent value of engagement.[25]

The key driver of engagement is a sense of being valued and involved.[26] Yet lack of trust is the main barrier to its potential success.[27] In what follows we explore the policy choices managers have when it comes to integrating HRM and ER concerns. We then look at the influence of formalisation and trust in developing a workplace relations policy that gives effect to the three objectives of the employment relationship in a manner that harmonises HRM and ER concerns.

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[25] Purcell, J. (2012). "The limits and possibilities of employee engagement", Warwick Papers in Industrial Relations 96 p. 9.
[26] Kim, W. C., & Mauborgne, R.   Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.
[27] Purcell (2012) p. 10.

Purcell - management styles in employment relations

The reality of the world of work is that most employment relationships represent a mix of HRM and ER assumptions. In the final analysis, if the centrality of the employment relationship to both HRM and ER is accepted, the two disciplines are at least as much complements as substitutes in analysing and solving workplace problems and therefore need to be seen as partners in a larger intellectual enterprise. The focus should therefore shift towards a HRM <u>and</u> ER world of work.

In a seminal article published in 1987,[28] John Purcell provided an alternative to Fox's[29] categorisation of management approaches to employment relations as being either unitary or pluralist. Purcell identified what he calls different management "styles"[30] that vary depending on how an organisation emphasises "individualism" or "collectivism". The former refers to the extent to which HRM policies are focused on the rights, development and capabilities of individual employees. "Collectivism" refers to the extent to which management policy is directed towards inhibiting or encouraging the development of collective representation by employees and allowing them a collective voice in management decision-making. Management has a choice in the development of workplace strategies that integrate high levels of investment in human resource development ("individualism") with the nurturing of co-operative management-union relationships ("collectivism").

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[28] Purcell, J. (1987). "Mapping management styles in employee relations". Journal of Management Studies, 24(5), pp. 533 – 548.

[29] Fox, J. (1974). *Beyond contract.* London: Faber. Purcell's critique was that Fox's categories were mutually exclusive as both unitarism and pluralism allow for a variety of variations.

[30] Style refers to a "distinctive set of guiding principles which set parameters to and signposts for management action in the way employees are treated and particular events handled" (p. 535). It is akin to business policy and its strategic derivatives.

In the figure below, "individualism" represents different approaches to HRM ranging from one that sees the employee as little more than a factor of production, to paternalism to the adoption of a highly sophisticated HRM strategy. "Collectivism" "refers to the existence of democratic structures for employee representation and the degree of legitimacy given to the collective. The scale ranges from complete antagonism towards trade unions (characterised by anti-union strategies) to varying degrees of acceptance of, and integration of collective structures into decision-making.

I N D I V I D U A L I S M		NONE	ADVERSARIAL	CO-OPERATIVE
	EMPLOYEE DEVELOPMENT	Sophisticated human relations		Sophisticated consultative
	PATERNALISM	Paternalist	Bargained constitutional	Modern paternalist
	FACTOR OF PRODUCTION	Traditional		

COLLECTIVISM

Figure 1: J. Purcell[31]

The combination of individualism and collectivism delivers a range of approaches or styles or policy choices. Important for our purposes are the fact that the two policy strands are not mutually exclusive, i.e., a high level of individualism does not necessarily imply an antagonistic approach to the collective.[31]

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[31] At pp. 540-1, 547.

A. Variants of individualism (the HRM perspective)

Approaches to the individual employment relationship between organisations vary, depending on a variety of factors, including type of product produced, the product market, skills levels and the use or absence of technology:[32]

a. Traditional approach: The employee is viewed as a commodity (a "factor of production"; "just a number") with little regard to such things as job security, training or develpment. Managers exercise overt control through disciplinary measures. The priority is not people, but profit.

b. Paternalism: the emphasis is on benevolence towards, and caring for employees. A caring welfare image is projected, which emphasises the employee's place in the company. There is an emphasis on loyalty and downward communication. Fixed grade structures and average pay are common, with little internal mobility or promotion across grades. Stability, order and hierarchy are the desired state, with everyone subservient. Conflict is seen as a failure of communication and a union avoidance strategy is pursued.

