Reward systems and organisation culture – an analysis drawing on three perspectives of culture

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DECLARATION

"I certify that this work has not been accepted in substance for any degree, and is not concurrently being submitted for any degree other than that of Doctor of Philosophy *being studied at the University of Greenwich. I also declare that this work is the result of my own investigations except where otherwise identified by references and that I have not plagiarised the work of others".*

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ACKNOWLEDGEMENTS

Abstract

The purpose of this research was to investigate the complex relationship between reward systems and organisation culture. Concepts and theory from organisational culture literature as well as an initial grounded theory exercise were used to develop the theoretical framework that underpins this study. To avoid potential bias towards a managerial-only agenda and to deepen the cultural analysis, Martin's (2002) three perspectives of culture were used together with methodological principles drawn from Gregory (1983), Eisenhardt (1989) and the various cultural studies of Ogbonna (Ogbonna and Harris, 2002a, Ogbonna and Wilkinson, 2003).

The research design is interpretivist and inductive and, as such, is different in approach from many reward studies, which are primarily positivist. The aim was to collect in-depth rich data. They are derived from 4 UK case study organisations, with data collected from both employees at all levels and managers. The data are analysed manually using principles of grounded theory (Charmaz, 2006) to draw out categories and to aid theory development.

Deploying broadly cultural and sociological concepts and forms of analysis to study reward systems in the four organisations, the study reveals more nuanced interpretations in comparison with reward research purely from the employer or managerial viewpoints. Analysing sub-cultural and fragmentary cultural attributes it offers a contextualised picture of the connections between concepts that are usually thought of as distinctly different– internal and external equity, fairness, transparency, procedural and distributive justice.

The results of the study indicate that the relationship between reward and culture is subtle, intricate and overlapping. They suggest reward and culture are not separate variables whose association can be measured. Rather cultural values both *fine tune* (drawing on Swidler, 1986) employee reactions to reward practices and the experience of reward practices also reciprocally influences and reinforces cultural values - but only to a certain extent. The nature of the service or product of the organisation feeds into the shaping of values in relation to reward, but feeder or

occupational cultures are more important than either the product/service or the reward system.

This thesis contributes to the reward and culture literature by applying social science cultural concepts to the analysis of reward. It also develops a fine tuning model of culture and reward. It thereby extends the sociological and cultural strand of reward research that has been underdeveloped in recent decades.

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Introduction

The research problem of this study concerns exploration of the complex relationship between reward systems and organisation culture. It focuses on the following research questions:

1. What are the cultural patterns evident in private, not-for-profit and publicly funded organisations paying particular attention to the reward system, using different cultural perspectives and a *native view paradigm* Gregory (1983:366) to achieve a deeper analysis?

2. How do reward systems influence culture and culture influence the way particular reward systems are received and perceived by employees and managers?

3. How do reward systems, and their receptiveness within organisations in relation to culture, transform over time?

4. How do cultural patterns and reward differ for different groups in the organisation – for example by occupation, seniority level, gender, and other factors- and what is the effect of such differences on both culture and reward?

Donaldson and Philby (1985) earlier identified that the pay and benefits subject area – arguably the main elements of reward - is only partly underpinned by theory. One of the incomplete areas concerns the social and cultural dimensions of reward. Reward researchers have tended to adhere to quite strict subject disciplines and this seems not to have fostered the kind of multi-disciplinary research that is needed in relation to reward to give a more complete picture.

Reward as a subject is currently most influenced by the two strongly positivist research traditions of psychology and economics. Industrial relations (itself a multi-disciplinary research area) has also been influential and has led to much emphasis on formal and institutional factors. It might be argued that if pay is centralised with little flexibility then this perspective will be important. However, when – as in Northern Europe and the UK – there is increasing local pay determination and flexible pay,

there is now a need to look in more depth at the informal organisational experience of reward systems.

As Thorpe (2000) suggested, a body of literature on what might be broadly defined as sociological analyses of reward began to build up during the 1950s to the 1980s, but this accumulation of research seems to have stalled since then. This is in spite of the widely-quoted study of Roy (1952), which had indicated the strength of the informal organisation to undermine and disrupt – even well laid - managerial reward plans.

While the development of social and cultural analyses could add significantly to the literature of reward and might also enable us more effectively to answer questions of concern to reward practitioners, there was previously very little literature on this relationship. Influential reward writers such as Heneman et al (2001) and Gerhart, 2000) refer to the potential importance of organisation culture in relation to reward and argue that this should be on the research agenda. However, in practice the number of studies has been limited.

 It is possible that the difficulty of conducting a study in this area had been a deterrent to researchers. The more positivist research traditions in psychology, economics and industrial relations might not be conducive to depth studies of culture, which tend to have very different methodological approaches rooted in anthropology. The researcher's background as a reward specialist with a first degree partly in anthropology was an advantage, but even so the study and its methodology proved extremely challenging. Frost et al (1991:373) summarise the many challenges within the academic study area of culture as firstly one of '*discovering which perspective your own thinking about organizational culture most likely resembles*'. This is seen as a form of personal journey for each researcher and this study followed a challenging path.

Not only did the few earlier studies on links between reward and culture tend to use less complex conceptual cultural models, but also the reward literature and culture literature share few common understandings. In effect reward researchers and culture

researchers seem to share few similar assumptions or methodological approaches – they might even be seen as having two distinct cultures.

This study is distinctive in that it draws on and uses concepts and theoretical perspectives from the social science literature on organisation culture to analyse reward, and adopts a different approach to methodology than has been the tradition within the reward field.

This thesis first examines the literature of reward since the researcher's interests in reward were effectively the impetus for the study. Secondly, it examines the literature on culture and draws out the theoretical concepts underpinning the study. It then seeks to make an initial synthesis using both literature and a pilot grounded theory exercise to fill in some of the gaps in the literature with the objective of developing a sufficiently detailed topic guide to use in researching reward and culture in depth within the four case study organisations. These organisations were chosen to reflect different organisational characteristics so that some generalisations could be made to build theory.

A chapter is devoted to each case study (chapters 5-8) and the analysis of the rich data collected. Cross analyses of the data and the implications are discussed in chapters 9 and 10. Chapter 10 then develops a conceptual model.

Literature review

Chapter 1: Reward – definition and development

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1.1 Introduction

The subject area of reward management is both an old and a new one in the sense that, while pay and benefits issues are not new topics of research, the encompassing of pay and benefits within a broader reward management paradigm is newer. Although its exact provenance is uncertain, it can be traced back to the 1980s, when it was used in a text by Child (1984) and then adopted by the Chartered Institute of Personnel and Development (CIPD) as a distinctive subject area within their professional education scheme. At first reward might be assumed to be associated with behaviourism, but in effect as a subject area it relies on theory from a range of academic disciplines. This chapter discusses the development of reward from theoretical and practical perspectives and begins with a set of definitions. It then charts the development of the concepts and practices of reward from the era of Taylorism and scientific management to employee engagement. It finally focuses on a discussion of the reward practice developments in the occupations and sectors in which the case study organisations are situated and the implications for the primary research which underpins this dissertation.

1.2 Definitions, scope and theoretical antecedents

This subject may be variously termed reward or compensation, depending on which the side of the Atlantic the user of the term is based. In the USA and parts of Asia the term 'compensation' tends to be used, whereas 'reward' tends to be used in the UK and increasingly in mainland Europe. The promulgation of 'reward' as a discrete subject area shows the influence of practitioners and the CIPD and has grown at a time when pay determination has become more individual in focus and associated with a stronger emphasis on individual motivation in the workplace. As well as showing the influence of its strong managerial practitioner roots, as Gomez-Mejia et al (2010) argue, it is principally founded in the academic disciplines of labour economics and psychology. Perkins and White (2008) also argue that it is rooted in industrial or employee relations because of the centrality of the effort bargain concept and the conflict of interest that this implies. Of course, employee relations as a discipline itself has multi-disciplinary roots, among them labour economics, but the influence of employee relations and researchers with backgrounds in employee

relations on the reward subject area are indeed prominent in the current reward area and add to the rich disciplinary mix. The subject specialists researching reward from their own disciplines yield studies which tend to draw solely on these respective conceptual frameworks. As a result the literature shows less evidence of the development of trans-disciplinary research, which is might be argued is needed to give a more complete picture of reward. Hence, it may be further argued that the conceptual framework is incomplete and as contended below needs strengthening, particularly with respect to the social, cultural or sociological dimensions.

Along with earlier pay and benefits research, the academic subject of reward emphasises first and foremost what the psychology literature tends to see as extrinsic tangible rewards (Perkins and White, 2008). The main academic subject disciplines of psychology and economics tend to hold assumptions about the nature of human behaviour, which has meant that reward practice has developed in a way, which assumes that rewards or money can be used to influence employee behaviour. There are debates in the literature regarding the role of reward in strategic developments, its effectiveness as a motivator, and, more recently, the contribution that reward policy and practice can make to promoting employee engagement, but there is a lack of a cohesive conceptual framework. It may be argued that this stems from the subject's reliance on labour economics and psychological theories as its principal theoretical foundations. This reasoning seems to have three main consequences for reward research.

Firstly as Donaldson and Philby (1985) earlier identified there are dangers that partial theories concerning pay and benefits leads to the ignoring of certain kinds of evidence; and that the allegiance of researchers to quite strict subject disciplines does not foster the kind of multi- or trans-disciplinary research that is needed to give a more complete picture of reward.

Secondly, encouragement has been given to managers to believe they can use reward interventions effectively to control the behavior of employees in pursuit of managerial or organisational goals. This theme of reward as an instrument of managerial control of employees, especially via the mechanisms of performance pay, pervades the literature and practice of reward as it has developed over time. As

attention has turned in recent years to employee engagement, the question that arises is the extent to which current reward policies and practice, rooted in the assumptions of past paradigms can support such a development.

Thirdly, while the prime focus of neo classical economics-based research on reward tends to be on pay rates or going rates in the labour market (as Gomez-Mejia and Balkin (1992) argue), labour market competition has many imperfections. This means that identifying a market rate or range for particular jobs is problematic for three principal reasons- firstly, jobs may be flexibly defined and are therefore difficult to compare; secondly, employees may not compare themselves with same comparators as their employers might select; and thirdly, employees may value different elements of the reward package in diverse ways. Employee sets of values[1] may not match those of their managers, in what they value in terms of reward. The totality of reward practice covers much more than market rates and performance pay – although these are particularly contentious and important aspects both in practice and the research literature. It spans intrinsic as well as extrinsic rewards (Perkins and White, 2008) and hence it may be argued that reward should be defined more broadly than the more traditional pay and benefits areas.

This thesis, focusing on reward and culture, draws on all relevant concepts but uses a wide definition of reward so as to be as comprehensive as possible in exploring the links between reward and organisational culture. This chapter looks historically at the development of reward concepts and practice, including valuable strands of theory and research, which draw on social or sociological frameworks and concepts. Such research tended to deploy social perspectives to look at the interaction between the pay systems and employees (examples such as Dalton (1948), the seminal work of Roy (1952) and Ditton (1979). These early examples of research on the relationship between structure and agency led to Thorpe (2000) suggesting that there was a growing literature in this strand. However, in practice, such research stalled in the mid-20th century and has been somewhat lost in comparison with economics or psychology or employee relations rooted research. These earlier studies tended to show there are very definite limits to how effective managerial attempts at the

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[1] *Values* are defined as individuals' preferences which link with or 'fine-tune' action (drawing on Swindler, 1986).

control of employee behavior using reward interventions can be. The influence and workings of the informal organisation (Roethlisberger and Dickson, 1964) have been shown to be instrumental in this process. The current thesis, therefore, seeks to add to this valuable strand of research and focus on the reciprocal effect social interactions and culture have on reward practices, thereby also adding to understanding on the effectiveness of reward practices.

1.3 Reward practice development from Taylorism to employee engagement

Reward philosophy and practice has evolved over time not just as a result of research and theory from different subject disciplines but also strongly influenced by the prevailing managerial assumptions and ideology of each respective era, the nature of work and the economic and social environment of the day.

1.3.1 Taylorism's influence and long reach

Driven by a search for greater efficiency and productivity in the manufacture of weapons and other industries the work of FW Taylor evolved from work of the USA military and earlier writers such as Charles Babbage (Clegg et al, 2008). The focus in the 19th and early 20th century was very much on the industrial worker for whom working conditions were poor and, as Budd (2011: x) puts it, work was viewed as a 'curse'. Work was so arduous and dangerous that workers needed some form of compensation to ameliorate their lot.

From a managerial standpoint, the search for increased efficiency and productivity from industrial processes was the objective of scientific management ideas. Taylor's scientific management principles rested on the notion that management and hence work tasks could be scientifically measured and aggregated and then task allocated so that functional specialists would undertake different tasks. He devised productivity- based pay, principally adopting piecework as a system aimed at increasing output per worker. Work measurement techniques measured the time that should be taken to perform each task and then pay was set at a standard rate. Workers that performed tasks faster than the standard rate attracted higher pay. Bowey and Thorpe (2,000) suggest that this was the dominant management system with its

underlying theory from its inception in 1895 until 1940. The underlying assumptions are that employees come to work principally to earn money and that they will work better and harder if extra pay is on offer for increased performance. Incentive pay in the form of piecework and systems related to work measurement were hence devised as the solution to the managerial problem of how workers' efforts could be controlled to increase productive output and reduce *shirking*.

While it might be suggested that Taylorism became outmoded and superseded by more sophisticated managerial practices, Braverman (1974:33) argues that it is impossible to overstate its importance in setting the basis for managerial actions. The propensity for managers to seek ways to control work and workers, he contended, reached unprecedented dimensions under scientific management regimes. But elements of Taylorism and its assumptions about the efficacy of incentive payments in controlling the work of employees and the organisation of work may be seen alive and well in the 21st century. For instance the design of work and payment systems in call centres, its narrow focus on job design, time management and incentive schemes echo those of factory processes under scientific management. There is evidence that piecework is linked with productivity improvements (Lazear, 1986) and piecework as a pay system also has a durability that has seen it outlive many other systems. ACAS (1990) has reported that piecework is the most long-lived pay system in the UK and still can be found in manufacturing industry. Indeed, even in the 20th century, Lincoln Electric in the USA – a company winning plaudits for its employment practices - used a piecework bonus scheme (Gerhart and Rynes, 2003). However, this company, which has higher productivity than its competitors, also has an extensive employee involvement system and a degree of transparency, which fostered trust, together with a year-end bonus based on the ideas generated by employees, quality and other performance indicators.

Two broad observations seem relevant from an examination of the legacy of Taylorism. Firstly, the examples quoted above suggest that seeking to separate design of a pay system from its context in an organisation may only result in a partial picture. Secondly, while the focus for this thesis is on reward in relation to broadly non-manual occupations, about which arguably somewhat less is known from earlier periods in comparison with manual workers, the long reach of Taylorism might be

seen more subtly. It may continue to be embedded in the assumptions which practitioners hold in relation to the design of payment systems most notably the use of pay as a mechanism to control employee effort and a belief in the efficacy of pay to deliver performance outcomes.

1.3.2 Human relations and the development of the influence of motivation theory

In many texts the hard edge of '*Economic man*' or Taylorism is contrasted with the later work of Elton Mayo (1933) and the 'Human Relations School'. Mayo's Hawthorne experiments were not actually centrally concerned with pay and reward, but with performance and productivity. They seemed to demonstrate that work was as much a social activity as a mechanistic process. The informal relationships people have at work were seen as a form of reward, as Martin (2001:187) explains:

'*The rewards that an individual gains from membership of an informal group (a group not defined by management) may be more significant and meaningful to that individual than any benefit that can be obtained from management*'

The work of Mayo led to experiments with job enrichment and job redesign as ways of tackling the problems caused by the narrow approach to job design in Taylorist styles of organisation (Payne and Keep, 2003). Neither the Hawthorne project – nor later work - entailed specific experiments with reward. It did, though, lead to the development of techniques such as job analysis (Hackman and Oldham, 1975) which in a modified form is still used in organisations as part of job evaluation.

The Human Relations School also led to the development of motivation theory, which has been a prime influence on reward thinking. Latham (2007) shows how early work, drawing on the Hawthorne studies and the developing Human Relations School, tended to assume more clear-cut and perhaps simplistic relationships than more recent work. Guest (1984) identifies six broadly defined motivation theories which have implications for reward – the 'economic man' concepts associated with Taylorism, the needs-based content theories, expectancy theory, reactance theory,

goal theory and contingency theory. The content theories of Maslow and Hertzberg are well known and indicate a less clear relationship between money and motivation than had Taylorist approaches. Both Maslow' hierarchy of needs and Herzberg' two-factor theory, which sees pay as a hygiene factor not a motivator are well known by current reward practitioners. Borrowing the term from Maslow, Latham (2007) quotes a study among professional and managerial staff, which shows that opportunities for 'self actualization' (Latham 2007:37) are the essential requirements for both job satisfaction and job performance.

Latham (2007) further emphasises the importance of goal setting, which he contends remains of prime importance in spurring the better performance of individuals. Locke and Latham (1984) had earlier developed goal theory and this has led to the practitioner use of SMART objectives within performance management systems, which may be used to give performance measures and set levels of (some forms of) performance pay. As discussed below, much effort and discussion has been devoted by practitioners to developing effective systems of performance pay and the contribution of goal theory to that discourse has been evident. However, as Gerhart and Rynes (2003) point out, much of the theorising in relation to goal setting (and other psychological theories) are based on laboratory-type experiments using quite simple 'goals' and small-scale incentives. In modern complex organisations individual employees may have competing long and short-term goals and hence their commitment to their tasks and organisation will also be important factors in goal attainment. A further problem arises, if the attainment of some goals is rewarded and others are not, employees will tend to focus their efforts on the rewarded goals (Gerhart and Rynes, 2003) thereby redistributing their efforts away from implied goals towards the measureable goals that are explicitly rewarded. Hence, goal setting theory is translated into performance and reward practice by the explicit use of SMART objectives without attention to the implied goals and the broader organisational context, it could have dysfunctional effects for the organisation.

