CHAPTER 1

CONTEXT OF RESEARCH AND LITERATURE SURVEY

This is a study of the role of top management at enterprise level in industrial relations (IR). It focuses on the study of strategies and policies of top management in IR in a large nationalized bank. The study is aimed at understanding the managerial strategies in IR along with their contextual setting. The study focuses on understanding of the factors that shape the top management's strategies in IR, the way they are carried out, difficulties in implementing the strategies and the impact of managerial strategies on IR effectiveness. It is hypothesised that managerial strategies in IR are not a response to union pressure alone as is generally believed but to a component of factors at a given time.

The research is prompted by a strong conviction that historical probe into the top management's strategy in IR is essential, if we are to understand and analyse the present climate in IR in any organization. It seeks to look at management as a crucial actor in the conduct of IR and strives to show that union attitudes and initiatives of operating managers in IR are often shaped by the top management's strategies.
Relevance Of Study Of "Management" In Industrial Relations

I

The management of industrial enterprise is commonly concerned with the achievement of organizational goals such as profit, growth and return on investment through optimum utilization of scarce resources.

The reality of industrial life today makes it imperative for management to devote considerable attention to the management of IR to enable the organization to achieve its goals in an uninterrupted and peaceful manner. Malfunctioning of IR in an enterprise may manifest itself in various forms like protracted strikes, unreasonable demands and continuous challenge to managerial authority. This can seriously damage the organizational efforts for achieving the goals of the enterprise. In some cases, it may even threaten the survival of the organization.

Management of IR, while being critical to the success of an enterprise, is very complex. If an enterprise has to succeed in achieving its goals, it must ensure a congenial IR climate.

IR for far too long has been considered as a business of trade unions. Management has generally treated it at best as a problem rather than as a part of business. Hence managerial
initiatives are indeed very few in terms of strategic planning for effective IR. Winkler's (1974) analysis of directors' interest in IR brings out an attitude as being typically that of 'unconcern' and 'avoidance'. The report of the Royal Commission on Trade Unions and Employers associations (1968) has shown that much of the disorder in British IR was attributable to bad management.

The academic studies on IR assume the form of general discussions and focus on how to improve IR and productivity. Some studies analyse the existing institutions such as grievance procedure (Goyal 1959), the tripartite consultative machinery of the government (Mathur and Sheth 1969), the government's role in national level industrial relations system (Walker 1970; Flanders et al 1963; Kennedy 1966); Workers participation in management (Thorsud et al 1973, Bhatnagar 1977, Blumberg 1968) and Collective Bargaining (Walton and Mckersie 1965, Clegg 1976). Many studies in IR focus on industrial conflicts and strikes (Dayal, Srivastava and Alfred 1969, Dayal and Sharma 1971, Dastur and Mankidy 1975). There are also studies on labour management relations (Sharma 1987; Pandey 1989), role of state in IR (Ramaswamy 1984) etc.

In most of these studies, trade unions have generally dominated the researchers' attention. Various aspects of trade unionism have been studied by economists, sociologists,
psychologists, union practitioners and others. For example, research has in general focussed on the study of growth and development of trade unions (Eheth 1960, Crouch 1966, Kennedy 1966, Punekar 1948, Ramaswamy 1977), trade union leadership, workers involvement in trade union (Sheth & Jain 1968, Mamkootam 1982) nature and extent of white collar unionism (Goil 1968, Pandey 1968).

It is thus evident that although substantial research on various facets of IR has been undertaken, the study of management has generally not caught the attention of researchers.

Basically there are four types of explanation put forward for the alleged neglect of management in the study of IR. First, the phenomenon of IR crystallized only after the establishment of the trade union movement which first caught and held the attention of social scientists. Also in its early stages of growth, the field of IR generally attracted students with trade union sympathies. Secondly, there is the technical argument in which it is claimed that it is more difficult to get access to data to undertake research into management aspects. For example, Bain and Woolven (1971) argue that employers are more secretive about their affairs than trade unions. Thirdly there is the view that the neglect reflects the dominant values of society in which trade unions are seen as a problem while managers and employers are not.
Fourthly, there is the position that the neglect reflect not only the trade union sympathies of IR specialists and others but more importantly a feeling among them that to study management is to support its existence (Wood 1982).