c. High individualism: there is a high level of investment in the employee as a "resource"; "talent" management, training and development are also high on the agenda. Employee engagement (at the individual level) is also emphasised. Employees (excluding short-term contract or sub-contract labour) are viewed as the company's most valuable "resource". Pay is often above average; internal labour market structures with promotion ladders are common, and periodic attitude surveys are conducted to get

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[32] Purcell (1987) p. 545.

employees' views. Reward structures are flexible, employee appraisal systems are linked to merit awards and an extensive system of internal grievance, disciplinary and consultative procedures exist side-by-side with extensive networks and methods of communication. The aim is to inculcate employee loyalty, commitment and hence dependency. As a by-product, these companies seek to make it unnecessary or unattractive for staff to unionise.

B. Variations of collectivism (the ER perspective)

a. Traditional (low individualism / no collectivism)

Labour is viewed as a cost or factor of production and employee subordination is assumed to be part of the "natural order" of the employment relationship. There is a fear of outside union interference: unionisation is opposed or unions are kept at arm's length. It is often accompanied by low pay and low job security.

b. Bargained constitutional (low individualism / medium to high collectivism)

This is somewhat similar to the traditional approach in terms of basic value structures, but unions are recognised and accepted as inevitable. ER policies centre around the need for stability, control and the legalistic institutionalisation of conflict. Management prerogatives are defended through highly specific collective agreements and careful attention is paid to the administration of agreements at the point of production. The importance of management control is emphasised with the aim of minimising or neutralising union constraints on both operational (line) and strategic (corporate) management, and relations

with trade unions are limited to typically antagonistic collective bargaining and restricted to terms and conditions of employment.

c. Modern Paternalist (medium individualism / high collectivism)

The emphasis is on "constructive" relationships with trade unions, with extensive information provided to union representatives and a network of collective consultative committees is often established to communicate to employee representatives the needs of the business, and to aid the management of change within the context of a caring welfare image. Typically, there are fixed grade structures based on job evaluation and with union-management review teams and appeal bodies. Pay is typically average with little internal mobility and an overall emphasis on stability, order and hierarchy, with employees subservient.

d. Sophisticated consultative (high individualism/high collectivism)

This represents the ideal state of a fully integrated HRM / ER strategy that pays equal attention to substantive outcomes (efficiency and equity) as well as procedural ones (voice and engagement). It is similar to the sophisticated human resource style, except that unions or forms of employee participation (e.g. through company councils) are recognised. An attempt is made to build "constructive" relationships with trade unions and incorporate them into the organisational fabric. Broad-ranging discussions are held with extensive information provided to the unions on a whole range of decisions and plans, including aspects of strategic management, but with the "right of last say" still resting with management. Emphasis is also placed on techniques designed to enhance individual employee commitment to the company and the need to include, e.g., share option

schemes, profit-sharing, briefing systems, joint working-parties, joint employee-management councils, and the like.

The contribution of trust and formalisation in developing an integrated HRM and ER strategy

Developing a style that integrates the HRM and IR dimensions and meets the stated objectives of a pluralistic employment relationship requires the appropriate mix of relationships (trust) and structure (formalisation).[33]

Trust

According to Purcell[34], it is trust that makes for better employee engagement. No other factor has the same power. Trust "is a risk since it requires hope for the future and expectations of others, especially leaders, that they have the ability to do the right or best thing, are guided by some principles of benevolence or well-meaning - especially in treating people with respect - have integrity and honesty, and are predicable."[35]

Rousseau, Sitkin, Burt and Camerer[36] put it thus: "Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another". Given the competitive challenges of organisational

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[33] See Kritzinger, J. & Cillié, G.G. (1994). "Trust and formalisation of the industrial relations structure with reference to Purcell's model of industrial relations patterns." Journal of Industrial Psychology, 20(4), pp. 7 - 11.