While goal theory focused on the relationships between performance outputs and the individual's inputs - and the circumstances in which output performance might be optimised - equity theory addressed the dimension of perceived fairness and its implications for performance outcomes. Adams (1963) argued people are concerned

about relative rather than absolute rewards. In deciding how fairly rewarded they think they are. According to equity theory an individual evaluates the fairness of their own reward in comparison to others – other people or situations which the individual has experienced before or anticipates in the future. The individual then compares his or her own ratio of perceived reward outcomes (pay, benefits, working conditions) to the inputs he or she thinks they have contributed (effort, skill and capability), and compares these with those of their chosen comparator(s). The difficulty in using equity theory in assessing reward practice is complicated because individuals can choose a range of comparators and may not select the same comparators as their employers believe are relevant. Moreover, these comparisons could be either from past experiences individuals themselves have had, or those of their friends or family.

The early content theories of motivation had the value of simplicity and, as Bowey and Thorpe (2000) discuss, the reward decisions of managers have tended to be influenced by these simplistic concepts, leading to flawed reward practice. The move away from content to process motivation theory leading to the development of expectancy theory presents a more complex picture of motivation, and one which may be less easy to relate to reward in practice. Expectancy theory (Vroom, 1964) - as extended by Porter and Lawler (1968) - implies a complex web of individual and organisational relationships. Porter and Lawler may be seen to have developed Vroom's original theory to take into account contextual influences and arguably also goal theory and equity theory. Expectancy theory has fed into the work of reward practitioners with respect to the adoption of the 'line of sight' principle in performance pay or bonus scheme design (Gomez-Mejia and Balkin, 1992). However, complications arise - as Rynes et al (2004) show – in that while pay might be used as a general motivator, it is not equally important in all organisational situations or for all individuals. For example, high performers tend to expect to be well paid.

Hence, expectancy theory's value in developing reward practice is subject to three caveats. Firstly, its message that motivation force is constrained by the organisational context and relationships, might have been thought to moderate the use of performance pay schemes, except in circumstances in which the managerial and

organisational factors were favourable to the fostering of motivation. There is little evidence that reward practitioners do take the identified constraints on motivation into account in the design of performance pay schemes - the ubiquitous growth of performance pay in recent decades would suggest otherwise (see also section 1.5 below). Secondly, Gerhart and Rynes (2003) while supporting the general principles of expectancy theory as part of a theoretical framework to explain empirical findings on reward, take issue with the use of formulae within it, saying there is a lack of support for such a mathematical approach. Thirdly, as Wannus et al (1983) argue, employees may not approach expectancy rationally in the way the model suggests, but their reactions are affected by what they have become used to in relation to their experiences inside and outside the organisation. The values people hold as a result of their experience outside their employing organisations could therefore affect their motivation and be a significant factor in shaping cultural values. This is an area of research which needs further work in which social and cultural perspectives could be deployed. However, currently theoretical and conceptual models from psychology, economics and industrial relations remain predominate within the literature and do not readily foster such a development.

1.3.3 Psychology and economics –based approaches to pay and performance

If the prominence of performance pay is an indicator of the motivational assumptions on pay held by managers and their views on the value of performance pay - as shown by surveys such as CIPD (2010) - then it might be contended that 'economic man' motivational concepts are still current in management thinking. CIPD (2010) shows that linking pay progression solely to individual performance is the most common basis of progression through pay structures – more than service-based or skill–based progression; and, further, that the majority of organisations in the private sector have bonus or incentive schemes because they expect them to improve performance. This and other practitioner survey data tend to indicate that many managers quite simply believe that pay motivates. Moreover, they seem to want to apply it to all employees in one form or another. Kohn (1998) contends that such beliefs stem from a reliance on behaviourist psychology with its simplistic relationships; while Pfeffer (2001:149) suggests that it is economic assumptions that lead to such a '*myth*'. He puts it rather starkly in the following terms:

'For the myths that individual incentive pay drives creativity and productivity, and that people are primarily motivated by money, we have economic theory to blame'.

Pfeffer's view, however, tends not to be accepted by researchers, whose work stems from an economics-related discipline. Gerhart and Rynes (2003:48) explain that economists have generally considered money to be a stronger motivator than do psychologists for three reasons: it is quantifiable, people are assumed to prefer to have money and there is more evidence that people try to raise their pay than lower it. This may be because, as Beaumont and Hunter (2000:55) say, labour economics–based research on reward tends to be more theoretical than empirical and efficiency wage theory is prominent, with its underlying assumptions about performance and pay. Hence most research has concentrated on level of pay, rather than on the reward mix and is focused more on pay determination than its consequences. If we separately categorise research work that utilises agency theory as a framework for analysing executive pay, (as for example in Conyon, 2006) then it may be seen that labour economics –based research on reward also tends to yield generalisations across all employee groups rather than seeing differences based on experience or other contextual factors.

While motivation theory has been a main focus of psychology-based research, Newman and Milkovich (1990) argue it is equity and organisational justice concepts which contribute to developing reward thinking. Organisational justice theory (Greenberg, 1987, Folger and Konovsky,1989) comprises three component concepts – distributive justice, procedural justice and interactional justice. While all three have relevance in reward, it is, argue Newman and Milkovich (1990) procedural justice - relating to the fairness employees perceive of the process by which decisions on reward are made by their managers - that appears to have grown in importance in research relating to reward. However, the extent to which the debates in the peer reviewed literature have been translated into reward practice development in the UK remains debateable. Of course the importance of equitable treatment and 'felt fair' concepts have a long tradition in the UK, stemming back to the work of Jacques (1951, 1964), but these have tended in the literature to be associated with job evaluation (Armstrong and Baron, 1995) or the setting of fair differentials between different types of work rather than discussed more broadly. The primary focus of

such work tended to be on pay comparisons within organisations. As debate has focused more recently on external pay relationships and market factors in pay setting interest in internal pay relationships may have waned somewhat (except with respect to equal pay considerations). Fairness concepts though are beginning to reappear in strategic reward debates (see section 1.2.7 below) and be seen as linked more with performance than has hitherto been discussed

1.3.4 The psychological contract and i-deals

As psychological approaches to the management of employees have come to the fore in recent years a particular focus has been placed on the concept of the psychological contract. The unwritten contract describes the mutual expectations that employees and their employers hold about the employment relationship. Implicitly rooted in social exchange theory, there is some debate about how explicit the exchange needs to be. Rousseau and Ho (2000) argue, while mutual agreement may promote more positive outcomes for both employee and employer, there is evidence that the relationship can function without mutuality. This is because each party to the 'contract' focuses on and remembers the terms that reflect their respective interests. In this theoretical framework reward packages are seen as bundles of resources which are exchanged for employee work contributions. Shields' (2007) identification of three cognitive components within the psychological contract – trust, a sense of delivery on the 'deal' and 'felt fair' – brings echoes of the earlier work of Jacques (1964) – see section 2.2.3. It is also a reminder that this concept – like motivation theory – tends to be a theoretical construct which conceived as having building block components, each of which might be measured and tested in a positivist research process. (These methodological aspects are further discussed in Chapter 4).

Developing the psychological contract concept, Rousseau (2005) and Rousseau et al (2006) have extended it and introduced the notion of i-deals. These are seen as very individual exchanges which:

> '*typically manifest themselves in the quiet informal ways in which workers and employees figure out how to make work arrangements flexible enough for each other's needs.*' Rousseau (2005:3).

While the social exchange this represents can seem directly appropriate to, for example, the particular and individual circumstances relating to expatriate compensation (Tornikoski, 2011), it may be questioned if they are evident in the type of individualised contracts that underpin reward determination in the UK (see also section 2.2.5 below). Psychological contract concepts may, however, be particularly useful in analysing the effects of changes to reward practices, since even though systems may change employees may interpret the new system in the light of what they see as the pre-existing psychological contract 'terms'. The concept of i-deals may also be useful in further developing ideas about the scope of reward.

1.3.5 Industrial relations and productivity bargaining

As psychological concepts have grown in influence, encouraging a more individualistic approach to reward practice, there has been a primacy placed on the role of managers, together with a decline in collectivism and the role of employees and their representatives in shaping reward practice. The involvement of employees in reward development – which might be argued to aid positive perceptions of procedural justice – has been in decline as the influence of collective bargaining has decreased (Brown et al, 2009). Trade union membership and collective bargaining grew rapidly in the post-second world war period of the 20th century and by 1984 an estimated 70% of all employees were covered by collective bargaining over their pay (Brown et al, 2009, Lindop, 2009).

At root, according to Perkins and White (2008: 64), the logic behind collective bargaining is:

> '…*because the employment relationship is an unequal one between the buyers and sellers of labour, individual employees are stronger when able to negotiate as a group, rather than as individuals*'.

The underpinning assumption is that work is a commodity to be traded as any other for the highest price. Labour process theorists, drawing on the Marxist tradition – for example, Braverman (1974) - see this process in terms of the on-going conflict between capital and labour. In contrast Baldamus (1961) draws on the Weberian tradition to establish what he sees as an administrative system to control employees

in relation to efficiency and effort. He is critical of the Human Relations School and of researchers from the economics discipline for what he sees as the need to develop these critical concepts of efficiency and effort and hence the relation to rewards. In the work of Baldamus and the earlier seminal work of Behrend (1957, 1984) the wage-effort bargain is seen as the informal contract that employees have with employers and which is negotiated via the bargaining process.

The concept of the wage-effort bargain has been central to the development of pay and reward practice (Perkins and White, 2008), particularly during times when collective bargaining was strongly in evidence. During the 1960s and 1970s there were developments in explicit agreements linking pay to productivity (Bowey et al, 1986, Flanders, 1974). The approaches adopted varied from more extensive negotiation of working practices linked with terms and conditions to productivity pay schemes, which aimed to be self-financing (in the sense that benefits of improving efficiency and productivity were shared with the employees covered). Such schemes have declined as collective bargaining has declined, but the concept of the effort bargain remains – as a more recent study by Marsden (2004) in the British public service shows. He identifies an apparent paradox in that performance pay appears not to be an effective motivating factor in the public services (as studies relying on motivation theory have shown); and yet productivity is shown to have risen since performance pay has been used. Marsden says this can be viewed as effectively a renegotiation of the effort bargain in this sector. He does not explain or have any data on how this process has taken place; and links between effort and reward are not spelt out. Since the concept of the effort bargain was developed in an era of strong collective bargaining, it may be argued that an updated version of this concept is needed in the modern context, but that in its essence it has an analytical value.

1.3.6 The rise of individualism – how individual is individualism?

By 2006 the proportion of UK employees whose pay was collectively bargained had contracted sharply to just 40% (Brown et al, 2009, Lindop, 2009). This has been counterpointed by substantive trends to individualise employment contracts (Brown et al, 1998). In general, reward practice in the UK remains fairly standardised in spite of moves to individualise pay, introduce performance pay and developments

such as flexible benefits. Evans and Hudson (1993) suggested that what had happened in the sector they studied amounted to the development of indvidualised '*wrappings*' for standardised packages. This may seem paradoxical if it is assumed that employers' main motives were to respond to the different interests or values of employees. If, on the other hand, the main motives are to reduce costs - as Brown et al (1998) contend - and reduce the influence of collective bargaining in reward practice development then the reported trends seem more explicable. This latter research indicated an important distinction between procedural individualisation and substantive individualisation. Procedural individualisation, through the derecognition of trade unions and withdrawal from collective agreements, is reported to have been much more widespread than substantive individualisation, because most terms and conditions remained common – certainly within the same occupational group in the organisations studied.

It might be argued that psychologically-based perspectives from organisational justice theory and expectancy theory lead to more employee-centred approaches to reward. While employers might perhaps recognise that employees may value different things, there is little evidence that they have adopted reward practices that reflect this. Bowey and Thorpe (2000: 87) contend that: '*HR managers would find this a nightmare.*' Without doubt this would be very difficult to organise, potentially incurring substantial transaction costs – the costs of setting up a market (Brown et al (1998). There has been a rather slow take-up of – for example - flexible benefits schemes (Wright, 2009) possibly in response to such concerns. The latest survey data estimates (CIPD, 2012) indicate that about 24 per cent of organisations have such schemes, but definitions in different surveys vary and some include the voluntary (low or no cost to the employer) benefits schemes which use salary sacrifice arrangements to take advantage of National Insurance or tax breaks. According to another survey of employers (*Employee Benefits*, 2012) the main advantage of flexible benefits was in the tax and NI concessions that could be used, saving the employee and employer money. Although the employers responding to the *Employee Benefits* (2012) survey (2012) say that flexible benefits have a value in reinforcing a total reward view among employees, in recognising diverse employee lifestyles, as well as in promoting understanding about the various benefits provided and their costs; the main stated value has been cost saving for the employer. It is this tax

efficiency which may have been a spur to the limited growth of such schemes in the 2000s.

Of course, offering flexible benefits is just one way of employers developing a set of reward policies and practices which are more directly concerned with recognising different sets of values amongst employees and reward preferences. However, the limited progress of flexible benefits could be seen as indicative of the absence of a general tendency for organisations to offer tailored reward packages in response to different employee value sets, even when they are nominally setting employees' pay on an individual basis.

1.3.7 Sociological and socio –technical approaches

Both collective bargaining and reward set on individualised basis could more broadly be said to represent different patterns of social exchange, which Gouldner (1960) termed reciprocity and contended is an important force in social life. However, while potentially relevant to studies of reward in practice, social exchange theory, drawing on Gouldner's work has yielded few published studies. Nevertheless, in its essence it underscores concepts such as the psychological contract, equity theory and the effort bargain, adopted by subject disciplines other than sociology.

More generally in relation to sociological theory, empirically based research studies in reward are also thin on the ground. This might be because grand theory is difficult to apply to practice or because sociological approaches have given ground to psychology and economics-based studies. A body of literature built up during the 1950s to the 1980s (Thorpe, 2000) but seems to have stalled since then. The seminal work of the Tavistock Institute might be included within this category of literature. Its Social Department conducted broad-based research and consultancy work in the post-Second World war period, building on work done during the war, which had fed into inter alia the selection and training of military officers. Psychology and psychiatry as well as sociological and anthropological expertise were used in action research mode (Miller and Rose, 1988). The development of socio-technical studies which emphasised the intricacy of social relationships and their inter-relationships with technology included within them study of pay and benefits, particularly in the

famous Glacier Metal studies (Jacques, 1951). While the Glacier Metal case studies tended to be more descriptive and oriented towards solving organisational and managerial problems rather than pure social science research, they nevertheless illustrate the complexity and intricacy of reward issues in the overall context of the organisation and the pressures on workers and managers. It is this holistic view, which it may be argued provides a significant legacy for subsequent research.

During the post-Second World War period spanning into the 1960s and 1970s, (broadly defined) sociological analyses on reward indicated the influence of the informal social relationships within organisations and showed that there were limits to which pay and benefits can be deployed effectively by managers to control the behaviour of employees. Etzioni (1975) theorised three forms of control in organisations – coercive, calculative and normative. It is relatively easy to see reward practice as calculative control, with elements of coercive control implied if employees do not do what is required. Normative control is less evidently displayed in reward practice, but may be worthy of attention if the focus in organisations is shifting from managing employees to engaging them (paragraph 1.3.9).

Examples of empirical work yielding useful insights into how employees react to various forms of control exercised by managers though the pay system include Roy's (1952) participant observer study of the operation and manipulation of a factory payment system and Bowey et al's (1982) study of incentive scheme effectiveness. Such findings might be defined from an economic standpoint as, in effect, related to the disutility of work (Spencer, 2003). While employees might lack freedom over their working hours, they will retain some relative autonomy over their effort or performance levels. Prentice et al's (2007) research, drawing on the economic tradition, focuses on assessing the performance results of performance pay in the public services, showing that productivity improvements have been small in public services using performance pay, but also giving some evidence of what they term 'gaming', in which there is some attempt either to manipulate performance measures or to persuade managers not to raise performance requirements.

Accepting there were such dangers, Lupton and Gowler's (1969) work - which like the Glacier Metal studies (*op cit*) was described as socio-technical - was an attempt

to take forward what organisations might do to reduce their pay system's vulnerability to forms of gaming :

> '…*If a payment by result scheme does not meet their (employees') idea of a fair and proper bargain between effort and reward, they might well choose to adjust the bargain, by controlling, either individually or jointly with their mates, the effort or the reward…*'

Lupton and Gowler put forward 23 dimensions – some technical, some labour market, industrial dispute-related as well as other factors - to enable organisations to design pay systems which would meet the technical and social requirements of different organisations. Their work , although not updated at the practice level, led more broadly to the development of contingency theory which features in texts for reward practitioners (for example, Armstrong and Murlis, 2007), but there is - as White and Druker (2009) argue - a growing critique of it. This concept seems appealing but could, as Boxall and Purcell (2008) contend, be seen as rather simplistic. There are few specific empirical studies deploying it as a central analytical framework. Bowey et al's (1982) analyses of incentive schemes and organisational factors indicates that the drawing of generalisations on reward are indeed problematic, particularly from the point of view of giving clear pointers on reward scheme design and management. Their study suggested all kinds of payment systems succeeded and failed in different organisations. They found that effectiveness was not related so much to technical or organisational factors as to the amount of time managers spent planning their pay systems, and the degree of consultation and communications with the workforce about it.

CIPD (2012) data shows that in the UK communication on and transparency on reward issues with employees is still at a low level, yet other research in the USA and Australia (Shields et al, 2009) shows reward communication is associated with better employee engagement and with improved business results. Reward communication is yet to feature strongly in peer-reviewed research, but Neu Moren's (2008) case study-based research in Sweden indicates that it is feasible to use Giddens' structuration theory to analyse communication issues relating to performance pay. This complex theory, which has hitherto had a limited use in HRM research perhaps because it is difficult to apply, theorises the connection between

social structures and human action or agents. It has three structural dimensions – signification (common understandings and theories which make actions meaningful within a social system), legitimation (common sets of values and perceptions of what is right and wrong) and domination (relating to the exercise of power). So-called interpretative schemes forge a link connecting the three dimensions. Neu Moren's (2008) work analyses the communications and individual negotiations between managers and employees on performance pay and shows that managers are able to exercise power by using different resources and establishing norms[2] thereby using their authority position or their control over the pay decision process.

While complex the use of such theory in reward research has more potential and the current project on reward and culture may be able to add to the developing literature deploying sociological analytical frameworks. Currently, though, these remain under developed.