It is apparent that much of the debate focusses on one side of IR, namely, unions at the expense of management and more significantly, largely treated the organization of labour apart from managerial initiatives. Hence management's strategy was taken as given and not treated in any detail.

II

It is now increasingly realised that management possess considerable power and influence, although in a different form from the more visible expression of trade union power. Gospel (1983) has pointed out that it is the employer who makes several strategic decisions in IR. In the first place he must decide whether or not to recognize an organization of employees, what kind of organization, at what levels, and for what purposes. Second, he must decide on the kind of machinery through which to deal with the worker representative and handle disputes. Third, the level of bargaining and the scope and form of bargaining has to be decided.

In the context of United States, Kochan et al have pointed out:
It is largely management's strategic decisions that have initiated the process of fundamental change in the IR system (1984:20).

In fact, it is now being suggested by many writers that it is the management which calls the shots in IR and trade unions are merely reactive institutions. For example, Ramaswamy has recently asserted:

Unions are essentially the reactive institutions, moulding themselves into a shape by their environment. .... employers scarcely realise the impact their policies have on the course of labour movement. They influence also unknowingly the issues the union will focus on, the method it will adopt, the leadership it will choose and even how it will structure itself. (1988 : 212)

In other words, management's personnel policies and strategies are of importance in determining the level of industrial conflict or the extent of harmony and cooperation.

Obviously the management is not completely free in shaping its strategies and is constrained by economic, legal and political factors as well as by the nature of union organization. Increasingly, however, the complexity of the
role of management in the design and maintenance of system of employment of job regulation — both at the level of organization and the economy has come to be recognized and with it there is growing appreciation that there can be no adequate analysis of IR which does not take into account the historical, institutional and market contexts in which management must act.

The study of management and managerial roles in IR appears to be catching on as a new growth area in IR research. IR researchers, especially in the UK, have lately shown considerable interest in this emerging area which was highlighted by Donovan in the late sixties but received little attention during the seventies.

**Literature Survey**

The academic study of managerial strategies in IR have generally focussed on two kinds of research studies viz. historical analysis of employers' strategies at country level and contemporary management strategies at enterprise level. In the first category, the work of Gospel and Littler (1983) is worth mentioning. These authors, in their treatise on managerial structures and strategies in IR have presented new theoretical and empirical material on the subject. Their work deals with the structure and strategies of employers in the U.K. in the late nineteenth and early twentieth centuries.
The second half of the book deals comparatively with employers' labour policies in the USA, Germany and Japan as the other leading capitalist economies. The book provides an empirical account of the developments about British employers strategies in regard to union recognition, collective bargaining and dispute procedures. It has been shown that initially there was little recognition of shop-stewards before the second world war as a part of employers' strategies to discourage union activities. Along with opposition to shop-stewards, there was also strong opposition to recognize unions of clerical, technical and supervisory employees. Detailed accounts are given about employers' strategies to counter trade union influence by means of company unions in the U.E.A., welfarism in Germany, paternalism and works committees in Japan.

Another interesting historical work is by Commons (1909) in his article on the history of American shoe makers, in which he has demonstrated the crucial role of employers in shaping the development of an IR system. He emphasised the various forms of ownership and production and stressed the extension of the market and rising competition as key environmental factors.

II

As mentioned earlier the publication of the report of the Royal Commission in Britain in 1968, led to a debate on the role of management in IR. This resulted in a variety of
perspectives on IR. A number of scholars, especially in Britain, examined the managerial strategies and policies in IR.

The first major work in this field is that of Poole and Mansfield (1980) and Poole et al. (1981) who considered the role of management in IR at great length even to the extent of proposing a model of management strategy formulation. Poole's analysis, however, fails to specify the nature and substance of strategy. For instance, while control as a management function is discussed in both volumes but it is not specified exactly why it is necessary and for what purpose it is exercised.