[34] Purcell, J. "The limits and possibilities of employee engagement", Warwick Papers in Industrial Relations 96.

[35] At p. 10.

[36] Rosseau, D.M.; Sitkin, S.B.; Burt, R.S. and Camerer, C. (1998). "Not so different after all: a cross discipline view of trust". Academy of Management Review, 23 (3) pp. 393-404 at 495

growth, globalisation and strategic partnerships, trust has become a critical competence inside organisations.[37]

Trust has important benefits for organisations. In particular, interpersonal trust in the workplace has been shown to have a strong and robust influence on a variety of organisational phenomena including job satisfaction, stress, organisational commitment, productivity and knowledge sharing.[38] It is also an essential factor if cooperative relations between the parties are to be built.[39] Trust leads to more cooperative negotiation behaviours and more integrative negotiation outcomes in interpersonal and intergroup negotiations.[40] It facilitates information sharing about preferences and priorities because the parties are not afraid that they may be taken advantage of. Dirks and Ferrin[41] conclude that cooperative behaviours are used under conditions of high trust only; under low trust, negotiators choose methods that put them at lower risk to reach their goals (i.e. competitive behaviour).

Formalisation

This refers to the extent to which a given relationship is governed by formalised rules and structures. Rules and procedures provide a structure to employment relations and are present, to some degree, in all organisations. Procedural rules determine *how* things are

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[37] Lewicki, R.J.; McAllister, D.J.; and Bies, R.J. (1998). "Trust and distrust: New relationship and realities". Academy of Management Review, 23 pp. 438– 458. Kim, W. C., & Mauborgne, R.   Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.: "When employees don't trust managers to make good decisions or to behave with integrity, their motivation is seriously compromised. Their distrust and its attendant lack of engagement is a huge, unrecognized problem in most organizations".

[38] Mooradian, T.; Renzl, B. and Matzler, K. (2006). "Who Trusts? Personality, Trust and Knowledge Sharing". Management Learning, 37 (4) pp. 523–540.

[39] Kranmer, R.M. (1999). "Trust and distrust in organizations: Emerging perspectives, enduring questions". Annual Review of Psychology, 50 pp. 569-598.

[40] Lewicki and others, above n. 38.

[41] Dirks, K.T. and Ferrin D.L. (2001). "The role of trust in organizational settings". Organizational Science, 12: pp. 450-467.

done, e.g. disciplinary and grievance procedures, negotiation procedures, etc.

Substantive rules determine *what* is done, e.g. terms and conditions of employment.

There can be considerable differences between organisations as to the extent of rules and

procedures governing the work environment and whether or not they are formalised.

While procedures (formalisation) are important in providing the structure within which

individuals and groups interact, the level of trust in the relationship between the parties

plays a crucial role in determining the quality of the relationship.

The juxtaposition of these two crucial employment relations dimensions reveals four
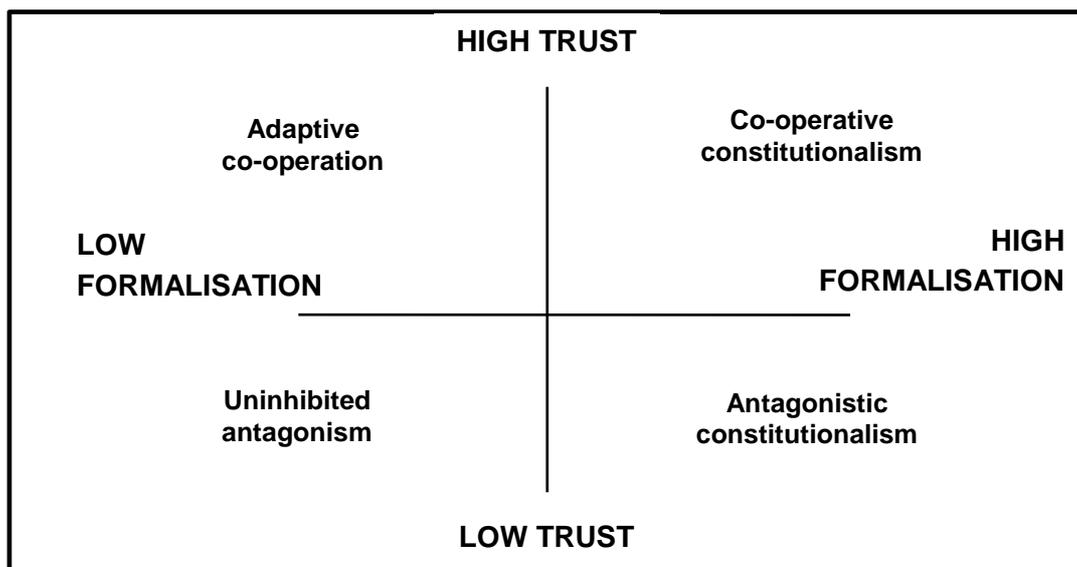
possible relationship patterns:

Figure 2: Douwes Dekker, L. (1990).

The characteristics of each relationship pattern can be described in the following terms:

Uninhibited antagonism

Management style is typically authoritarian and paternalistic. Where unions are present, there is extreme distrust with management perceiving trade unions as an unwarranted interference in management prerogatives. Union behaviour is often unpredictable and unions tend to lack internal discipline. If there is union recognition and bargaining, it is only distributive and narrow in scope.

Antagonistic constitutionalism

Management-union relations operate within a set of negotiated structures and rules. Although bargaining occurs, high levels of mutual antagonism and distrust exist and impact on the parties' ability to share information and negotiate effectively. Agreements, procedures and rights are rigidly enforced. High levels of industrial action - both lawful and otherwise - are usually present.

Adaptive co-operation

There is an environment of mutual respect and flexibility with regard to adherence to, or enforcement of agreements. Industrial action is used as a last resort. High levels of information disclosure exist, shop stewards' committees are taken into confidence by management and wide-ranging items dealt with through joint consultation. Generally, a problem-solving mode is adopted in negotiations.

Co-operative constitutionalism

There is a high degree of mutual respect between management and trade union representatives. Industrial action is seen as a last resort. Typically, shop stewards - guided by a chief steward - are involved in implementing agreements and establish strong links with supervisors. A formal negotiation forum exists with a broad agenda. Management tends to be concerned to attend to all grievances and accept the need for a strong trade union presence. Procedures are clearly defined and are extensively used by both sides. Union facilities are supported as are joint consultative committees who receive access to data and off-the-record information given, often confidential information. Bargaining is still typically distributive, but leans to integrative bargaining.

As stated earlier, the sophisticated consultative management style represents the ideal state of a fully integrated HRM / ER strategy that pays equal attention to substantive outcomes (efficiency and equity) as well as procedural ones (voice and engagement). The achievement of this depends, on the one hand, on a high degree of investment in "human capital" (see the reference above in Figure 1 to the sophisticated human resource style), and, on the other hand, the adoption of a policy of either "co-operative constitutionalism" or "adaptive co-operation" at the collective level.

What is clear from Purcell's analysis is that both of the latter approaches allow for a large degree of voice / engagement and information sharing. The question arises whether trust is needed before employee engagement or whether the latter can be used to build trust? Purcell has no doubt that giving employees voice is connected to the generation of trust:

"The question remains on how trust, fairness and justice are built. Each are essentially processes of the quality of interactions between management and employees. MacLeod and Clarke recognised this and homed in on leadership, engaging managers, employee voice and integrity.[42] I agree with them completely. *But I would give a lot more emphasis to employee voice since it is this multifaceted activity which is most obviously connected to the generation of trust, fairness, and procedural and informational justice.*

Kim and Mauborgne's[43] research confirms this:

"The psychology of fair process, or procedural justice, is quite different. Fair process builds trust and commitment, trust and commitment produce voluntary co-operation, and voluntary cooperation drives performance, leading people to go beyond the call of duty by sharing their knowledge and applying their creativity. In all the management contexts we've studied, whatever the task, we have consistently observed this dynamic at work."