1.3.8 Reward as a strategic business lever

Before the 1990s, more tactical concerns of pay system and reward design tended to be paramount in the literature. During the 1990s the 'new pay' advocates (Lawler, 1990, Schuster and Zingheim, 1992) asserted that reward practices should be used as mechanisms to achieve strategic business objectives and, that other strategic reward priorities should be subordinate to that goal. While both vertical integration with business strategy and horizontal integration with other aspects of human resource strategy might be argued as ideal approach to strategic congruence (Brown, 2001), Heneman et al (2002) see this as a two-stage process. They suggest that it is more important for an organisation to align reward with business rather than HRM goals. The rationale for this is two-fold: firstly, they contend the link with business strategy is potentially more significant and, secondly, that there is little research to underpin the horizontal integration concept. There is also scope for reward research using the resource-based view (Barney (1986 and 1991), because it looks 'inside' organisations to identify aspects which lead to competitive advantage. This could

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[2] The term *norm* is defined as the formal or informal rules which are accepted by a group as governing or influencing their behaviour.

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potentially identify organisation specific approaches to reward that are not easy to replicate, as Gerhart and Rynes (2003:8) argue. Boxall and Purcell (2008) further emphasise the importance of path dependency – the building of organisation specific capabilities and learning – within the resource-based view of strategy. This view of strategy emphasises that internal resources must enable the organisation to gain competitive advantage by raising performance or reducing its performance weaknesses, without increasing transaction costs beyond the level that outweighs performance gains. Potentially - as reward is so central to the employment relationship and, if human resources are a key resource - inimitable or non-substitutable approaches to reward could yield strategic advantages. There is little research yet on reward in relation to this perspective, although Boxall and Purcell (2008), in describing the work of Leonard (1998), indicate the positive potential of distinctive reward practices to form part of the inimitable core competencies of a firm. On the negative side they also argue (p.96) that firms can have '*distinctive inadequacies*'. These concepts from the business strategy literature are applied to reward as part of the wider HR package of practices and, while the potential exists for reward to be a systematic source of value to a firm, there is as yet little specific evidence to support such a view.

Barney (1986) also questions whether organisation culture could be a source of competitive advantage. However, as discussed in Chapter 2 differing assumptions about culture mean that this is a very complex question to answer and the intricate relationship between culture and reward (Chapter 3) compounds this complexity.

In the 1980s and 1990s corporate change programmes often entailed reward strategy plans (Legge, 1994). These plans tended to use fairly generic rather than path dependent performance pay plans as a way of implanting the newly espoused values of top management, linked with a greater emphasis on market-based ways of working. In spite of the ambitions of some of these corporate transformation programmes there is little evidence available to gauge their effectiveness in achieving their objectives and little evidence that reward interventions can successfully be used by employers to achieve business strategy objectives. Ledford and Heneman (2002) suggest that the main issue is one of timing – reward should be

considered more a lagging than a leading factor, (one which could drive organisational change), but this contention also needs further testing.

Debates continue on reward strategy and the concept of a formal reward strategy remains within current literature. It is variously defined. Gomez-Mejia and Balkin (1992:35) see it as:

> '..the deliberate utilization of the pay system as an essential integrating mechanism though which the efforts of various sub units and individuals are directed toward the achievement of an organisation's strategic objectives, subject to internal and external constraints'

In contrast to this Baeten (2007:70) and his European colleagues' definition gives the concept more context and brings in the needs of employees and culture:

> 'Strategic reward management is about (how) to develop, implement and adjust a reward mix which influences the employees' behaviour, skills, and performance in order to facilitate the compliance with the organisation's objectives, in line with the organisation's culture and the employees' needs.'

Kessler (2005) questions the extent to which organisations' reward practice has actually shifted in a strategic direction, and concludes that the suggested primacy of business strategy within UK reward practice has failed to emerge. In the UK, CIPD (2007) surveys indicate a reducing proportion of UK organisations developing a formal reward strategy. However, Brown and Perkins (2007) detect a change in approach among UK organisations, which are, they argue, adopting more emergent strategies with greater acknowledgement of the differing interests of employees. They suggest employers are placing more emphasis on communication, in place of the more top-down planning approaches previously evident. More broadly, Kessler (2007) challenges the argument that factors such as the internal equity and fairness of process must be secondary to business strategy as guiding principles in setting pay and reward. Based on procedural fairness arguments, his work suggests that if organisation pay attention to transparency and fairness in determining reward it can feed through into positive employee responses, which in turn could be beneficial in terms of organisational performance. Hence, internal equity considerations and business strategy may be linked.

Survey work from the CIPD (2007) indicates that when questioned about their organisations' reward strategy goals HR specialists say both internal and external equity are of primary importance in the UK. While pay comparisons have been used in pay determination for a long time (as illustrated by the work of Brown and Sisson, 1975) there is now evidence of increased use of pay surveys and attention to external equity or the pay market; and the use of job family pay structures which facilitate a more market-based approach (Kessler, 2005). There is also – particularly in the public sector – strong emphasis on internal equity, probably linked to equal pay concerns. The respective importance of internal and external equity varies by industrial sector, raising questions about the importance of the sector in setting reward policies.

1.3.8.1 Sectoral trends

There are different reward trends within the sectors represented in the current study. CIPD annual reward management surveys provide some insight into the reward priorities from the perspective of HR specialists in different sectors. Table 1.1 shows what HR specialists say are their most important reward strategy goals (although, it must be noted, most organisations also say they do not have a formal reward strategy). While some of these goals are overlapping ,it seems that external equity or salary market competitiveness are significant factors in all sectors, although as the voluntary sector (the sector of the second case study in this current study) demonstrates some moves towards reward practice that mirrors more private sector values, IDS (2008, 2003). A growth of employment in that sector, especially within social care and housing activities, has led to an increase in commercial contracting than has, in turn, resulted in increasing commercialisation. IDS (2001:18) says this trend has been accompanied by increases in pay differentials and focus on market pay within voluntary sector organisations commenting that: '*the increasing role of the voluntary sector in the outsourcing market is paradoxically undermining the paternalism that exists in some charities'*. These commercial pressures accompanied by a trend to more 'professional' management seem to be leading to the adoption of more 'calculative reward' policies such as performance pay (Parry and Kelliher, 2009:11) although IDS data (2008) suggest that voluntary sector managers are less

likely to have bonus schemes that are commonplace in industrial and commercial firms. Although the emphasis on tangible rewards in the voluntary sector is seen as rising, Cunningham (2010) notes the 'relational' aspects of the psychological contract have been traditionally seen as most important in a sector in which tangible rewards still tend to be comparatively low.

As Table 1.1 shows, rewarding performance is a comparatively strong feature in both private (manufacturing) and public sectors. Pendleton et al (2009) - using data from the *Workplace Employee Relations Survey* - show that there was a significant rise in the use of 'contingent pay' between 1999 and 2004, associated with stronger product market competition. Within private sector manufacturing there was a particularly strong increase in 'collective payment by results' schemes rather than in individual performance pay. Trying to make performance pay work in practice has been a key issue in the public sector. The Makinson (2000) review recommended that performance should be one element in an overall approach to reward, which recognises the importance of other forms of recognition. However, the various attempts to follow what seems to accord with "good practice" pay design principles, as Kessler et al's (2006) study of public sector employee reactions to pay system changes shows, might be met with 'outright hostility', even though it seems that management aimed to follow what they saw as good practice. This indicates some deeper (and perhaps less soluble) issues about cultural fit of performance pay in the public sector, earlier raised by Brown (2001).

Table 1.1: Reward strategy goals by sector: 2007, CIPD data

Reward goals	Manufacturing	Voluntary	Public sector
Support business goals	75%	87%	67%
Achieve/maintain market competitiveness	67%	47%	56%
Manage pay costs	42%	47%	52%
Link pay to the market	47%	60%	26%
Recruit/retain high performers	58%	60%	48%
Reward high performers	61%	47%	56%
Ensure internal equality	50%	47%	59%
Support career development	53%	60%	41%

Some writers see strong sector effects influencing reward priorities. Arrowsmith and Sisson's (1999) study in four sectors: printing, engineering, retail and health found a strong sector effect, with employers tending to move, they say, like ships in a convoy. They argue that this apparent convergence (or lack of divergence) is associated firstly with the influence of product markets and technology; secondly that employers sought a legitimacy for their decisions, following accepted 'best practice' in similar firms, in a context of growing uncertainty; and thirdly they tended to converge their policies and practices because they shared reward information sources and networks.

More broadly, Di Maggio and Powell's (1991) analysis develops the concepts of institutional theory and questions why organisations are so similar or exhibit isomorphic tendencies. Of the three mechanisms of isomorphic change they identify – coercive, mimetic and normative – it is mimetic isomorphism, as Trevor (2009) contends, that is most evident in relation to reward practice. The extensive use of pay benchmarking, the sharing of practice by remuneration consultants and – as Arrowsmith and Sisson (1999) show – the sharing of pay information via networks within sectors - has a tendency to increase the similarity of reward practices. However, the degree to which the same practices fit with potentially different cultural experiences and values within organisations could mean that nominally similar reward practices are experienced in very different ways in organisations, even within the same sector. This aspect is covered rather lightly in current literature, although some research indicates this is potentially important – as for example in the work of Kessler and Purcell, 1992. Published work on values and reward is discussed in Chapter 3, section 3.3.3).

Cutting across sector boundaries and taking a differing perspective on reward and business strategies, Gomez-Mejia and Balkin (1992) explore the variety of practice in different (US) companies and identify two distinct patterns of strategic reward – algorithmic and experiential. These differences in patterns of reward policy and practice are not segmented so much by sector, but by occupation and organisational lifecycle or maturity. Algorithmic strategies are more bureaucratic in nature with a reliance on internal equity, pay on the basis of seniority with minimal variable pay. In contrast experiential strategy focuses on competencies and skills more than on job

evaluation, and more on pay for performance than service- based pay. Overall experiential strategies are more focused on external equity (market rates) than on internal equity (job evaluation). The authors give some survey data to support their conceptual framework and some examples of different pay practices under each category. They do not suggest that all firms in a particular sector should or do adopt the same strategy. Far from it - for example, they quote the example of a high technology firm using an experiential strategy in relation to its R&D staff and an algorithmic approach for manufacturing employees. This might suggest a more path dependent than a generic approach to reward design.

Most reward strategy literature is written from the perspective of the employers and the strategic framework they work within. There is little research exploring the employee perspective, or using cultural analysis. Moreover if the definition of reward strategy is widened to mention culture - as indicated in Baeten's (2007) formulation (see above) - then this thesis could usefully add to the work in this evolving field.

1.3.9 Employee engagement and reward

In recent years there has been a growing focus in the HR literature on employee engagement. There are, argues Purcell (2010:1), good grounds for suggesting that this focus is not '… just another '*flash in the pan*' or '…*management fad*'. A study by Robinson et al (2004) explored what constituted employee engagement and paints a picture of the 'engaged' employee:

• They are positive about the job.

• They believe in, and identify with, the organisation.

• They work actively to make things better.

• They treat others with respect and help colleagues to perform more effectively.

• They can be relied on, and go beyond the requirements of the job.

• They see the bigger picture, even sometimes at personal cost.

• They keep up to date with developments in their field.

Engaged employees - it is contended- look for, and are given, opportunities to improve organisational performance and are good occupational citizens. However, the theoretical foundation of employee engagement as a concept is less clear with its strong rooting in the psychology literature on employee commitment. But as it is described it seems to be broader than commitment. It could also take in, as Purcell (2010) seems to suggest, high performance working and the concept of discretionary effort. There are therefore links to Purcell and Hutchinson's (2007) work on the pivotal role of front line managers in promoting improved performance of their staff. There is no clear identification of what, if any, is the role of reward in promotion or fostering engagement. Robinson et al's (2004) research suggests that pay is important to employees, but that improvements in pay are rarely at the top of their 'wish list'. However, the capacity of reward to add to the negative when the employee perceives that something about their pay is wrong may have an impact and contribute to 'disengagement'. This might suggest both support for Hertzberg's (1968) concept of pay as a 'hygiene factor', rather than as a direct motivator, and further indication of the role of procedural justice. However, engagement is a different set of concepts to that of motivation – even though it is ill-defined and there is no general agreement on how and what should be measured.

There is evidence of organisations using quantitative surveys, typically generated by management consultants, to measure levels of employee engagement. However, these surveys may give too narrow an interpretation (Purcell, 2010). These metrics tend to focus on the individual and while concerned with employees' relationships with and perceptions of the organisation, they tend inter alia to cover some reward questions. The methodological approach typically used - gathering basic data that can be compared across organisations - tends to decontextualise the assessments they give of levels of engagement. Crucially, it fails, as Purcell notes (p.3), to recognise that employees may have multiple loyalties:

> '…an employee…may be ambivalent toward their employer but be passionate about their job, co-workers, team leader, customer ..'

Because there is evidence (section 1.3.7 above) that social context matters, this apparent over focus on the individual and lack of evidence of how employees interact with each other within organisations seems to significantly curtail the usefulness of

standard engagement metrics. Moreover, given the subtlety of these relationships positivist research techniques may not yield a full picture of engagement.

Because of the closeness of the concepts of employee commitment and employee engagement, it is interesting to note the earlier study of Walton (1985), who explored the links between reward and employee commitment. He suggested that reward systems such as gainsharing and pay linked to skills and competencies are more suitable to gaining employee commitment than variable pay related to individual performance.

However, two decades later Reilly and Brown (2008), in trying to unpick the complexities in the relationship between engagement and reward, continue to make current reward practitioners' arguments for the use of individually-based performance pay. They also argue for the use of a total rewards perspective, but do not show clear links between total reward and engagement.

1.3.10 Recognition

From the psychological perspective recognition is an intrinsic reward that sits alongside meaningful work and achievement, and is distinct from extrinsic rewards (pay and benefits) (Latham, 2007). Perhaps because of the limited success of performance pay schemes and lower inflation, recognition schemes are developed by reward and HR practitioners. Such schemes may offer (Suff, 2004) small symbolic gifts as a recognition of good service or performance in the organisation, or they may be 'employee of the month' or similar awards.

Reward and recognition are, argue Hansen et al, fundamentally different. They suggest reward or pay for performance schemes are essentially instrumental in nature, and perceived as such by employees. They further say (p.65) that recognition is about '*honoring and noticing*' and lacks the instrumentality of cash rewards.

Recognition schemes may or may not be linked to total reward approaches, but both encourage a much wider view of reward than has been traditionally taken.

1.4 Turning to total reward

As Reilly and Brown (2008) suggest, a total rewards perspective may present a useful starting point for considering new developments such as employee engagement. The concept of 'total reward' attempts to bring some strategic coherence to the traditional distinction between extrinsic and intrinsic rewards (Worldatwork, 2007). The nature of reward is drawn widely, in this model, to encompass five separate elements - pay, benefits, work-life balance, performance review/feedback, recognition and employee/career development. In recent years, the more intangible rewards of work and employment, have seen a growth of emphasis. These intrinsic elements include recognition, work satisfaction and other aspects of the work climate, but the definition could be widened even further. While culture is not specifically included within the total reward model, if the definition of reward is drawn sufficiently widely it may also be argued to be within the mix. However, whether or not one could see reward and culture linked in this way would depend on the conceptualisation of culture adopted (see Chapter 2).

Underpinning the development of this set of concepts seems to be what Budd (2011) identifies as a trend firstly, to see work as part of people's social identity and, secondly, to perceive work not as a burden but as some form of personal fulfilment. Exactly where reward starts and finishes under such definitions becomes even less clear. Giancola (2009) shows that the items in the mix, which are most complex – related to work organisation, were removed from the WorldatWork formulation in 2006. He contends this move was a result of pressure from reward practitioners. Of course, these work organisation areas are much less likely to be within the control of reward practitioners. Moreover, they had been using the concept of total reward in a rather restricted way – to issue total reward statements to employees as a way of communicating what the organisation saw as the elements of the reward package they provided. In spite of the less than positive response to such an approach (Giancola, 2009) there could still be a value in using the TR concept as an analytical tool.

In this thesis, the main employee groups within the case study organisations are non-manual professional and technical staff. Reilly and Brown (2008:46) point to

'relational rewards' – career development, interesting tasks, work environment - being particularly important to 'knowledge workers'. It is difficult to define knowledge work and to differentiate it from other types of work, but as Newell et al (2009:15) argue, managing knowledge work effectively seems to be largely concerned with creating an *enabling context*. The part that reward plays in creating such an enabling organisational context is touched upon in a few studies. These studies point to the value that employees engaged in a range of professional and technical work attach to broader aspects of total reward. Thompson (2000) uses Gomez-Mejia and Balkin's (1992) distinction between algorithmic and experiential patterns of reward in analysing survey findings on reward strategies in UK high technology firms. His results - from the organisation's perspective – seem to indicate that the experiential reward pattern (including types of variable and cash incentive pay) tends to be more frequently found for the knowledge workers in this sector. However, intrinsic rewards especially those related to work design were most correlated with higher levels of employee innovation – mirroring the earlier findings of Walters and Cotgrove (1967). This latter study indicated links between the autonomy or freedom scientists felt they had to do their work and their performance or results. More broadly, Chen et al's (1999) study of R&D professionals indicated that intrinsic rewards were seen by survey participants as most important in terms of the link with organisational performance. These R&D staff also considered intrinsic rewards more important than some extrinsic rewards - variable pay, for example.

Rumpel and Medcof (2006) argue that using a total rewards approach offers a promising approach in planning reward packages for technical workers. However, it may be questioned whether this approach is especially suitable for technical or scientific workers. It might have more general applicability or there might be other factors influencing the findings. Indeed, Chen et al (1999) point to differences in reward preferences by demographic factors, particularly gender.

Work design issues (including patterns of work and hours and encompassing work-life balance) may be seen as central elements in the mix of total reward within a TR framework. Work life balance - a key theme in the literature (Scolarios and Marks 2004) - may be especially valued by knowledge intensive workers (Rumpel and Medcof, 2006). Although work-life balance seems to be valued by non-manual

workers, this might be seen to be in some conflict with the idea that the value of the work itself could be seen to be rewarding, which Budd's (2011) arguments might raise. For instance, Shieman et al (2009: 986) show:

> '*Although individuals derive numerous benefits from higher status work, this may also increase the permeability in the work-non work border*.'