A comprehensive treatment of managerial role in IR is contained in the book 'Managerial Strategies and Industrial Relations' published by Social Science Research Council (Thurley and Wood 1983). The papers in this book provide a wide range of perspectives about the study of managerial strategies. They argue about the diversity of possible strategies at a given point of time on the assumption that management objectives are not fixed but open. The argument for an IR strategy in a firm is based on a need to accommodate different managerial objectives and definition of situation and hence to reconcile conflicting managerial behaviour, especially in multiplant situations.
The various papers in this book clarify the meaning of strategy (Brewster, et al., 1983) examine the external and internal constraints in the process of formulation of strategy (Marchington and Loveridge, 1983); offer a package of company IR strategy (Purcell, 1983) and review management strategy in response to unionism (Marsh and Gill, Smith 1983).

A number of papers in the second part of this book describe the context of management strategy. They identify three broad approaches to study the context of IR strategy. It is stated that strategies can be studied by understanding managerial role at macro level in the society and the beliefs that go with it. Henley points to the way in which macro level economic, political and social objectives involved in rapid development of newly independent nations place considerable constraints on employer policies in IR. He points out the closer relationship between the company policies and the state. He argues that the IR and personnel policies of firms are directly linked to the needs espoused by government to encourage multi-national enterprises to invest in the country concerned and to develop high productivity in export oriented industry.

The other approach suggests that managerial strategies in IR can be explained in relation to economic rationality. Thomson adopts this approach to compare IR strategies in the private,
the public non-market and market sectors. He has proposed broad classification showing the differences between the factors affecting decision making in the three sectors. The focus of his argument is on the different objectives of management (profit, growth in market share, public service), the tendencies to centralization in the public sector and the way in which managerial actions at lower level are constrained in these different sectors. This enables him to argue that a close relationship exists between the economic and administrative context of organizations and the type of IR structures and procedures found in those organizations.

Lastly, an organizational approach to analyse managerial action is suggested. The argument is that managerial roles are essentially organizational roles concerned with decision making, control and the implementation of decisions in specific situations. Managers are likely to come up with different IR strategies, according to the organizational context of decision making.

There are also some enterprise level studies of managerial policies in IR. For example, James Killey (1984) has through two case studies attempted to show how different strategies employed by two management faced by similar constraints produce different kinds of output in IR. This research showed that managerial strategic choice at establishment level was an important variable explaining the outcome.
In a recent study, Whitaker (1986) has examined change in the IR strategy of a company as a result of relocation of a crucial part of the company's productive operations on a "greenfield" site. The study shows that relocation to a largely rural site, coupled with the recruitment of labour from the surrounding area, offered the prospect of introducing innovations in IR practice. The key dimensions of this were: the introduction of harmonized terms and conditions of employment; the recognition of a single union; the avoidance of piecework and bonus systems; the encouragement of employee participation and involvement and the achievement of a flexible and integrated work force. Collectively they perhaps embody what Fox (1974) has termed the 'sophisticated modern' pattern of IR management.

Analysis of employer's collective bargaining strategies is also available in Purcell (1981).

A promising approach to IR strategy is contained in the concept of strategic choice. For example, Kochan, McKersie, Cappelli (1984) introduced the concept of strategic choice in IR. According to them, strategic choice is made at three levels viz. employer, labour organization and government. They argue that in recent years, the most important strategic choice in the American case has been made by management in initiating fundamental changes in the IR system. It is also pointed out by them that the effect of a decision may appear at levels other than those where the decisions were made.
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III

Scanning the IR literature relating to Indian context revealed that researchers have so far not focussed on the study of management in IR. Some material by way of case studies on strike or conflict situations is available which points out inter-relatedness of managerial strategies in IR with certain kinds of IR outcome.

Some researchers have made general comments about management's attitude in IR (Myer 1958). Kennedy (1966) in particular has commented on the traits of tender-mindedness in Indian managers that has guided the shaping of labour policy.