'De-siloing' HRM and ER

Having established that voice / engagement is the key ingredient for creating trust at individual and collective level, several questions remain, e.g. what does voice / engagement entail; when should employee voices be heard; how should it be done; and how receptive are trade unions to higher degrees of collaboration with management?

From an HRM perspective, virtually all of the emphasis on employee voice is focused on direct communication and involvement through team briefing, workforce meetings, problem

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[42] Referring to MacLeod, D. and Clarke, N. (2009) *Engaging for Success: Enhancing Performance through Employee Engagement. A report to Government*. London: Department for Business, Innovation and Skills.
[43] Kim, W. C., & Mauborgne, R.   Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.

solving groups and, to a much lesser extent, via employee surveys. Employees get most information from their line manager and well run briefing group meetings allow for questions, discussion and some dialogue.

However, voice in Budd's terms ("procedural justice" in Purcell's) goes further than this: it also means understanding the need for decisions and why certain actions were necessary (i.e., being supplied with relevant information), being allowed an opportunity to influence decisions, and being to judge how fair they were (by being given reasons for not accepting employee ideas and inputs). If voice is given this extended meaning, whether one is concerned with individual or collective workplace relations, the line that separates HRM and ER begins to fade. Thus, whether one is concerned with a discussion with an individual employee about her performance, or with a trade union in the context of restructuring, voice means the same in both instances.[44]

When should employees "be heard"?

Legislation sometimes compels employers to engage with employees or their representatives. In the SA context, for example, the duty to apply procedural fairness is very strong when employees face possible dismissal. Similarly, if an employer wants to amend agreed terms of employment, or the terms of a collective agreement, there is a common law duty to reach consensus before changes can be effected. There is also an obligation to apply procedural fairness when making decisions about promotion. demotion,

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[44] Sections 189(2) - (6) of the SA Labour Relations Act captures the different elements (making of proposals, providing information, inviting and responding to representations) as requirements for a fair consultation process in the context of redundancies.

benefits and sanctions short of dismissal.[45] However, there is no legal compulsion to involve employees in any other decisions that might affect them or their quality of working life. While HRM might assume that the gap left empty automatically implies space for management to act unilaterally, ER practitioners would generally caution against this given the effect that unilateralism might have on relationships and labour peace.

What does voice mean in practice?

The above survey of literature suggests that trust is a key determinant of people's perceptions about the organisation, their role within it and their motivation to contribute to it. We have also established that voice is essential for the development and maintenance of trust. But what does voice mean in practice?

Kim and Mauborgne identified three mutually reinforcing principles as the "bedrock elements" of fair process:

"[W]hether we were working with senior executives or shop floor employees, the same three mutually reinforcing principles consistently emerged: engagement, explanation, and expectation clarity. Engagement means involving individuals in the decisions that affect them by asking for their input and allowing them to refute the merits of one another's ideas and assumptions. Engagement communicates management's respect for individuals and their ideas. Encouraging refutation sharpens everyone's thinking and builds collective wisdom. Engagement results in better decisions by management and greater commitment from all involved in executing those decisions.

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[45] See s 186 of the LRA: "unfair labour practices". Although the obligation to hear affected employees is not specifically mentioned in the section, the CCMA generally requires both a fair reason and a fair procedure before employees are, e.g., demoted or denied promotion or benefits.

Explanation means that everyone involved and affected should understand why final decisions are made as they are. An explanation of the thinking that underlies decisions makes people confident that managers have considered their opinions and have made those decisions impartially in the overall interests of the company. An explanation allows employees to trust managers' intentions even if their own ideas have been rejected. It also serves as a powerful feedback loop that enhances learning.

Expectation clarity requires that once a decision is made, managers state clearly the new rules of the game. Although the expectations may be demanding, employees should know up front by what standards they will be judged and the penalties for failure. What are the new targets and milestones? Who is responsible for what? To achieve fair process, it matters less what the new rules and policies are and more that they are clearly understood. When people clearly understand what is expected of them, political jockeying and favoritism are minimized and they can focus on the job at hand.