This seems to beg the question – which Budd (2011) seeks to answer – as to what is work and what is not work. The total rewards approach seems to offer a prospect of fitting together a developing definition of reward with an evolving definition of what it is employers are rewarding or compensating employees for. The apparent declining interest among employers in the total reward approach (Giancola, 2009) leads to questions about it as an effective aid to the development of reward practice. Nevertheless, it might, however, be used as a framework for analysis of reward practice, particularly in relation to the value attached to various reward elements by employees.

1.5 Reward practice developments

Reward practice developments in recent years have focused on four key areas: firstly, in the context of increasing individualisation of pay there has been much discussion on how to make performance pay work effectively and some indications that it is culturally more easily adopted in some organisational contexts. Over the past two decades there has been a growth of pay schemes, in which employers seek to use the prospect of reward as either an incentive to employees to improve their performance in future, or as a reward for past performance. The main growth in performance pay schemes in the UK took place during the 1980s and 1990s. In contrast, there has been a recent growth in continental Europe, especially in the Nordic countries and Germany, in the use of such schemes and increasing research into its effects (Kauhanen and Peikkola, 2006, Neu Moren, 2008, Schmidt et al, 2009).

As Gilman (2004) argues, there are very different forms of performance pay schemes spanning bonuses and merit pay or pay progression through pay ranges or grades. His findings, based partly on WERS data and partly on a separate study, show that

companies have been moving to simplify pay and grading structures, with fewer grades and wider pay bands.

Employers were also moving to standardise performance pay practice across the organisation rather than increasing individualisation. The CIPD's (2012) survey showed that two-thirds of organisations use some form of performance-related reward with individual bonuses as the most common form of such reward (66.8 per cent of organisations using a performance-related scheme) followed by merit pay rises (56.5 per cent). Many organisations use both forms. These data suggest that performance pay remains a key part of most reward packages in most organisations.

Secondly, there have been debates about whether competencies or skill development should be the focus of pay progression arrangements rather than service or performance assessments. The new pay writers (Lawler, 1990, Schuster and Zingheim,1992) tend to support the use of competencies and skills development linked to pay progression and more recently Mitra et al (2011) point to positive business outcomes associated with skill-based pay plans. However, data from within the UK (CIPD, 2012) indicate that except in manufacturing industry there are only a small minority of organisations that use such systems.

Thirdly, the nature of pay structures has been debated, with broad salary bands becoming more popular during the 1990s (IPD, 2000). More recently, CIPD (2012) data indicate that individual pay ranges and rates have become more popular than broad (wider) bands.

Fourthly, experiments with and developments in forms of equity-based compensation have continued, with some being approved by HMRC and attracting tax breaks. Private sector organisations use a variety of forms and the CIPD (2012) indicate that 28.6 per cent of organisations operate a share scheme but of those that do executive share options are most common. Company share option plans (CSOPs) were available for all employees in a third of the 28.6 per cent who have a share scheme – indicating this is a minority practice in the UK. This is in spite of evidence (Kalmi et al, 2005) that participation in such equity-based reward plans is found to be associated with more successful business outcomes.

1.6 Summary discussion: edging towards a relationship between reward and culture

The development of reward began with a narrow definition of pay related to task in the Taylorist form of organisation and has now developed into a much broader concept spanning intrinsic and extrinsic rewards. This has mirrored the development of different concepts of work as well as the prevailing managerial assumptions and ideology over time.

Table 1:2 Functions of reward, the conceptual framework and research gaps

Functions of reward	Theoretical framework	Conceptual/research gaps
Reinforces distinctive business strategy	Institutional theory, Resource-based view	Low level of research evidence in relation to reward, intervening variables
Rewards performance and thereby increases performance	Efficiency wage theory, Scientific management, motivation theory (Expectancy, equity and justice theory, goal theory, agency theory, prospect theory, tournament theory	Some evidence to back productivity gains using scientific management principle, efficacy of performance pay debated, may be culturally constrained.
Motivates individual employees to engage in discretionary behaviour		
Gives direction and reward for shared effort to achieve performance	Goal theory Cultural concepts – values and norms	Some research on goal setting and performance, but less on performance pay and goal theory. Very little on the cultural dimension.
Enables organisation to recruit employees	Classical economics theory – supply and demand	Low level of specific research evidence
Enables organisation to retain employees	Classical economics theory – supply and demand Equity theory	Conflicting evidence on the strength of reward to counteract other stronger forces influencing retention (eg leader-member exchange, realistic job preview)
Gives a sense of the collective/community	Social identity theory Cultural concepts of values and norms	Low level of specific research evidence
Rewards as a conduit for sense making/symbolic role (what is seen to be rewarded)	Cultural concepts of values and norms	Low level of specific research evidence

It appears that the conclusion of Donaldson and Philby (1985) that there are partial theories in the reward field still holds true, in spite of the developments in research that have taken place. Spurred by the strategic writers on reward and the New Pay School, there may be more emphasis now than in the past on the functional role of reward within organisations. Nevertheless, the priorities of reward practitioners are only partially supported by theory and research, indicating that this subject continues to be influenced by managerial views. Table 1.2 contains a summary of the functions that managers and practitioners say - as, for example, in CIPD (2012) - they expect reward to perform within organisations, the theoretical framework (or partial framework) underpinning each of these functions and finally an identification of the gaps in the conceptual framework and systematic research.

While organisations may say that their objectives for their reward system are that they should help to recruit, retain and motivate employees, there is only patchy support for such aspirational claims, and even less support for the strategic or cultural objectives to which organisations (or perhaps some writers) aspire.

In summary, it may be concluded that there remain disciplinary divides within reward research, and that the influence of managers and practitioners remains strong. There is some common ground between the disciplines – for example, concepts such as equity/ fairness and the social exchange nature of the reward relationship between employers and their employers feature strongly both in theory and practice, from a range of disciplines. However, on the capacity of pay and incentives to yield performance outcomes, there are divides not just between practitioners and academics but also between academic disciplines, with economics-based research much more positive than psychology or industrial relations based research. One of the main reasons for this is the scope of reward that is typically taken – economics-based research tending to focus on cash reward, while other disciplines tend to take a broader view on what constitutes reward. Research on the rewards of technical, scientific or knowledge workers in particular tends to support the argument that the scope of reward should be widened away from just cash pay. It seems that it is 'relational' rather than 'transactional' rewards that are more strongly linked with current managerial priorities such as employee engagement. As attention has turned in many organisations away from what employees do to how they feel about their work, their managers and their organisations – and their reward systems -

psychology-based research has come to the fore. However, it may be argued that these more individually –focused approaches to reward research miss an important element that the early (broadly) sociological studies observed – the key influence of the informal organisation. Studies conducted principally from the employer perspective, in particular, may miss this key element and that might account for some of the differences that Gerhart and Rynes (2003) observe between psychology-based and economics-based research on reward. The limited number of recent studies on the informal organisation and reward suggests a gap in the literature, which this thesis seeks (partly) to fill. However, it may not be just differing theoretical perspectives that account for the differences and knowledge gaps concerning reward, but also research methodologies. There has been a tendency to deploy positivist assumptions and quantitative methodologies in reward research, and, while cross-sectional studies may contain useful findings, they may decontextualise their data. Earlier studies – such as that of Dalton (1948) - indicate the value of taking the broad context into account in interpreting findings. That aspect seems to be missing in much current research and this thesis again seeks to take forward the more anthropologically-inspired approaches demonstrated in such earlier work.

The following propositions are key elements that will be taken forward into the analysis:

Firstly, the total rewards approach seems to have an analytical value linking together the two evolving concepts of reward and work.

Secondly, the links between reward and employee engagement as key concerns of managers also potentially offer an area of investigation and one in which conceptual development is needed.

Thirdly, the assumption that pay and benefits can be used effectively by managers to control the behaviour of employees, stemming from the scientific management era, still seems to feature in current debates – and raises the question as to whether assumptions and concepts in reward related to control are suitable in an era in which employee engagement is a key aim of many organisations

Fourthly, sociological frameworks, while complex to apply, seem to hold some promise for the analyses of reward from the perspective of employees – which is an

aspect of the literature which developed in the 20th century but which has tended to be under developed since.

Fifthly, psychology, economics and industrial relations-based research on reward has developed concepts, which seem to have value in the current project – particularly the concepts of procedural justice, fairness and the effort bargain. Again these concepts need to be developed to take account of the changing landscape of work and reward.

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Chapter 2: Culture – definitions, key concepts and debates

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2.1 Introduction

Organisational culture is a frequent topic for study and discussion in business and management journals and textbooks, and the 'culture metaphor' is widely adopted in organisational analysis (Ogbonna and Harris, 2006:162). However, it is a topic that is fraught with many difficulties in taking research forward – not least that there is no one agreed definition of culture or a shared set of understanding about the theoretical framework which underpins it. Each cultural study tends to start by giving its author's own definition and scope of what is studied. This in turn affects how and what is studied.

2.2 Definitions, scope and theoretical antecedents

Culture as a concept – or more accurately a range of concepts - has its roots in anthropology. Barnard and Spencer (2006) describe the different anthropological traditions and conceptions of culture among North American and British anthropologists during the late 19th and early part of the 20th century. They suggest, in the 1950s and 1960s, the influence of the sociologist Talcott Parsons was evident, and, particularly, his '*formulation*' of culture as '*the domain of symbols and meaning*' (p.213). Parsons in turn influenced the work of Geertz (1973), whose seminal work conceptualized culture (p.5) as:

> '*The concept I espouse…is essentially a semiotic one. Believing with Max Weber that man is an animal suspended in webs of significance that he himself has spun. I take culture to be those webs…*'

In some ways the work of Geertz spans a divide between anthropology and organizational behavior writing on culture. The study of organisational culture as distinct from anthropological studies lies not just in differing conceptions of what is culture but also, as Wright (1994) argues, in methodological differences. She sees (p.4) that anthropology tends to adopt the distinctive approach of '*problematizing*', which '*…relies on continually testing the ability of existing ideas or theories about society to explain the detail of what is experienced*'. The ethnographic traditions of anthropology offer deep and unique analyses of particular societies or communities,

whereas organisational culture has tended to be researched using more positivist methods (Wright, 1994). Methodology and culture are further discussed in Chapter 4.

Hence, it might be contended that there are both conceptual and methodological barriers to overcome before researching from a cultural perspective. Theory relating to both anthropological approaches to culture and organisational culture tends to be fragmented. Within organisational culture literature – as Huczynski and Buchanan (2001:637) summarise - there are two distinct 'camps': the managerial literature, which tends to use a definition of culture as an organisational variable like other variables, assuming these can be managed. In this literature there is an emphasis on integration viewpoints in which it is assumed there is a clear set of values and norms in an organisation, which are shared by the majority of employees and that these values guide their behaviour. It might be noted here that there are similarities between this concept of integrationism and the industrial relations concept of unitarism, associated with the work of Fox (1966), who posited two opposing frames of reference – unitarism and pluralism. Unitarist employment relations contains assumptions about common interests in the organisation and their primacy, whereas pluralist assumptions recognise different and potentially conflictual interests and group interests.

The second, more social science-related literature views organisation culture in different ways but tends to see it as fundamental to the nature of the organisation and much more difficult to manage, since it may be both dynamic and pluralistic. Smirich (1983) conceptualised these two distinct ways of studying culture as the firstly functionalist studies, which tend to see culture as a variable and, secondly, interpretivist studies which treat culture as deeper meaning – using a root metaphor to describe the assumptions underlying this latter category. This problematic definition of culture, which Huczynski and Buchanan (2001) encapsulate as a fundamental divide or debate between those researchers who assume that culture something an organisation has in contrast to those who see a deeper level to culture as something an organisation more fundamentally is. Because the different approaches to culture have separately developed different strands of culture research, achieving an agreed definition of what is sometimes thought to be the rather slippery concept of organisation culture is fraught with difficulty.

The starting point for many is the work of Schein (1991), which stresses shared assumptions and values as the key factors in organisation culture. He defines culture (p.247) as:

'

1. *A pattern of shared basic assumptions*
2. *Invented, discovered , or developed by a given group*
3. *As it learns to cope with its problems of external adaptation and internal integration*
4. *That has worked well enough to be considered valid, and, therefore*
5. *Is to be taught to new members of the group as the*
6. *Correct way to perceive, think and feel in relation to those problems'*

However, this definition can be seen as essentially unitarist or integrationist, even though Schein seems to intend that it should be seen as a consensus definition, taking account of the different traditions in culture research. He argues (p.253) that while one can study cultural attributes such as norms, symbols, beliefs[3] and artefacts, there is a need for a deeper conceptual level of analysis. This is to clarify the variables that should be studied in culture research, to critique methods used in such research and to help practitioners in organisations to 'decipher' their own culture.

2.3 Functionalist typologies of organisation culture

Much of the more popular literature on culture is implicitly or explicitly built on the shared assumptions definition of Schein or on what Anthony (1994) terms 'corporate culture'. This strand of literature takes forward this conception of corporate culture to give graphical or metaphorical depictions of organisational culture. Metaphors and images are – as Morgan (1997) has argued - powerful in describing what might otherwise be seen as rarefied ideas about the nature of organisations. Several pieces of work exemplify this strand of literature, which seeks to describe the typical

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[3] The term *norm* is defined as the formal or informal rules which are accepted by a group as governing or influencing their behaviour. *Beliefs* are defined as the propositions that individuals hold to be true.

attributes of different types of organisational culture. The four following writers exemplify this trend:

- Handy's (1999) various categorisations of culture draws on the work of Harrison (1972). They propose organisation cultures can be divided into just three or four types: task, role, power and person oriented. Task cultures are organisational forms in which different groups or teams are formed for particular projects, for example; role cultures tend to be associated with bureaucratic rule-based organisations; power cultures may be associated with for example SMEs with strong entrepreneurs in control; and person cultures tend to be rather loose associations of individuals. In these conceptions of culture there could be different cultural types in different departments in the same organisation, but there is an assumption that it is possible to generalise and reduce descriptions of the nature of culture to rather simple images.

- Goffee and Jones (1996) propose that culture is identified using just two dimensions- solidarity and sociability. They see culture as community and the way people relate to each other within it. They define (p.134) sociability as a '*measure of sincere friendliness among members of a community*' and solidarity as the ability of the organisation or community to '*pursue shared objectives quickly and effectively regardless of personal ties*'. Although it may be that friendliness and/or the acceptance that the objectives of the business are paramount are cultural aspects, there is little evidence that they are the most important defining characteristics of organisation cultures. Goffee and Jones say there work is based on observations of business practice as well as academic work, but only illustrations of particular companies, not systematic evidence are cite to support their conceptual ideas.

- Ouchi (1980) suggests organisations be classified as either 'clan culture' or 'market culture'. His argument, which has some relevance for reward considerations (see also Chapter 3) contends that that market based cultures are founded on the basis of transactions mediated by price mechanisms. Basing his 'clan' culture concept on the Durkeimian concept of a kinship network, not necessarily related to family relationships but to other forms of socialisation. Ouchi gives the example of Japanese companies, which rely on

recruiting new workers, and the successfully socialising them into the performance norms of the firm that there is no need to develop measures of their performance nor to gear their reward systems to performance. Instead, reward is related to factors such as length of service and the number of dependants the employee has.

These typologies sound appealing but their drawbacks limit their value. They tend to generalise about the whole organisation, focusing primarily on a senior management viewpoint and thus might be classified as functionalist or integrationist. More to the point, it is the lack of depth of understanding that may be the most important limiting factor - as Schein (1997:174) concludes '*Typologies are fun and give us a temporary sense of understanding. But in the end they are a trap that leads to superficial insights*'.

Thus it may be argued that culture is too complex to reduce to a typology and that assuming there is just one predominate culture in an organisation could give too superficial a level of understanding on complex cultural attributes.

2.4 Three perspectives on culture

While Schein (1997 Handy(1999) and Goffee and Jones (1996) acknowledge that there could be different cultures in different parts of an organisation, the focus for their work tends to emphasise a consensus approach to organisation culture. Goffee and Jones (1996:136) say that it is an error to assume homogeneity in organisational culture and assert that their model can be used to diagnose differences between subcultures within an organisation. Their approach, however, seems to share similar assumptions to that of Schein (1991) - that is that culture can be studied effectively from a singular perspective. To disentangle some of the complexities in going beyond Schein's formulations and to aid the conduct of culture research, Martin (2002), developed a three perspectives approach as a practical way of studying culture. Accepting rather than seeking to reduce the complexity of different cultural interpretations, this conceptualisation offers a viable alternative cultural framework to the oversimplifications and possible lack of analytical sensitivity of purely functionalist studies.

Martin (2002) put forward the three perspectives approach as an aid to further research and Harris and Ogbonna (1997) in their study of retail organisations show the value of using it, showing how such a framework may be directly useable in the same piece of culture research. They indicate how the use of more than one perspective, especially when studying the culture of complex organisations with strong hierarchies, can add depth to analysis. The three perspectives are categorised as, firstly, the *integration* perspective, within which most culture literature exists, especially that which is aimed at managers. The integration perspective assumes that there are clear, shared values and assumptions in organisations – any ambiguity is excluded from this theoretical viewpoint and the emphasis is on consensus and stability. Secondly, the *differentiation* perspective accepts that there are differences and conflicts in organisations, but sees that there might be conformity of values within sub-cultures. As Wright (1994) observes, there has been a long tradition within organisational studies of analysis of informal systems, but the differentiation perspective tends to look for sub-cultural differences, focusing on shared cultural attributes within organisational layers.

There are thus subtle differences, argues Martin, between the differentiation and her third perspective – the *fragmentation* perspective. This latter perspective stresses the dynamic nature of organisations and tends to draw on a social constructionist frame of reference, focusing on the processes by which organisational reality is constructed and re-constructed.

To try and build a consensual working definition- drawing together strands from all three perspectives, Harris and Ogbonna (2002:32) suggest defining culture as '…*a pervasive, eclectic, layered and socially constructed phenomenon, which is generated through values, beliefs, structures and behaviours.'*

Offering a variation on the fragmentation theme Parker (2000:4) talks of '*fragmented unities'* in in his study of the cultural differences between NHS managers and doctors. This definition allows for different perspectives and yet still provides some conceptual underpinning for research. His definition builds on and takes further Anthony's (1994:105) distinction between 'corporate' culture – at the espoused level

- and the '*organizational*' culture, which may be seen as composed of '*nested and inter-acting sub-cultures, divided both laterally and vertically*'.