Sheth and Shah (1976) with the help of a case study of a commercial bank have shown that managerial strategies in IR based on a specific objective lead to effective management of a conflict ridden situations. It is argued that IR problems are much less untractable than they appear on the surface if there is willingness and ability to take clear-headed goal oriented decisions.

Dayal and Sharma (1971), while analysing the reasons of the first ever strike of supervisory staff in the State Bank of India, highlighted the centralization of rule making authority in the CE and the strategy of management in
minimising the supervisory staff association's influence in the rule making process, as a possible reason of supervisory defiance manifested through strike action.

In yet another study of a strike and a situation of industrial conflict in Andhra Bank, Dastur and Mankidy (1975) have also observed that it was the managerial strategies in not permitting a staff union to espouse the cases of officers that led to a major conflict situation.

There are other in-depth studies about IR and trade unionism where the strategies of management have also been analysed with a view to explain certain phenomena. In this category, Mankootam's study of trade unions in TISCO (1982) has shown that managerial strategies have amongst other factors, affected the development of trade unionism in TISCO. Similarly, other studies (e.g. Karnik 1978) have commented upon the hostility and opposition of employers as a strategy to discourage emergence of trade unionism.

There is at least one historical account of employers' strategies towards labour. For example, Thakur (1988), traces the development and evolution of various aspects of the personnel function like recruitment practices, welfare, fringe benefits, discipline management and grievance management system in the case of a popular business house. The study also examines the response of the employer to the
emergence of trade union. But this study does not give any account of employers' strategies in the area of IR in the context of market forces and internal pressures.

More recently, Ramaswamy (1988), while analysing recent trends in trade unionism has observed that employers' strategies have contributed to upheaval in labour movement. In commenting upon the employers' strategy, he observes that the Indian employers have begun to perceive labour as an expensive and a problematic resource and he has listed various strategies employed for reducing the cost of labour as well as problems emanating from a permanent labour force. He has listed a number of strategies adopted by employers to this effect. These strategies include a) farming out jobs to labour contractors despite the stringent statutory provisions against employment of contract labour (b) putting out system whereby certain lines of manufacture are either scaled down or even completely scrapped and the products obtained from small manufacturers; (c) tendency in the organized sector to have on their rolls different categories of employees who get paid differently and enjoy vastly different levels of security for doing the same job and (d) a tendency to expand employment in lower managerial positions at the expense of blue collar workers with the objective of de-emphasizing blue collar work by transferring the job and alongwith it the control away from manual workers. In addition to these
strategies. Ramaswamy also points out attempts on the part of employers at coaxing labour to take on higher work loads or commit to enhanced production norms.

There are other general commentaries about the role of top management in IR. In this category falls the several roles of top management in IR suggested by Bhide and Khandelwal (1986). They suggest several roles for top management in IR viz. a) policy making, b) organization design for IR, c) training in IR, d) professionalisation of personnel function, e) IR research, f) codification of personnel policy, f) improving communication system, g) installing personnel audit, h) pro-activity in IR.

Similarly, Luther (1987) has stressed the major role of management in IR. He says that "Weak management wedded to peace at all costs responds to militancy with appeasement." Luther suggests well chalked out strategies to deal with trade union militancy.

All these studies have suggested an important role of management in influencing many facets of IR which is a healthy departure from an earlier obsession with trade union's role in IR. However, as Purcell (1983: 1-15) laments, "we know that management is important in influencing many facets of industrial relations. However, very little is known about the process of management and the way managerial initiatives are formulated and carried through."
...... the dominant variable is identified but not itself examined. This is matched by an unwillingness to go beyond the work-place into the higher reaches of the management. .... Attention should turn to the modern corporation, where the corporate headquarters increasingly exercise considerable control over the strategy and structure of the enterprise.

The present research is an attempt in this relatively unexplored area of IR. The research derives inspiration from the plea for research about top management's strategy by Purcell (1981) and the seminal work done by Poole (1980); Thurley and Wood (1983) and Gospel and Littler (1983) in U.K.