Fair process responds to a basic human need. All of us, whatever our role in a company, want to be valued as human beings and not as "personnel" or "human assets?" We want others to respect our intelligence. We want our ideas to be taken seriously. And we want to understand the rationale behind specific decisions. People are sensitive to the signals conveyed through a company's decision-making processes. Such processes can reveal a company's willingness to trust people and seek their ideas - or they can signal the opposite."

It is not the same as decision by consensus:

"Fair process does not set out to achieve harmony or to win people's support through compromises that accommodate every individual's opinions, needs, or interests. While fair

process gives every idea a chance, the merit of the ideas - and not consensus - is what drives the decision making. Nor is fair process the same as democracy in the workplace. Achieving fair process does not mean that managers forfeit their prerogative to make decisions and establish policies and procedures. Fair process pursues the best ideas whether they are put forth by one or many."[46]

Union and employer resistance

The potential benefits for management of greater employee engagement have already been referred to. As Purcell[47] puts it:

"[E]mployee engagement is a classic win-win initiative since it is associated, when done properly, with better employee well being as well as wealth creation. It puts employees at the heart of the enterprise since it is they who judge their managers for their fairness, trust and acting with justice and who, in return, work better in their job, cooperate in innovation and change, and support the organisation which employs them. As such, if we ever doubted it, it returns employment relations to its proper place in business.

But why, then, is voice / engagement / fair process such a rare thing in organisations? Kim and Mauborgne identified three reasons for this. One is a lack of understanding in organisations about what it entails, but two more fundamental reasons, beyond this simple lack of understanding are power and The first involves power and the other the belief that people are concerned only with what's best for themselves.

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[46] Kim, W. C., & Mauborgne, R.   Fair Process: Managing in the Knowledge Economy. Harvard Business Review, January 2003, pp. 127 – 136.
[47] Purcell, J. (2012). "Voice and Participation in the modern workplace: challenges and prospects." ACAS Future of Workplace Relations. Discussion paper series.
http://www.acas.org.uk/media/pdf/g/7/Voice_and_Participation_in_the_Modern_Workplace_challenges_and_prospects.pdf Accessed 24 January 2015.

"Some managers continue to believe that knowledge is power and that they retain power only by keeping what they know to themselves. Their implicit strategy is to preserve their managerial discretion by deliberately leaving the rules for success and failure vague. Other managers maintain control by keeping employees at arm's length, substituting memos and forms for direct, two-way communication, thus avoiding challenges to their ideas or authority. Such styles can reflect deeply ingrained pat- terns of behavior, and rarely are managers conscious of how they exercise power. For them, fair process would represent a threat.

The second reason is also largely unconscious because it resides in an economic assumption that most of us have grown up taking at face value: the belief that people are concerned only with what's best for themselves. But, as we have seen, there is ample evidence to show that when the process is perceived to be fair, most people will accept outcomes that are not wholly in their favor. People realize that compromises and sacrifices are necessary on the job. They accept the need for short-term personal sacrifices in order to advance the long-term interests of the corporation. Acceptance is conditional, however, hinged as it is on fair process. Fair process reaches into a dimension of human psychology that hasn't been fully explored in conventional management practice. Yet every company can tap into the voluntary cooperation of its people by building trust through fair processes."

Old style unionism, in turn, founded as it is on a tradition of adversarialism, presents a major obstacle to effective engagement and development of trust. In a study of employment relations in Spain,[48] the authors found that union support is positively related to a competitive conflict pattern towards management. They conclude that Spanish unions still have an old-fashioned philosophy about industrial relations by promoting competitive

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[48] Elgoibar, P; Munduate, L; and Euwema, M.C. (2012). "Why are Industrial Relations in Spain Competitive? Trust in Management, Union Support and Conflict Behaviour in Worker Representatives* Revista Internacional de Organizaciones, no 9, December pp. 145–168

patterns within the organisation. Our experience of trade unionism in the South African context confirms that the same is true here.