Although it might be complex and very detailed work, using the three perspectives approach does seem to offer a way forward to explore culture issues – especially if it is likely (as in the case of research covering reward) that employees at different levels or in different groupings in organisations may have different cultural attributes.

2.5 Sub-cultures and feeder cultures

Amongst others Ogbonna and Wilkinson (2003) point to the dangers for managers in not considering sub-cultural differences in the way that the informal organisation works potentially to counteract the plans and efforts of leaders and managers in implementing culture change programmes. However, managers may redefine strong subcultural groups as sources of organisational weakness when they may –in effect – actually be contributing to the organisation's cultural identity (Anthony, 1994). To achieve change, though, skilful managers may be able to interlink subcultural interests into a common organisational purpose. To do this it might be necessary for managers to recognise that there may be several distinct sub-cultures in their organisations and that there may be tensions between them, and between sub-cultures and the dominant or corporate culture. Such tensions could be dormant but will nevertheless be there in latent form (Van Maanen and Barley, 1984) and hence uncovering the tensions and conflicts entails a depth approach to cultural analysis.

In this context the taxonomy of sub-cultural forms identified by Martin and Siehl (1983) is useful as a way of analysing sub-cultural forms in organisations. They develop three classifications of subcultures: orthogonal subcultures, enhancing subcultures and counter cultures. Orthogonal subcultures, which may be particularly evident in professional cultures (Bloor and Dawson, 1994), share many of the values and assumptions of the dominant culture but also hold some that are unique or distinctly different. Enhancing subcultures are compatible with and strongly reinforce the corporate culture, while countercultures predominantly challenge and are in conflict with the dominant culture.

Gregory (1983:359) argues that '….*many organizations are most accurately viewed as multi-cultural…*' and that subgroups or cultures bring their own meaning to organisational interactions. She suggests most subcultures can be occupationally or ethnically based. Her research on IT professionals in Silicon Valley also indicates the importance or feeder cultures, influencing the values of people in particular organisations.

Both Gregory (1983) and Martin (2002) argue that modern organisation cultures are permeable to the external environment and that feeder cultures are important influences on culture. Martin puts forward her nexus approach (p.340) which sees organisational cultures as permeable to the external environment, which '*allows for cultures and subcultures to be nested, overlapping and multiple, with blurred edges*'.

2.6 Social identity and culture

The concepts underpinning social identity may be linked with culture. Jenkins (2004: 16) suggests that social identity is a '*meta-concept*', drawn from psychology, which is important in understanding the relationship between the individual and '*the collective*'. It has been used, inter alia, in connection with ethnic or cultural diversity and in relation to professional identity. For individuals, deciding who we are, entails deciding who we are not and this process entails cognitive but also social processes. Cooke et al (2005) suggest that recent research on identity in organisations points to two key aspects of the concept in operation. Firstly, that there needs to be a focus on identification rather than identity, which carries implications of being one thing rather than another, while the concept of identification is more fluid and captures the process of identifying with something. Several studies point to the holding of multiple identities (Purcell, 2010). This concept of identities could be associated with the concepts developed earlier by Gouldner (1957) who makes a distinction between 'cosmopolitans' and 'locals'. The former group are professional type workers whose reference points and values may link to external networks. 'Locals' on the other hand have more focus on their own organisation. Parker (2000) in his cultural study of the NHS finds there are spatial, generational and professional divides in cultural attributes. Echoing the work of Gouldner, he shows that staff

might use their professional identity as a way of both claiming special understanding and status, as well as a mechanism in resisting organisational changes they did not favour.

2.7 National or organisational culture?

National culture is treated somewhat separately in the literature from organisation culture, although Trompenaars (2004) discusses that complex organisations, especially those with an international presence may be better understood if there is an integration of national cultural factors with organisational ones. He provides a classification scheme, which is designed to help organisations to analyse their cultures. Like the earlier work of Hofstede (1991) the respective classifications are descriptive and tend to assume a singular integrated perspective of culture. The dimensions used by Hofstede (hofstede.com) are follows:

- Power distance is the extent to which there is acceptance of power inequality in the society

- The individualism and collectivism dimension reflects the degree to which individuals cohere into groups and values are related to whether people naturally prefer to work on a collective or individualistic basis

- The masculinity/femininity dimension is perhaps the most controversial. It refers on the one hand to supposed 'male' values of assertiveness and competitiveness and on the other hand to supposed 'feminine' values relating to modesty and caring

- Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity and tolerance of risk

- Long-term orientation short-term orientation is the most recently added fifth dimension and its inclusion influenced by a need to provide a dimension

better to reflect Eastern societies such as China. Indeed, the first draft of this dimension referred to it as Confucian.

It is not the intention here to deal fully with the work of Hoftstede and other national culture writers, since the focus of this project is on organisational culture. Hofstede's contributions to the literature can be critiqued on a number of different bases, not least that his original study was done in a single organisation and from the perspective of a USA multi-national corporation. Nevertheless, his model has been used by a number of researchers (Rollinson, 2005) as the base for comparative studies' and Gomez-Mejia and Welbourne (1991) suggest it may be applied practically to aid reward planning. Moreover, some of the dimensions used in Hofstede's research have entered the language – such as individualism and collectivism, power distance and uncertainty avoidance and may have a value in analytically describing organisational culture as well as generalising about national culture.

2.8 Leadership, strategy and strong culture

During the 1980s management writers on organisational culture (particularly those writing from a USA perspective) claimed that organisational performance was linked to strong organisational cultures (Deal and Kennedy, 1982, Peters and Waterman 1982). The prime contention from the strong culture writers is that such cultural strength enhances performance since employees have a stronger sense of identity with, and commitment to, the organisation and their fellow workers. Leadership and organisational culture are thus seen as intertwined (Peters and Waterman, 1982). Schein (1990) argues that effective business leaders must have a deep understanding of organisational culture and be able to communicate corporate visions to inspire worker commitment to the visions. In contrast to the optimistic tones adopted in the US literature in relation to leadership and culture, some European writers take a rather more skeptical stance - pointing out that there is little empirical evidence to support the contention that strong organisation cultures are associated with sustained better organisational performance. For example, Huszynski and Buchanan, (2001) comment that IBM's strong culture may have exacerbated its performance problems

in the 1990s, while Legge (1994) argues that strong values in an organisation, that result in employees focusing in the same direction, may also inhibit necessary innovation and change.

Bate (1995) further argues that business strategy may be both seen as part of culture and be seen as influencing it – depending on the definition and approach to culture that is used. Leaders who wish to influence cultural change tend to identify a vision of how they would like things to be in their organisation, but there are many debates as to the effect that leaders can have in effecting cultural change.

2.9 Performance culture

The term performance culture seems to have gained some currency, but with little grounding in academic writing. Literature on this topic may not even attempt a definition (as, for example, O'Donnell, 1998). Managers may talk of building performance cultures in organisations, but what does this really mean in practice and what are the implications? We may question also if this is an example of managerial level rhetoric because the term 'performance culture' is found more frequently in practitioner material. It has, though, gained useage in the public sector as the emphasis on delivery of reform, change and productivity improvements (Bevan and Horner, 2003).

Fairhurst, drawing on his private sector experience (2008:321), provides a rather simple formulation: *For me, driving organisational performance is about making sure front-line staff care about what they are doing'* . But this may perhaps be too simple, since it is not clear what it is that staff should care about doing. He also seems to ignore the possibility that there may be differences of view within an organisation. In contrast, Juechter et al (1998) give more preciseness and contend (p.64) there are effectively three key attributes of a performance culture:

- employees feel like 'meaningful participants in the organisation's strategic direction rather than feeling like 'victims of a system'
- employees embrace change rather than fear it; and

- employees are performance and outcome focused rather than emphasising entitlements.

2. 10 Culture change and cultural stability

Cultures develop as a result of both adapting to external environment changes and internal changes. Schein (1991) says that culture must be seen as demonstrating stability and dynamism at the same time. Enduring characteristics and phenomena, which are strongly embedded, are what many writers mean when they describe cultural attributes. However culture also implies dynamics. If we rely on Smirich (1983), then culture is viewed as more than a mere checklist of cultural attributes but rather as a process, or series of processes, implying a dynamic. Indeed, Douglas (1985) conceptualises culture as a dynamic process, which is constantly changing and observes (1985:xxii) that*: '…the central issue is not cultural change. The amazing thing that needs to be investigated is cultural stability, whenever and wherever it is found'.* Only in the integration perspective, associated with the work of the managerial writers on culture, might cultural stability be assumed.

In both differentiation and fragmentation perspectives cultural attributes are seen as evolving and changing. Anthony (1994:31) comments that cultures must demonstrate adaption both to external environment changes and to newcomers to the organisation. Newcomers learn the 'cultural rules' but may also – particularly in the case of leaders – influence those 'rules'.

Studies of culture should, says Schein (1991:246):*'…capture the dynamic, holistic patterning that is characteristic of culture'.* He comments that some of the best culture studies have been conducted by historians, because they take the wide and long view that is needed. Hatch (1993) provides a useful framework for studying cultural dynamics. Her model draws together the ideas of Schein (1991, 2000), stressing the consensus integration model and cultural stability, and then combines these theoretically with ideas from the social science or symbolic tradition. Hatch (1993) emphasises symbols, as well as values, assumptions and artefacts in addition

to the processes of change over time. Her work seems therefore a promising basis on which to base analyses of reward and culture, particularly during times of flux.

Culture change initiatives designed by managers are often not successful. It has been estimated that up to 80% fail in their own terms (Bate, 1995) and yet interest remains among managers in seeking to transform their organisations' cultures. A variety of tactics are used by managers to try to achieve the culture they desire – the use of mission statements and values statements, for example. In essence, argues Bate (1995:196), what such initiatives have in common is that they wish to make what he terms the '*managerial cultur*e' into the '*corporate culture'*.

There is some confusion of terms used by different writers. For example, when Anthony's (1994:105) makes a distinction between '*corporate'* culture and the '*organizational'* culture, he seems to view corporate culture as synonymous with the dominant or managerial culture and organisation culture as the cultural attributes that are evident in the organisation and which may very well be different to the values and beliefs held by senior managers. Whichever term is used, what managers seem to want in culture change initiatives is to transform culture in such a way that the dominant culture of the top managers becomes synonymous with cultural values, norms and beliefs elsewhere in the organisation.

To uncover the reasons that render such programmes unsuccessful, it is necessary to ask some broader questions about the processes of cultural change and the contribution made by systematic studies of it.

One key issue on which there have been a few studies is that of cultural lag. This term encompasses the phenomenon of employees not changing their cultural norms and values as quickly as their managements would like them to do. Such issues have featured in studies in research in the public sector. Noteworthy in this context are studies by Wallace et al (1999), Parker and Bradley (2000) and Merali (2003). These chart the experiences of organisations, which wished to transform public sector culture to take on what top managers perceive to be more market-based and private sector values and norms – and to challenge some of the thinking associated with bureaucratic forms of organisation evident in the public sector. The question as to

whether or not this is a purely public sector issue remains and needs further comparative research to examine cross sector patterns of culture change.

More broadly, Bate (1995) asks two important questions - what is effective cultural change and how are people to know when it has been achieved? He concludes that these are complex questions to which organisation analysts have yet to provide convincing answers. The culture change literature, however, tends to show:

Firstly, as Anthony (1994) and Bate (1995) both argue, managers have tended to give a primacy to structural organisational changes (including the introduction of performance pay), when structural change could be regarded as peripheral and might '*run into cultural barriers*' (Anthony, 1994:59).

Secondly, social construction theorists (Bate, 1995:233, drawing on Berger and Luckmann, 1966 and later writers) indicate that organisation change processes could be identified as moving through '*normalization, objectivation and institutionalization or anchoring*' stages. Understanding these processes could help leaders design more effective culture change.

Thirdly (as shown in the public sector transformation studies mentioned above) there may be an assumption by managers that there is a culture within the organistion that is problematic. It is important, as Anthony (1994:55) argues, not to attribute structural faults to cultural causes, to assume that it is the 'followers' not the leaders that must change, not to scapegoat particular groups in the organisation, and not to assume that a complex organisation be converted to a single purpose that overrides fragmented interests and purposes.

The above arguments suggest a view of culture that accepts that it is socially constructed but that may be shaped by bigger social, historical and economic and market factors. There may be multiple realities within organisations with both shared and separate meanings; and different ways of seeing but also common beliefs. Culture change programmes are fraught with difficulty and are certainly not a 'quick fix'. Understanding the different cultural patterns within the organisation, and their dynamics are essential.

2.11 Why is organisation culture an important area of study?

Organisation culture is a topic of great interest for managers and HR practitioners as well as academics. A recent CIPD research project (CIPD, 2011) on transforming organisational culture aims to extend existing knowledge about organisational culture including culture change and to focus particularly on the role of culture in achieving sustainable organisational performance. The interest of HR practitioners in this complex area has risen at a time when the emphasis for HR specialists has been turning to employee engagement and the subtle processes that underpin it.

The performance agenda in relation to culture may be viewed theoretically from the perspective of the resource-based view of the firm (see also Chapter 1, section 1.3.8). In essence this theoretical approach to business strategy suggests that companies may gain competitive advantage from unique and inimical attributes which have a strong role in promoting a distinctive approach to aspects of business, which influence business performance. Barney (1986) questions whether organisational culture could then be a source of competitive advantage. He concludes (p. 663) that a firm's culture can be a source of advantage if it is '*valuable, rare and imperfectly imitable*'. However, in agreement with the culture writers quoted in section 2.6 above, he cautions that the managers of firms without such attributes should not expect to change their cultures in order to yield sustained performance, even though change programmes may generate new and valuable attributes.

2.12 Studying or measuring culture

There is relatively little organisational culture research adopting the in-depth ethnographic modes of study associated with anthropology. Of course, there may problems of access but there may also be other reasons. Emphasising the debate between those seeing culture as a '*thing*' (a variable like strategy, structure, communication, leadership whatever to be 'managed)' as distinct from a symbolic process of meaning creation and meaning maintenance is important (ie do organisations have cultures or are they cultures?) is not just a philosophical difference: it shapes how the organisation is seen, and how static or dynamic it is assumed to be. This in turn affects research design decisions on what data are

collected and how this is achieved. Hence if the approach tends towards the symbolic it both broadens out what is considered culture and implies that a more in-depth approach is needed.

Several recent cultural studies have adopted the competing values framework, such as the OCI method (Cooke and Szumal, 2000). These methods use statistically-based data collection methods based on research instruments, which are analogous to psychological instruments. They derive and measure components related to norms of behaviour, expectations and values, using these typically to compare a pattern senior managers would like to see in their organisations in comparison with the snapshot the statistical data provide. They are readily useable and enable comparisons across organisations, using questionnaires to assess employee perceptions and attitudes. They can then be used as a diagnostic by managers wishing to try and change organisational culture. Three main criticisms of these methods are firstly, that, like the work of Hofstede (1991) on national culture, the competing values framework's reliance on attitude survey questionnaires raises the question as to the depth and richness of data that may be captured. Secondly, the competing value framework tends to produce functionalist snapshots of organisational culture, seeming to assume at least a degree of stability of cultural attributes. Thirdly, the capacity of such methods to capture the subtle differences and nuances of cultural patterns is in question. This aspect of methodology is further discussed in Chapter 4.

Schein (1991:244) identifies two further approaches to culture research. Firstly, what he terms the '*analytical descriptive approach',* which is characterised by a process of studying the various components of culture. As such it may not present a holistic view of culture, and may not fully tie together the various manifestations of culture. Secondly, the ethnographic approach, characteristic of anthropology produces a richness of detail, but there are significant drawbacks not least the time taken for the research process. According to Schein (1991), although the aim of such approaches is to paint a detailed, holistic picture, in practice observations often - for practical reasons - need to be limited to certain aspects of a group's behaviour.

The broad process of research in many current cultural studies – such as those of Ogbonna and Harris (2006) and Ogbonna and Wilkinson (2003) - is a form of

cultural diagnosis seeking to bring to the 'surface' interpretations and perspectives of different individuals and groups in the organisation(s) studied. The aim in these studies is to generate insights that may not be on the surface within the organisations – although acknowledged by individuals within it as fair reflections of cultural attributes.

This discussion is taken forward and further details on studying and measuring culture are presented in Chapter 4.

2.13 What are the elements of culture and what is to be studied?

Amongst the manifestations of culture are artefacts, beliefs, values, attitudes, assumptions, symbols, myths, rites and rituals. The elements of culture are sometimes conceptualised as similar to the layers of an onion – with deeper levels embedded beneath more superficial aspects. Schein (1991) sets out levels and aspects of culture, which are helpful in fleshing out what is included in a cultural study. For Schein and for many others the starting point is the notion of shared assumptions and beliefs (see Section 2.1 above). To deal with different perspectives on culture it is necessary, as Meyerson (1991) shows, to be prepared to handle ambiguities. Meyerson's study of the culture in a hospital, for example, shows that while different (occupational) groups share a common purpose and a common orientation how they interpret what is shared may be different and may make the shared assumptions rather abstract.

Schein's levels of culture identify: firstly, the most visible cultural attributes – artefacts. These can be taken to include visible organisational structures, processes, policies and narratives. Of course, although visible, the mere developing of corporate policies does not necessarily mean that the values they represent will become manifested. There could be as Wilson's (2000: 299) study shows, a conflict between HR polies on paper and what happens in practice. He concludes: '…*it is no use tinkering with HR policies if the organisational culture is antipathetic to what HR strategy demands*'.

Several sources indicate the central role of cultural values influencing the cultural configuration of organisations. Swidler (1986) says that it is values that are at the heart of culture and that it is values that fine tune human action. Schein suggests there are different types of values and that they may be espoused and justified or may be implicit. He also makes a distinction between what he terms the pivotal values in an organisation, that he says are critical to the organisation, and peripheral values that are desirable but not essential to the organisation.

Myths and belief systems are important cultural attributes (Fineman and Gabriel, 1996), with stories about founders and myths and stories about corporate successes and failures carrying important sources of meaning. Some beliefs may be taken for granted and not explicit and are therefore difficult to surface in cultural studies.

Symbols and language are studied by anthropologists as part of culture – and are also relevant to organisational studies. Modern organisations may indeed develop their own terms, language and symbols. Reward systems, can be an important part of the symbolic life of an organisation, but the symbolic role of reward is an under-researched area.

Institutional issues are further aspects of culture. For example, it may be argued more generally that the institutionalisation and perpetuation of power relationships cultural attributes (Pfeffer 1981). Gender politics and power relationships may also be contended to be cultural attributes, but as Mills (1988) points out, that *in the past* gender issues *are* - or have been - largely excluded from - or marginalised within - organisational and cultural analyses. Several pieces of work (for example, Wajcman, 2000) show the importance of embedded assumptions about the nature of organisations and careers in affecting observed patterns of gender diversity in employment.

2.14 Discussion, summary and conclusion

Defining and researching culture is complex and not straightforward and there seem to be few certainties. It can be argued (Legge, 1994) that it would be unwise in a cultural study to assume a unitarist viewpoint, in which it is assumed there is one

clear set of values and norms in an organisation, and that a broadly pluralistic approach should be adopted. Martin's (2002) three perspectives of culture seems to offer a useful starting point. When the fragmentation perspective is considered Parker's (2000:4) '*fragmented unities*' definition, seem to offer a practical way forward for a study which aims to explore the cultural dimensions of reward systems, in which there could be multiple perspectives. These definitions seem to offer a way of dealing with the complexities and providing a framework for the study. Also of significance are the conceptions of sub-cultures and feeder cultures, as these offer potential for exploring the nature of the informal organisation (which early work on reward tended to indicate were instrumental in the effectiveness reward systems – see Chapter 1).

It is likely, though, that no one extant approach to research or one definition of culture provides a complete analytical framework. Frost et al (1991:373) summarise the many challenges within the academic study area of culture as firstly one of '*discovering which perspective your own thinking about organizational culture most likely resembles*'. This is seen as a form of personal journey for each researcher. Hence a distinctive approach to culture tends to be adopted by each researcher. In this thesis a distinctively different approach to other research has been particularly needed because published depth studies of aspects of reward and culture have been limited, and there are indications from earlier studies that a holistic approach to the study of reward in its cultural milieu could add to understanding about the effectiveness of reward practices (Chapter 1). Using culture concepts as a form of lens through which to examine reward is therefore an important area of knowledge to be developed. The arguments and culture concepts discussed in this chapter are therefore further developed in Chapter 3.

Chapter 3: Culture and reward - key themes from the literature, which link reward and culture

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3.1 Introduction

The previous two chapters have shown the disparity and problematic nature of defining both reward and culture. How and why reward and culture are linked is fundamentally influenced by the definitions of both concepts. Within the reward subject area, and especially if the wider total reward concept (Chapter 1, section 1.4) is deployed, reward encompasses much more than cash pay; while for culture the complexity is compounded by different academic traditions and strands of culture research using very different concepts of what is culture. The specific use (see Chapter 2, section 2.4) of the three perspectives approach (Martin, 2002) widens the field of study away from the narrower integrationist approach and for this project on reward and culture offers a structure which can be used in fieldwork and in analysis.

This chapter firstly reviews existing studies of reward and culture. Because the scope and nature of existing studies is limited, and in order not to constrain the scope of the fieldwork by limiting the analytical framework to that derived from the existing literature, a small scale pilot grounded theory exercise was conducted. The aim was to extend the analytical framework derived from the literature and identify the topics which are to be studied in the main fieldwork. The chapter then discusses the elements of reward and culture and the potential linkages – principally from the perspective of the literature but added to by the results of the grounded theory exercise.

3. 2 Literature on culture and reward

Analyses of reward systems emanating from social and anthropological perspectives are under-developed, in comparison with work from economic and psychological perspectives. This picture seems now to be changing, with a resurgence of interest in applying social frameworks.

The literature on reward and culture is not extensive, but four different types of studies and writing are evident:

- Studies using existing organisational culture typologies and seeking to describe the forms of reward system, which might be optimum if organisational culture could be assumed to be classifiable using the respective typologies;

- Studies using national culture models;

- Studies more broadly using values based and person-environment fit measures;

- Literature which uses more a descriptive approach to culture.

3.2.1 Studies using organisational culture typologies

Early writing on reward and culture developed during the 1980s and 1990s , when managerial writers began popularising organisational culture issues, encouraging managers to seek to manage and change their organisations' cultures. This strand of the literature tends to use typologies of culture and attempts to link these to reward practices, to seek alignment between culture and reward. There are two principal examples of this approach. Firstly, Kerr and Slocum's (1987) work, drawing on the work of Ouchi (1980) uses the concepts of 'clan culture' and' market culture' to suggest reward practices which seem appropriate for each – for example, performance pay is seen as appropriate for market cultures. Secondly, Flannery et al (1996) - with some distant echoes of Handy's (1976, 1999) various categorisations of cultures - suggest that organisation or 'work' cultures can be divided into just four types – functionalist, time-based, process and network. They then propose that some forms of reward ('compensation') are more appropriate in some cultures than in others - for instance they suggest that narrower job grades would be more suitable in a functional organisational structure.

Heneman, Fisher & Dixon (2001) and Gerhart (2000) broaden out the discussion to cover the importance of reward system alignment with specific and unique business strategy and organisational culture and structure. They use two cultural types which they draw - or infer from - Miles and Snow's (1978) work on business strategy and organisational structure – *traditional* as distinct from *involvemen*t culture. They argue that traditional cultures fit mechanistic organisational structures while more

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organic organisational structures are said to fit better with involvement cultures. They then suggest reward system types which might suit these cultures. For example, traditional pay systems based on job evaluation would suit public sector bureaucracies.

These typologies can seem beguiling in their simplicity and apparent certainty but culture typologies have drawbacks which limit their value (Chapter 2 section 2.3). They tend to generalise about the whole organisation, focusing almost solely on a senior management viewpoint and in spite of strong indications that different values prevail among different groups in respect of reward. Hence a depth of understanding, implying a more complex and detailed approach is needed to be able to understand the cultural dimensions of reward.

3.2.2   Studies using national culture models

Several studies use national rather than organisational culture concepts as a framework for discussion of the applicability of reward practices in specific cultural settings. A full discussion of national culture and reward issues is not appropriate in a project that focuses on organisational culture and reward. However, given the links between the two sets of concepts there are some conclusions that can be drawn from a brief discussion.

Tosi and Greckmaer (2004) relate Hofstede's national culture dimensions (Chapter 2, section 2.7) to chief executive pay and show that different forms of reward have different symbolic meanings in different societies. The importance of the symbolic aspects of reward in organisational culture considerations in relation to reward is one lesson that can be drawn from this and other work. More practically, Gomez-Mejia and Welbourne (1991) attempt to use the Hofstede dimensions to suggest which type of reward practices might be most appropriate within countries with different characteristics. Their suggestions have no specific empirical backing and as such their work shares with the studies using other typologies (Chapter 2, section 2.3) inherent weaknesses leading to potentially over simplistic conclusions. In some contrast, Easterby-Smith et al's (1995) comparative study of HRM practices in China and the UK uses no specific cultural definition or model but does yield a conclusion

that reward is more sensitive to (national) culture than other HRM policies and practices, probably because of the relative importance of institutional factors - such as different systems and traditions of pay bargaining.

These national culture studies suggest three important messages for a study on reward and organisation culture: Firstly, the symbolic element of reward is an important aspect; secondly, studies which use too broad brush or general concepts of culture may yield simplistic conclusions; and thirdly, institutional factors may be seen to have a strong cultural dimension, which can be argued to be as applicable to organisational as to national culture.

3.2.3 Studies using broadly values based and person-environment fit measures or more a descriptive approach to culture

Values based approaches have become popular in management practice and research. From the HR perspective Purcell et al (2004) show that strong vision and values were found to influence the relationship between HR practice and organisational performance, particularly in terms of fostering a sense of shared purpose amongst employees. Turning to reward, Harris (2010) uses person-organisation fit concepts in his research which highlights that employees who share common values with their organisations generally tend to be more satisfied with their reward packages than do employees whose values are different to the dominant cultural values of the management of the organisation. The assumptions underlying such values-based research seems to imply that it is possible to surface possibly hidden values, and that sets of values are easy to classify as either shared or not shared. Drawing on anthropological research it may also be argued that context and the taking of a holistic rather than partial view (as it seems do person-organisation fit approaches) is needed to uncover and interpret values.

3.2.4 Studies of particular aspects of culture and reward

Under this heading we find rather disparate and dissimilar studies and practitioner literature. Two examples are given below. Firstly, the (largely practitioner) literature

on performance culture, and secondly: two academic studies of job evaluation, which use some cultural concepts.

As discussed in Chapter 2 the term and concept of performance culture has gained ground in practitioner thinking (Bevan and Horner, 2003) but there is a dearth of systematic studies. Hence there seems to be inadequate conceptual development and in spite of the focus on performance pay in recent years (Chapter 1), there is an interesting debate to be had as to whether or not performance pay is an essential component of a performance culture. Discussion on this topic is developed further in section 3.6.5 below.

Two different studies of job evaluation (a technique used by reward practitioners to determine internal value of jobs as a mechanism to support pay setting) have used cultural concepts. Firstly, Quaid's (1993) analysis is one of very few studies to draw on the social interactionist, symbolic perspective in work on reward. Her work charts how a (Canadian) public sector organisation and its management consultants utilised various techniques to ensure their job evaluation scheme gained acceptance in the organisation as a trusted and objective technique, using the development of myth as a framework for the analysis.

Secondly, Welbourne and Trevor's (2000) study on job evaluation and power relationships showed that respective power bases within various departments in the organisation studied were significant in affecting the outcomes of supposedly objective and systematic job evaluation.

Both of these studies on one reward technique (job evaluation) are important as they show that techniques which are contended to be fair and objective – to encourage perceptions of procedural and distributive justice amongst employees – may be seen to have a pronounced cultural dimension.

3.3   Identifying the elements of culture and reward for study

But what should be the foci of study in a wider ranging study of culture and reward than has hitherto appeared in the literature? To take forward the identification of

areas of study a two-fold methodology was adopted. Firstly, a meta-analysis of themes in both the culture and the reward literatures was undertaken. Secondly, because it is recognised that the literatures are limited in their coverage of reward and culture linkages, a small-scale grounded theory exercise was used to identify possible areas of study in addition to those covered in the literature. The results of these two processes are summarised in Table 3.1 and discussed in more detail in the following paragraphs. Table 3.1 seeks to identify the manifestations of cultural attributes in relation to reward and identifies what would be the focus of study under each of Martin's (2002) three perspectives of culture (Chapter 2 section 2.4).

3.4 Use of a small-scale grounded theory exercise to flesh out the key elements and themes

Grounded theory is a methodology (see also Chapter 4 section 4.5.3) which it may be argued, is useful in subject areas where the current literature is incomplete (Charmaz, 2006). Unstructured, in-depth interviews were used to gather data from four UK national-level experts in reward. The topics covered embraced both the symbolic and functionalist aspects of culture and their potential links within reward. They included topics, which seem only to touch on culture and reward in the current literature. The aim of the grounded theory study is to provide as wide a view as possible of what might be seen as relating culture with reward.

The results of this small-scale study are encapsulated within Table 3.1, which draws together the findings from the literature review together with the interview data. These areas for study are discussed in more detail in the sections below.

3.5 'Traditional' cultural elements in the revised topic guide

To build up a list of topics to be covered in fieldwork on reward and culture, the traditional literature on culture was explored. Anthropologists tend to examine manifestations of culture (Wright, 1994) as exhibited in artefacts, narratives, belief systems and myths, symbols and language and rites and rituals. The following paragraphs and Table 3.1 seeks to apply these traditional concepts to modern reward systems and to organisational culture.

Table 3:1: Reward and culture - what might be studied using Martin's (2002) three perspectives

Aspect of reward	Cultural perspective:		
	Integration	Differentiation	Fragmentation
'Traditional' cultural attributes			
Artefacts such as policy documents and internal communications on various reward issues	What managers are seeking to achieve in the respective documents, what messages are they seeking to convey Are the message simple ones or complex?	Analysis of the reactions of different groups in the organisation to the documents and policies How do employees perceive messages on pay? Do they see complexity? How do they perceive simple messages?	Analysis of conflict in statements; analysis of what employees believe is left out and why Are there differences between different groups/people in how they perceive reward issue messages?
Narratives on how and by whom reward decisions are made	Managerial level narratives on reward decision-making processes in the organisation. What are the rationales for pay differences? Do managers use pay in a short-term tactical way, or attempt to use to promote longer-term employee commitment to the organisation?	How the decision-making is seen by different groups of employees – by role and level Is there acceptance or not by employees of pay differences Is there resentment about the effects of pay decisions?	Further analysis of differences of view within identified groups or sub-cultures, over time Is there growing acceptance of pay differences? Is there employee resentment? Is this short or long-term?
Rites and rituals	Public and formal level communication, in relation to reward and especially recognition	How formal level communications in relation to recognition are perceived by different groups	Conflicts and contradictory perceptions, between and within group
Myths, stories and beliefs	Managers' beliefs about reward and how they believe reward is used in the organisation	Stories which are retold by employees about pay, paying special attention to those which are contrary to the beliefs of top management	Further analysis of areas of conflict and apparent non-rationality in relation to reward Differences in cultural beliefs? Is there evidence of multiple cultures?
Symbols and language	Employee recognition, status symbolic; symbolic function of pay and benefits, at the espoused level Cultural terms used by managers in relation to reward	Perceptions of employees about status distinctions between employees in relation to reward Do employees share/use the same terms/words as managers?	Looking for gaps, conflicts and fragmentation in the evidence

Table 3.1 continued
Broader reward issues with strong cultural dimensions

Aspect of reward	Integration	Differentiation	Fragmentation
Institutional factors –for example acceptance of the role of trade unions	What do managers see as the role of unions and collective bargaining?	Views of union representatives, if present, on their role – in relation to fairness, shape of reward system, level of rewards	Differences in views between managers and union officials; as well as between and within different employee groups
Marketisation and acceptance of salary market concepts	Managers' views on salary market and their reward intentions. Is market language used by managers about reward?	Differences in view between different employee groups on acceptance of salary market differences	Differences in views within different employee groups
Institutionalisation of power relationships and political behaviour	Do managers engage in power plays or political posturing using reward?	Sub-cultural analyses of reward and power and of political behaviour from the perspective of different groups within the organisation	Differences within different employee groups
The level of employee involvement in reward developments	Dominant level rationale. Do senior managers see a need to involve line managers and/or employees in the pay decision process?	Sub-cultural analyses Differences between different employee group including line managers. How is involvement perceived?	Analyses of areas of difference within and between groups Do some people want to be involved, others not?
Perceptions about openness/transparency on reward issues	Reward managers views on transparency Do managers see a need for transparency? Is there a reluctance to talk about pay? What are the stated reasons?	Analysis of the views of different groups– hierarchical and demographic If there is opacity is it accepted? If there is a reluctance to talk about pay, what are the reasons?	Further analysis of unexplained differences in views within groups/ sub-cultures Transparency viz-a-viz complexity issues
Perceptions of fairness and equality	Managers' views on fairness and equality of pay What do managers mean by equitable?	Analysis of the views of different groups– hierarchical and by age, gender, ethnicity and other diversity strands. Differences between employees, which have private and public sector work experiences.	Further analysis of unexplained differences in views within groups
Perceptions about what is valued and seen to be rewarded. Is there a 'performance culture'? What is seen to be the relationship between performance and pay?	Which employee behaviours managers says they intend should be valued within and by the reward system Managers' views of the value of pay and other elements – for example, work-life balance? How do managers see the relationship between performance and pay?	The expectations employees have of the reward system in terms of recognition, promotion prospects, career development, feedback and meaningful work, as well as cash. Views on performance pay amongst employees, analysed by level of employee and various demographic factors	Multi-level and within level analysis in each organisation
Processes of change in relation to reward	What are managers seeking to achieve? Do managers see reward as a level of organisational change?	How is planned change in reward system received by various groups within the organisation? Is there resistance to change? How is it manifested?	What are the areas of difference? Can a deeper and longitudinal analysis clarify the picture? Is there evidence of multiple cultural perspectives?

3.5.1 Artefacts and narratives

There has been much debate in the reward literature on the design and content of the reward policies (covering both intrinsic and extrinsic elements). From a cultural perspective, formal policies may be considered as artifacts, which provide an outward manifestation of cultural attributes. Hence, a useful starting point for a cultural analysis of reward systems would be an examination of the formal policy documents and formal level of communication between managers and employees on reward matters. Deploying the three perspectives (see Table 3.1), it would be important to distinguish between the messages that managers mean such documents to convey and how these intended messages are perceived and interpreted by employees.

Linked with examination of artefacts, an analysis of narratives on reward decision-making would be useful, uncovering the stated and specific reasons for pay differences in the organisation. Again, assessments of the degree of acceptance of the corporate 'line' by employees could be undertaken using the differentiation and fragmentation perspectives – the latter probably requiring some form of longitudinal study.

3.5.2 Myths and beliefs

Studies of organisational myths, rituals, customs and symbols feature strongly in the anthropological literature and may be relevant in reward. Quaid' s(1993) work suggests that analyses of organisation myths, stories and beliefs in relation to other aspects of reward could be a fruitful area of further study. In attempting to be seen as unbiased, reward practitioners may use systems and techniques which they might expect to be seen as objective or neutral. However, as Quaid shows the construction of the objectification of job evaluation systems can be construed as similar to the perpetuation of myths.

Different beliefs about various reward attributes could have become accepted in different parts of the organisation and the transmission of these differences may be seen as analogous to myth perpetuation.

3.5.3 Symbols and language

Pay and benefits might be said to have strong symbolic values, indicating social status as well as having a purely cash-based value. In the UK there has been a tradition of (Price and Price, 1994, Wright, 2008) strong differences in benefit entitlement relating to occupational groups and level in the organisation. Data from the *Workplace Employee Relations Survey, 2004* (Kersley el, 2005) shows that managers were more likely than other employees to have access to status benefits, such as cars, which may be considered to have a visible social status as well as a monetary value.