If unions are to come up to date, the authors state,

"they may need to promote innovative and more cooperative conflict patterns among [workplace representatives]." Increasing trust-based relations, they continue, will not only benefit organisations but unions too as it "will lead to sharing information and including [workplace representatives] in the decision-making process, thus balancing the power structure of organisations."[49].

Implications for management, unions and HRM / ER theorists and practitioners

We would argue that attempts by HRM practitioners and theorists to develop a high performance culture in organisations ("efficiency") could be given further impetus by developing an approach to engagement that:

- takes account of both the individual and collective aspects of workplace relations;
- cedes ownership of the process of engagement to those affected or potentially affected by management decisions, while leaving the locus of control over decisions where it falls;
- sees voice / engagement as essential for building trust and thereby raising levels of employee commitment and efficiency;
- emphasises the need for disclosure of relevant information to improve the quality of decision-making ("informational justice"); and

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[49] At p. 160.

- allows not only for employee voices to be heard but also shows - through feedback on suggestions received - that employee suggestions, ideas, inputs, concerns etc. have actually been heard. Ultimately the quality of engagement will be judged by the quality of the feedback received.

For managers, the challenge is to use Budd's objectives of a pluralistic employment relationship as benchmarks for measuring current HRM and ER practices and as a framework for developing "good" ER and HRM practices and policies. Second, giving effect to the elements of voice, efficiency and equity, would require a strategic decision about the management "style" of the organisation. As we argued above, a sophisticated consultative style applicable in both unionised and non-unionised environments represents something of an ideal state. Finally, trust and formalisation can be used to achieve these objectives towards a state of co-operative constitutionalism. This requires careful analysis of existing HRM and ER policies and procedures to determine the extent to which they support the above goals; the development of new and appropriate consultative structures, policy frameworks and - where applicable - modernised collective agreements; and investment in trust-building initiatives at all levels of the organisation.[50]

Conclusion

Synergy between HRM and ER can be achieved by focusing on the purpose of the employment relationship and searching for ways to give effect to it.

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[50] E.g., to support a more collaborative approach to management-union interaction, information disclosure and dispute resolution.

The employment relationship is the common denominator between HRM and ER. Budd's analysis of the purpose of that relationship - equity, efficiency, voice - applies equally to both disciplines. The real dividing line seems to lie in their different approaches to voice / engagement / procedural justice with HRM adopting a management-orientated perspective to it while ER is more concerned with employee perspectives on it. Purcell's analysis of management styles (Figure 1 above) provides a framework for approaching HRM and ER in a strategic manner that integrates individual and collective dimensions of the employment relationship. Trust is a key ingredient in this endeavour, with voice serving as the main driver for creating and maintaining trust.

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Bio: Barney Jordaan

Barney Jordaan holds a doctorate in law from Stellenbosch University and was admitted as an attorney of the Supreme Court of South Africa in 1982.

He holds a number of academic appointments: he is professor extraordinaire at the Graduate School of Business of Stellenbosch University (USB); teaching fellow at the Graduate School of Business of UCT; and with effect from 1 September 2014, professor in negotiation at Vlerick Business School, Belgium. His research and teaching focuses on negotiation, mediation and conflict resolution.

He is a mediator certified by the International Mediation Institute in The Hague.

Bio: Gawie Cillié

Gawie Cillié holds a master's degree in Industrial Psychology. He is a lecturer in the Department of Industrial Psychology where he teaches employment relations and legislation.

In addition he is a visiting lecturer at the Graduate School of Business of Stellenbosch University. His research and teaching focus on employment relations, trust and negotiation.

Apart from his academic involvement, Gawie is also the founder of a consulting firm, specialising in employment relations. He has consulted and trained clients in the manufacturing, building, advertising, medical, fruit packaging and public sectors.

He has been a member of ILERA (previously IIRA) since 1998.