Reward may be seen to have a language of its own, among its practitioners, and analyses of language form a substantive area for culture researchers. Ashkansay et al (2000) suggest that analyses of the relationship between language and behaviour are part of culture. There are perhaps only anecdotal examples of differences between what is said and what is done in organisations in relation to reward. Pfeffer (1981) uses the example of performance and argues that, while managers may talk about rewarding performance, they are often in practice rewarding employee service or some other factor. There seems to be scope for future research examining the language of reward, its context and its relationship with employee and managerial behaviour. Exploring the cultural embeddedness of the talked of 'performance culture' might be a case in point and this is discussed in section 3.6.5 below.

3.5.5 Rites and rituals

While the terms rites and rituals may be associated with anthropology and the study of early societies, aspects of modern organisations may also be viewed in this light. Meyer and Rowan (1977) argue that many elements of organisational life are highly institutionalised and function as myth and ceremony in spite of the logic of rational economically bounded systems, which appear to determine organisational policies and practices. The implication of their argument suggests that - just as Quaid (1993) applied to job evaluation - other reward practices might be seen in a ceremonial light. These include formal and informal communications, but especially recognition practices (Chapter 1).

3.6 Broader reward issues with strong cultural dimensions

In addition to the aspects that are traditionally studied by anthropologists, there are several aspects of reward and culture links, which emerge both from the literature on reward (Chapter 1) or were emphasised by the UK reward experts interviewed, as significant from a cultural standpoint. These include instit.utionalisation and institutional factors, including collective bargaining, institutionalisation of power relationships, norms and values in relation to market factors, gendered aspects of pay and culture, and norms and values in relation to fairness and transparency. These are summarised in Table 3.1 and discussed in the following paragraphs

3.6.1 Institutional issues and institutionalisation

From a cultural standpoint in relation to reward the institutional heading may be seen to encompass four distinct strands:

- Institutional factors –such as the structure of collective bargaining – where that exists- and various perceptions and beliefs about these processes
- Institutionalisation of power relationships
- Institutionalisation of market forces' beliefs and values
- Institutionalisation of pay equality or pay inequality by gender and ethnicity.

The comparative strength of institutions governing pay determination and collective bargaining is important to consider from a cultural perspective. As Jenkins (2004) says, institutions provide order, predictability and templates of how things should be done, but the legitimisation of institutions and the meaning attributed to them may be seen to be cultural attributes.

When we consider institutions within the reward field, we think first and foremost about formal systems of pay determination and collective bargaining. While collective bargaining systems have declined markedly in the UK over the past two decades (Brown et al, 2009, Kersley et al , 2004) and there has been a growth of more flexible pay systems, including performance pay, across Europe (Hakonen, 2007). Other studies have also shown the relative importance of such institutional

factors in international comparative studies – for example, Easterby-Smith et al (1995).

The institutionalisation and perpetuation of power relationships more generally can be argued (Pfeffer 1981) to be a cultural attribute. This could be applied in a number of ways in relation to reward. One existing example is Wellbourne and Trevor's (2000) study on job evaluation and power relationships. Further indications that this is an important dimension of a cultural study of reward emerged from the interviews with UK reward experts.

3.6.2 Norms and values in relation to market concepts

While from an economic perspective the concept of a market may be seen to be entirely rational and even a concrete reality, from a cultural perspective, the extent to which there is acceptance of market-based approaches by organisations and the individuals that populate them is the more important aspect. Markets, as Ouchi (1980) contends, are seen to have a strong normative dimension. The term 'marketisation' has been adopted (Sisson and Storey, 2000) to describe the growing normative acceptance of market values in employment generally.

The concepts of the 'new pay' school of writers (e.g. Schuster and Zingheim, 1992 and Lawler, 1990) brought increased emphasis on the salary market and on aligning reward policies and practices with business strategy. One of the 'new pay' writers - Lawler (1990) - contends that the reward system has a strong impact on organisational culture, particularly in start-up firms. While he suggests that, over time, reward systems become an integral part of the culture, missing from the new pay school views on reward and culture is the normative dimension – do employees accept that salary market concepts *should* have a legitimate role in setting their pay and what should be the appropriate comparators for such a process?

It is therefore the adoption and processes of acceptance (or rejection) of market norms, which forms one focus of a cultural study of reward. This aspect emerged from the interviews with UK reward experts as being particularly relevant in relation to comparisons between the public and private sectors.

3.6.3. Gender, culture and reward

Institutionalisation of systematic differences in pay by gender is a further focus of study from a cultural standpoint. Diversity issues may traditionally have been marginalised or 'silent' in writing on both culture and reward. Mills (1988) points out that *in the past* gender issues *are* - or have been - largely excluded from or marginalised within organisational and cultural analysis and that organisational issues have been seen as not gendered, when in fact they may well be subtly gendered. The extent to which values are embedded deep in the fabric of organisations is relevant to a study of reward systems and culture, and may have implications for the effectiveness of reward policies in practice.

Unequal pay between the sexes is an issue that has received attention at European Union level with the EU Economic and Social Affairs committee commenting in 2001 that: "*Governments, employers and trade unions all accept that women should receive the same pay as their male colleagues for doing equal work or work of equal value. However, turning this principle into reality has proved a formidable task.*" (cited in Chartered Institute of Personnel and Development, 2009)

Recent research has indicated the normative aspects of pay inequality. For example, Straberg et al's (2008) research in Sweden shows that women and men may have very different experiences and views on the fairness of pay systems, while Wajcman's (2000) earlier analysis in the UK shows the embeddedness of pay inequality. Also in the UK, the Women and Work Commission (2006) reviewed research on gender pay inequality, concluding it is a multi-faceted, complex and durable problem, to which there may be a strong cultural dimension. Moreover, there is evidence that in spite of many organisational initiatives to promote equality (including gender pay equality) inequalities remain (Liff, 1997).

Grappling with this cultural dimension seems necessary to make organisational diversity and pay equality policies work in practice. A case in point is Wilson's (2000) study, which uses a wide definition of culture, and reaches the conclusion

(p.299) that: '…*it is no use tinkering with HR policies if the organisational culture is antipathetic to what HR strategy demands'*.

More generally, drawing on Mills (1988) it may be argued that gender or diversity dimensions of reward have a rightful place in studies on reward and culture.

3.6.4 Norms and values in relation to fairness and transparency

Looking at perceived fairness of reward more broadly, themes and issues concerning equity and equitable pay have been studied and debated for some time, largely drawing on psychological perspectives and theories relating to organisational justice and equity theory. Newman and Milkovich, (1990) find rising interest in applying procedural justice theory within the reward field, with procedural justice seen as having particular relevance.

From a cultural perspective the focus of study might be on the processes by which norms related to perceived fairness are legitimated and communicated amongst employees as distinct from a psychologically-based study, in which the focus would be individuals' reactions or perceptions of the degree of fairness of reward practices and decisions and their perceptions on how these decisions are arrived at.

Related to such normative processes will be the extent of information that employees have of the reward system's details. In researching benefits, Hennessey et al (1992) show that employee satisfaction with their benefits is linked with employees' level of knowledge and awareness of what is provided by the employer. Hence, we could hypothesise that the value employees attach to various reward elements may be related to the transparency of reward systems and their constituent elements. As indicated in Chapter 1, in the UK transparency in reward systems is low in spite of legal measures under the equal pay and corporate governance headings to increase it. Pay determination processes have become less transparent as pay has become more individualised. The CIPD (2008) survey suggests that communication on reward issues from employers to employees in the UK is an area that needs more work.

Transparency is particularly significant under EU law in relation to equal pay for work of equal value and performance pay schemes. The European Court decided (case 109/88) in the Danfoss case (Commission of the European Communities, 2007) that an employer, which had a performance pay scheme, which was not transparent, would have to prove that it was not discriminatory on sex grounds.

However, in spite of this legal case and its clear guidance to European employers requiring that performance pay schemes be transparent, it is debatable as to whether it is always the cultural norm in organisations for pay systems to be transparent.

3.6.5 Performance pay and culture issues

It may be argued that the theme of the relationship between performance and reward should be especially important within a cultural analysis, since what are seen by employers and employees to be valued and rewarded behaviours are core aspects of reward. Viewing performance pay and culture as inextricably linked is surely the implication if we accept the validity of the differentiation and fragmentation perspectives on culture. Only under the integration perspective might it be reasonable to assume little connection. But this is not an uncontested view. For example, in considering the banking crisis and the role played by bonuses, the UK Financial Services Authority and others in the City of London (House of Commons Treasury Committee, 2009, Philips, 2009) tend to see organisation culture and performance pay as separate from each other, with culture the main culprit encouraging risk-taking behaviour, rather than bonuses – or bonus availability. One might question whether such views indicate the use of an overly narrow definition of culture, which, if relied upon, might constrain thinking and research in this area.

The links between performance pay and organisation culture have been very lightly researched hitherto. Much of the extensive and growing research on performance pay has tended to examine productivity effects, drawing on an economics-based theoretical framework, or individual motivational effects, drawing on psychological theories, there are few pieces of research, which directly link organisational performance with organisational culture and also with reward or pay. Kessler points

to some very culturally-based reasons that were driving managers to introduce performance pay in the UK during the 1980s and 1990s – mentioning ' *ideology, fashion, as an act of faith, or as a symbol'* (Milsome, 2005:7). In introducing such performance related pay managers hoped that it would support other strategic changes they wished to make in the organisation. By using their new performance pay schemes (PRP) to make their managers manage, making decisions on reward directly affecting their own staff; the change in organisation values would be emphasised.

Perhaps, strangely, although culture may have been at the heart of managers' intentions on performance pay, it has featured somewhat lightly in the extensive range of research on the topic. Thompson's UK (1993) evidence does touch on culture, as does Beer and Cannon's (1994) study of Hewlett Packard's (HP) pay for performance 'experiments'. The latter researchers suggest that HP employees did not warm to some of the performance pay schemes tested out, since they were seen as inappropriate in a company with an acknowledged 'high commitment' culture. However, this research did not spell out the relationship of pay to culture either theoretically or in detail. In a similar way the research of Brown (2001) in summarising some of the special characteristics of (Australian) public service organisational contexts for performance pay concludes there is a conflict between an 'economic' versus a 'service' culture, but she gives no detailed analysis of the nature of these two cultures.

More detailed work analysing the relationship between cultural issues and performance pay could add considerably to the knowledge of both academics and managers in this area, especially acknowledging the growth of interest in performance pay (see Chapter 1). Two recent studies reveal phenomena, which might benefit from further and more culturally-based analysis. Firstly, Kessler et al's (2006) study of UK public sector employee reactions to a new performance pay system indicated a degree of hostility, even though it seemed that management "got it right" by designing pay practices that accord with "good practice" principles. Secondly, the findings of Schmidt et al (2009) in the German public sector on performance pay seems to resonate with the findings of research in the public sector

in the UK . In this study the researchers found that performance pay does not seem to be accepted by employees at any more than a minimalist level.

3.6.6 Role of reward in culture change

If the total reward (for definition see Chapter 1) perspective is taken, employees who have a stronger sense of identity with, and commitment to, the organisation and their fellow workers may view their work as intrinsically more rewarding. Overlapping with the pay and culture change debate, the reward strategy debate considers how best to design reward systems as a lever for organisational performance improvements – the espoused aim of managers seeking to change cultures (Anthony, 1994). To encourage employees to focus on changes they wish to see, many wholesale organisational culture change initiatives were accompanied by reward system changes (Seel, 2000). Such changes often entailed the introduction of, or extensions of, performance pay. Legge (1994) contends that corporate change programmes often used performance pay as a vehicle for implanting the new values espoused by top management as part of moves to more emphasis on market-based ways of working.

Changing reward systems can be seen as perpetual activity (IDS, 1988) with few systems standing the test of time. The isomorphic tendencies of the designers of reward system changes (Chapter 1) highlights the contrast between the 'best practice' school of thought emphasises that there are some elements with reward systems, which seems to transcend different contexts and are consistent with better organisational performance (Pfeffer, 1998). On the other hand there is evidence that reward system effectiveness is enhanced when practice develops according to distinctly different organisational circumstances. The logic of the latter stance leads to a more divergent approach in line with contingency theory (Perkins and White, 2008) and implies differences in systems should be evident. However, there may be a differential experience of reward systems in different cultures. For instance, while systems may be superficially or technically similar they may have a uniquely dissimilar impact, depending on the cultural milieu, because reward system design also needs to take account of how embedded the system can become in different cultural contexts.

As discussed in Chapter 2, Hatch's (1993) model provides a useful framework for studying cultural dynamics and change. Because this emphasises symbols, as well as values, assumptions and artefacts in addition to the processes of change over time.it provides a promising basis on which to base analyses of reward and culture, particularly during times of flux.

3.7 Studying or measuring culture and reward

Chapter 2 shows that the study of culture has its origins in anthropology with its ethnographic traditions, offering deep and unique analyses of particular societies or communities. As yet few studies have adopted such in-depth modes of study in studies of reward and culture and there can be seen to be practicalities of both time and access to conduct such research. However, if the elements of reward and culture listed in Table 3.1 are to be studied from the three cultural perspectives, the implication is that rich data are needed to be able to analyse these differences. As Table 3.1 also implies, while aspects listed under the integration perspective could be researched using snapshot techniques, the study of some processes of reward and culture require a longitudinal approach to observe cultural dynamics at work. Specifically, researching under the fragmentation and differentiation perspectives seems also to imply in-depth methods, as distinct from broader snapshots – such as those provided by the competing values framework (see also Chapter 4). In addition the importance of context and the taking of a holistic view has been demonstrated by anthropological research and this is an important feature of a project which is seeking to surface possibly hidden views and values, particularly bearing in mind that reward can be a sensitive topic in organisations.

3.8 Discussion and conclusion

This chapter had two aims. Firstly, to explore the literature on reward and organisational culture and secondly, to identify the potential links emerging from the literature, which can form an agenda for further research and identify the elements of reward and culture which are to be studied further in the fieldwork. The literature on reward and culture is not extensive, even if the net is widened to a number of

different studies, which touch on, rather than centrally address, the links between the two subjects. The existing literature tends, like much culture research, to be implicitly functionalist, principally drawing on the integration perspective. Extending or deepening research to cover the differentiation and fragmentation perspectives could add usefully to the literature, although there are clear methodological challenges to so doing. As Purcell et al (2004) highlight much of culture exists as hidden values and assumptions and as such is difficult to surface

Given the dearth of literature specifically on reward and culture, should such a research area then be simply parked in the 'too difficult' drawer? Perhaps not - the work of Quaid (1993), as one exemplar, demonstrates that research at the symbolic level is possible and very valuable. Of course there are real access challenges for researchers – reward is not easily studied. However, if there is more interest in culture and reward – as during the current banking crisis in the finance sector and also recently within the public sector, which has been undergoing change, these sectors amongst others could prove a fruitful area in which to research. The controversies surrounding performance pay and gender pay in equality could usefully be the subject of cultural analyses

The theoretical complexity surrounding culture issues could be a barrier to effective research but it is argued that the work of Martin (2002) in proposing the three perspectives approach, and Hatch's (1993) cultural dynamics model provided a sound framework on which to proceed to the fieldwork stage of this research. Cultural concepts provide the principal foundations for the analytical framework that underpins the project. As Table 3.1 shows, by synthesising an amalgam of the themes from the literature review and the results of the pilot grounded theory exercise, the contours of the topic area for the primary research can be drawn more precisely. The table therefore provided a guide for the researcher in setting up the fieldwork and in defining the content of the Topic Guide for the interviews in the primary research (see section 4.6.1). It also enabled common themes to be analysed in the detailed case studies which follow in chapters 5, 6, 7 and 8. Each case study analysis is structured in both a standardised way and one which allows the relative importance of each theme to be discussed. These issues are further discussed and theory developed in relation to the cross-case analyses in Chapters 9 and 10.

Methodology

Chapter 4 - Research methodology
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4.1 Introduction

The project spans two subject areas that are both challenging to research. This chapter first looks critically at the methods used in both recent and current organisational culture research and in reward research. It then considers epistemological and ontological issues related to the project, before discussing and justifying the research design and methods used within the project.

4.2 Paradigms and methods in use in existing cultural research

As discussed in Chapter 2 the concepts of culture are problematic and the studies published tend to cohere into two key groupings. Firstly, those within the managerial literature, which tend to see culture as a corporate variable, which is something objective that can be studied in a positivist mode. In contrast to this largely functionalist cultural research, the anthropological strand of research sees culture as something much broader and deeper, which needs more in-depth and close observation to make sense of understated and perhaps implicit cultural patterns. Although not all culture research fits neatly into categories very broadly the methodological stances may be split into three types– firstly, ethnographic methods; secondly, use of positivist survey methods and, thirdly, use of an eclectic mix and pragmatically selected set of methods. Each of these is discussed in the sections below.

4.2.1 Ethnographic methods in cultural studies

The study of organisational culture has its origins in anthropology with its ethnographic traditions, giving deep and unique analysis of particular societies or communities. Anthropology, as Wright (1994) says is best known for using fieldwork methods dominated by participant observation. However, she contends that that is not the distinguishing feature of anthropological methodology, which she describes as a process of 'problematizing' (p.4) or of continually testing the capacity of existing theories and concepts to explain the detail of fieldwork data. Hence the advantage of a methodology rooted in ethnography is not just the depth of analysis

that can be achieved over time by such research, but it also lies in its methods related to theory development. The challenge of ethnographic work lies in both the practical time consuming nature of its fieldwork methods and also in the generalisation of findings across organisations, away from the specific context of the society or organisation(s) being studied.

4.2.2. Survey techniques

In contrast, as Ashkansay et al (2000) show, while ethnographic methods are used in most culture studies, there is a strand of research, which seeks to generalise across organisations. Some studies on culture, drawing on a largely functionalist view of culture – for example, Wallace, (1999), Parker and (2000), Merali (2003) - use generalisable large-scale surveys to analyse culture in particular organisations. Amongst the methods used is the competing values framework, which stems from a psychological and positivist subject background and is the basis for consultancy methods such as the Organisational Culture Inventory (OCI) (Cooke and Szumal, 2000). They assert that the method has advantages in comparing across organisations and that it has been tested in assessing all aspects of culture and organisational life.

Such methods aim to be comprehensive, are readily useable, and enable comparisons across organisations. However, there are a number of drawbacks. Firstly, as Wright (1994) drawing on Schein (1991) argues, culture resides deep in mental models and cannot be researched using 'thin' (p.3) descriptions of surface features, which omit the context and the fuller picture. Secondly, Wright (1994:3) suggests there are real questions about researching culture using: '...*questionnaires with their a priori assumptions and reliance on attitudes expressed out of context'*. Thirdly, and more practically, the elements relevant to reward systems are not dealt with in detail. Fourthly, the use of competing values is associated with the use of semantic scales in which respondents choose either one response or one other. This method could prove an inadequately sensitive instrument to study subtle differences in values. Moreover, its use of a priori terms may mean that language and symbolic cultural elements are either not captured or are only partially captured. Finally, the method seems to be based more on the concept of culture as a variable -significantly understating the symbolic level and largely missing out the factor of cultural dynamism. Hence,

although thought provoking, these methods seem underdeveloped for the purposes of this project.

A central focus for the current study is research on values. *Values* are defined as individuals' preferences which link with or 'fine-tune' action (drawing on Swidler, 1986). *Beliefs* are defined as the propositions that individuals hold to be true. Values are different from perceptions, which may be more short term in nature or less deeply held views. Attitude surveys are often used in psychological and organisational research to measure perceptions but such surveys may suffer from findings being difficult to interpret as they lack depth and context.

4.2.3 Mix of methods and a more eclectic approach

There are indications from some researchers that a mix of paradigms and perspectives may be appropriate for the study of culture. Some valuable and practical methodological lessons in studying organisational culture are given by Ogbonna and Wilkinson (2003) and Harris and Ogbonna (2000a and 2000b). These studies are based on case studies within the retailing or hospitality sectors, and use a pragmatic set of approaches – perhaps a rather eclectic mix – in researching organisational culture. Harris and Ogbonna (2000) for example, base their work on two case studies, and drawing on Smirich (1983) adopt the three forms of evidence she suggests are relevant – 1) observation (both participant and non-participant), 2) interviews and documentary information. They use sources both from within the organisations studied and from the industry in which they are situated.

4.3 Past and present research paradigms in reward

Perhaps because the disciplinary background of reward management studies has tended to come either from an economics or a psychology discipline, rather than anthropology, much of the research literature within reward seems uncompromisingly positivist in stance. However, as Farmer (2008) argues in exploring measurement problems encountered in the analysis of chief executive compensation (reward), the philosophical approach adopted in reward research is also in part influenced by practical considerations such as the availability of data for

empirical study. Large scale data sets – such as the *Workplace Employee Relations Survey* in the UK - and practitioner and consultancy surveys tend to be influential in this field. Isolated examples of interpretivist research – for example, Roy's (1952) notable participant observer study of the operation and manipulation of a factory payment system, and, more recently, Quaid's (1993) analysis of job evaluation suggest that a more interpretivist approach to reward studies might have a (albeit) slender tradition on which to base further research**.**

4.4 Frameworks for the current study

To take forward the research design of the current project requires firstly, dwelling on the nature of research-based inquiry within the context of what is meant by knowledge. Conventional distinctions tend to be made constantly (Bryman and Bell, 2007) between on the one hand paradigms, which are based on the traditional scientific research perspective that phenomena may be studied objectively with the researcher as a dispassionate outsider to that which is being studied and on the other hand those of the constructivists, which suggest that social phenomena are '*produced through social interaction'* (Bryman and Bell, 2007:23) by social '*actor*s' and are revised. The nature of this study may be located as inductive and broadly interpretivist within a social constructionist paradigm. This is related to the cultural focus of the study. Rather than assuming an '*external view paradigm'* (Gregory, 1983:363), which assumes that the researcher is standing outside the phenomena studied, it seeks to gain an in-depth understanding which might be manifest or surface hidden or partially hidden values and assumptions (Martin 2002:340). Gregory terms the approach, which avoids an orientation towards a management agenda, a '*native view paradigm'* Gregory (1983:366). This term is drawn from anthropology and seeks to minimise the risk of ethnocentrism – or interpreting the findings in managerial terms. It is recognised the term might be misunderstood, but it is relevant as Gregory (1983) uses it in her study of IT professionals in Silicon Valley and it also seems to capture the intent and approach of this study.

This term raises questions about subjectivity and objectivity, which cannot be fully resolved. It also, as Chia (1996:33) contends, implies a distinction between what he terms *being-realism* and *becoming-realism*. In research that assumes reality '*pre-*

exists independently of observation' is described as being-realism in contrast to *becoming realism*, which focuses on processes. This study follows Martin (2002) in accepting that some parts of research will be assumed as being a being-realism state and some will look for the processes that contribute to that state.

4.4.1.Discussion of ontological issues in relation to the current project

For researchers the philosophical consideration in the ontological debate, focusing on a dichotomy between objectivism and constructivism, cannot, contend Bryman and Bell (2007) be divorced from the conduct of their research. Drawing on the work of Burrell and Morgan (1979) they see objectivism and constructivism as competing paradigms – which Kuhn (1970) termed; *'a cluster of beliefs, which dictates what should be studied'* (quoted in Bryman and Bell, 2007: 25). On the one hand objectivism suggests that social phenomena and their meanings exist in isolation or can be seen in some way independent from human action. Constructivism on the other hand suggests that social phenomena are *'produced through social interaction'* by social actors and are revised constantly (Bryman and Bell, 2007:23).

In social studies researchers have been influenced by the work of Giddens because his structuration theory seems to offer a bridge between objectivism and subjectivism, by seeing these not as opposites but as complementary (Giddens, 1987). He argues that researchers should closely examine the assumptions about social structures and human agency underlying the argument that objectivism and subjectivism are opposites. Underlying objectivist concepts of social structures and institutions is the assumption they are '…. *like the girders of a building…'* (p.60), limiting the action of individuals. In contrast, Giddens argues that if it is assumed that social institutions acquire structural properties by virtue of the continuity of the actions of their human members, then structure is not seen as external to individuals but rather as a dynamic process between humans and the social structures they create.

The twin foci of this current study on culture and reward span two subjects with very different assumptions and ways of researching. The research traditions in reward have been primarily characterised by objectivist assumptions, almost without debate.

In comparison, debate on how best to research culture has been especially lively. Gregory (1983:362) explains that much of the 1980s management driven culture research implicitly seemed similar to earlier human relations research, which sought to illustrate the impact of "irrational human factors" on "rational corporate objectives". The cultural model used in such research was integrationist (Martin, 2002) and the research methodology based on an '*external view paradigm*' (Gregory, 1983:363) with the researchers comparing cultural values and attributes as if they were akin to personality characteristics. The contrasting view - the '*native-view paradigm*' (p.366) seeks to avoid the biases that could result from such an external view. The drawback is, as Gregory argues, that the comparative process between cases is more complex than if some a priori categories had been used from the outset. This limitation is relevant to this current study and to further research. The conclusion is that it may be necessary to do more comparative research using an '*external view paradigm*' (Gregory, 1983:363). (See also Future Work section at the end of the thesis (p.301).

4.4.2 Discussion of epistemological issues

Epistemology is a term used to describe the philosophical principles relating to what should be considered as knowledge (Denzin, 2009). While the traditional distinction is made between a positivist stance of seeking to describe an objective reality in a typically scientific mode and the relativist and changing nature of knowledge associated with phenomenology, there are other epistemological perspectives, which may be seen as variants of these (Bryman and Bell, 2007). Realism shares some characteristics of positivism in that some external reality is assumed. A critical realist perspective accepts that there may be objectively seen structures, but it does not assume that the researcher's conceptualisation of the issues to be studied has some objective basis - seeing this process as socially generated.

In this context, it is worth also reflecting on the work of Foucault (1972). Aligning himself with neither of these polar opposites, his focus was on seeking to understand how both concepts and practices were or are created within specific contexts. It is the contexualisation of reality and its interpretation by individuals, which creates knowledge and is significant for Foucault.

Understanding such subtleties may be thought particularly useful in research design for a project entailing culture. Among other Foucauldian ideas that may usefully be deployed in a study of culture is a focus on the processes by which ideas are created and the study of the underlying structures, which Foucault termed '*epistemes*'. While avoiding use of this term, the implications of later writers from the post structuralist or post-modern perspective - such as Chia (1996:600) - suggest that '*actions, relationships and processes*' should be focused on rather than structures. Much reward research seems implicitly to draw on assumptions that structures and institutions determine pay and reward and as such seems to be influenced by the Taylorist and Fordist assumptions in which mechanistic metaphors about the nature of organisations are predominant (Legge, 1995).

This project aims to both cover a gap in the literature and adopt approaches to research that are different from those in most reward research, but similar to those in recent culture research.

4.5 Design of the current project

In designing an appropriate methodology (the process of research in its entirety including the reasoning and suppositions on which it is based) for a complex subject that entails studying the rather slippery concept of organisational culture, it might be prudent to agree with Denzin (2009), that no single method, theory or observer can capture all that is relevant or important. This is especially pertinent in researching a subject as poorly contoured as culture, which, as the work of Harris and Ogbonna (2000) illustrates, needs a flexibly tailored approach.

The current project relies principally on an interpretivist approach. The design may be identified as exploratory (Saunders et al, 2007) since the concepts underpinning the project, particularly from the perspective of organisational culture (and the reciprocal relationship with reward), need clarification and development rather than testing.

The research design is based on a multiple case method, which draws on the various work of Ogbonna (op cit). As Eisenhardt (1989) argues such an approach can aid theory building process as cross-case analysis *'forces investigators to look beyond impressions and see evidence through multiple lenses'* (p.533).

4.5.1 Research problems, aims and questions

Bryman (2007) describes what may be seen by many researchers as conventional practice - that research questions should guide decisions about research design and research methods. How far actual research practice meets this assumed norm can be questioned. In postivist deductive studies research questions may be more specific and detailed than in interpretivist studies (Saunders et al, 2007). However, in building theory from case study research Eisenhardt (1989:536) suggests formulating a more general research problem, without reference to existing theory or specific variables. This is to avoid both bias and limiting the findings to aspects covered by '*preordained theoretical perspectives or propositions*'. As there is little by way of preordained theory concerning the relationship between culture and reward this recommended approach is followed.

The key research problem areas and aims of the research are to conduct an exploratory analysis using elements of grounded theory to answer the following research questions:

1. What are the cultural patterns evident in private, not-for-profit and publicly funded organisations paying particular attention to the reward system, using different cultural perspectives and a '*native view paradigm*' Gregory (1983:366) to achieve a deeper analysis?
2. How do reward systems influence culture and culture influence the way particular reward systems are received and perceived by employees and managers?
3. How are reward systems, and their receptiveness within organisations in relation to culture, transformed over time?

4. How do culture and reward patterns differ for different groups in the organisation – for example by occupation, seniority level, gender, and other factors- and what is the effect of such differences on both culture and reward?

4.5.2 Research Design

The research design for the project adopts a mix of approaches. In so doing it follows Denzin (2009) who contends that theory and methods can be used as 'concept sensitizers' rather than hypotheses to be tested in a positivist mode. Mixing modalities is reported in culture research. It is possible, conclude Ashkansay et al (2000: 6) from their review of the culture literature, for research to: *'..move back and forth between theoretical schemes designed for application in many cultures and those designed to represent the nuances of a particular culture.*

The design echoes the approach of Harris and Ogbonna (2000) in that multiple case studies are used (see paragraph 4.4.4.below for a discussion of case study method). The design also incorporates the use of elements of grounded theory (see paragraph 4.5.3 below).

In summary the research design adopts the following stance and methods:

Research aims	Methodological stance	Methods
Research aims 1 and 2	Interpretivist and positivist	In-depth interviews with employees and managers. Documentary/textual analysis of reward policy documents within each organisation.
Research aims 3 and 4	Interpretivist	In-depth interviews with same employees at different points in time over 2 years

The above aspects are further discussed in paragraphs 4.6, 4.6.1 and 4.6.2 below.

The research design also follows Ogbonna and Harris (2002a) in that a longitudinal element is included. The rationale for this is to study cultural dynamics processes Hatch (1993). If Giddens' (1987) ideas on the dynamic between structure and agency

are followed then at a broad level snapshot approach to data collection may not fully capture social processes in operation. Moreover, organisational and culture change and reward system changes are key themes in the respective literatures – as indicated in Chapter 1 and in Chapter 2. It is recognised, though, that the study of culture and reward change in just one case study organisation and over a limited period of 18 months to two years might constrain the value of the resulting data. In this context it is also recognised that anthropologists using ethnographic methods typically conduct studies over years, not months. This aspect is discussed further in section 4.10 and in the Future Work section at the end of the thesis (p.301)

A further important element of research design concerns whether we can rely on the research results. Social science investigations, argues Yin (2008), adopt four tests in judging the quality of a research design – construct validity, internal validity, external validity and reliability. These are discussed further in paragraphs 4.6 and 4.8.

4.5.3 Use of grounded theory

The project utilises elements of grounded theory. As Charmaz (2006) discusses grounded theory has tended to be used more in social research within social work and health care, than in research within the organisational or employment sphere.

Hence, the use of grounded theory in an area of HRM research would itself be fairly innovative. The previous apparent reluctance to use grounded theory does not seem to be because grounded theory is unsuitable for organisational research. Indeed Lansissalmi et al (2004) suggest that it has a strong potential use in organisational studies, although there are only a few published studies to date (covering inter alia organisational change) - but none linked specifically to reward.

A grounded theory approach was used in an initial pilot stage (see paragraph 4.4.3.1below) as it is argued that it is suitable for researching topics, which are not clear cut (Charmaz, 2006) such as the linkages between organisational culture and reward systems.

A grounded theory approach entails early fieldwork rather than fieldwork following development of a detailed analytical framework from the existing literature. The literature is important, of course, and is not neglected, but it is contended that relying on its partial nature could constrain the scope of the research if a more conventional approach were to be adopted.

Charmaz (2000) summarises the strengths of grounded theory as: firstly, the analytic step-by- step process (from different levels of coding through to categorisation and the writing of memos as a prelude to theoretical and saturation sampling and then the development of theory – see also paragraphs 4.7 and 4.8 below); what she calls the self-correcting nature of the data collection process (the use of theoretical and saturation sampling); thirdly, the method's '*inherent bent towards theory*' (p.522) and finally, the emphasis on comparative methods.

Using grounded theory is challenging for a number of reasons. It is time consuming. Myers (2009) puts forward some further criticisms suggesting that the coding tasks can become overwhelming and that it can be difficult to scale up from the detail level to the bigger picture, thereby tending to yield only low level theories. There are many researchers though, he contends, who use only the coding aspects of grounded theory, thereby missing out on some of its key advantages, as discussed by Charmaz (2000 and 2006).

4.5.3.1 Pilot study – using grounded theory

To take forward the identification of areas of study a two-fold methodology was adopted. Firstly, a meta-analysis of themes in both the culture and the reward literatures was undertaken. Secondly, because it was recognised that the literatures are limited in their coverage of reward and culture linkages, a small-scale grounded theory exercise was used to identify possible areas of study in addition to those covered in the literature. Unstructured, in-depth interviews were used to gather data from four UK national-level experts in reward. The topics covered what they thought were important cultural dimensions within reward.

The aim of this initial grounded theory study was to provide as wide a view as possible of what might be seen as topics relating culture with reward. It formed the basis for the topics identified in Table 3.1 in Chapter 3. The topics or aspects of topics added to those synthesised from the literature by the grounded theory exercise are indicated in Appendix C.

4.**5.4 Case studies**

A case study method is typically deployed to give a real-life context. As Yin (2008: 4) contends:

> '...*the distinctive need for case studies arises out of the desire to understand complex social phenomena. In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events.*'

Case study methodology has been used in culture research – for example - Harris and Ogbonna (2000). Hence, it may be argued that the case study method is appropriate for holistic studies of organisations –covering in this instance the complexities of the study of culture and the dynamics of culture and their relationship with reward systems. However, Yin's (2008) approach to case studies is broadly explanatory in design, probably using case method to test a priori theory. In contrast, Eisenhardt (1989) argues that theoretical propositions can be developed (and tested) during the research process, rather than prior to it. The aim in this mode is to collect rich data and insights in order to contribute to the process of theory building. This is the mode that seems most suitable for this current project as there is little existing theory to test and the project offers opportunities to develop new and extend existing concepts.

The selection of cases is key to the usefulness of the data collected to build theory since cross analysis of data across cases is vital (Eisenhardt, 1989). The approach adopted in this study is one of selecting cases from different sectors of the economy. The issue of representativeness comes into question here and of the number of cases it is appropriate to study. The aim of the project is the collection of rich data and clearly there must be some pragmatic considerations as to the time and resources available for rich data collection across cases. There is considerable debate amongst

researchers as to what should be the appropriate number of cases. Yin (2008) argues that the choice of cases must be made because they are worthy of substantive attention and the number selected allow cross-case comparisons to be made. Eisenhardt (1989) recommends using four cases so as to be able to develop generaliseable concepts. In this project the number of case studies is four because they are from different sectors which it was considered might have distinctly different cultures and different approaches to reward, as well as different economic or business environments. Hence, cross comparisons can be made and similarities drawn, especially when using elements of grounded theory methods (see paragraph 4.5.3) – in which comparison is an essential analytical tool (Glaser and Strauss, 1967, Charmaz, 2006).

Table 4:1 Case study characteristics

Case study organisation	Sector	No. employees	Occupations	Number of interviews
1.Public sector agency	Public services	800-900	Civil servants, professional staff, administrative and managerial staff.	27 – stage 1 10 - stage 2
2 Large charity	Voluntary sector	3,500	Scientific, medical, fundraising, administrative and managerial staff	17
3.Small high technology consultancy	Private sector services	300	Engineering/scientific consultants, technicians, senior managers and support staff	15
4 Multi-national engineering design and manufacturing company	Private sector manufacturing	400 in the UK	Engineers, technicians assembly staff, and administrative staff	15

4.5.4.1 Sampling within cases

The research was based principally on in-depth interviews (see also section 4.6.1 below). The selection of interviewees was organised to achieve a broad

representation of different occupations, levels of employee, location and demographic profile. In each case study organisation the help of a payroll or HR specialist was enlisted. Not all the organisations had demographic data which detailed ethnicity but this was possible with case studies 1 and 2. The demographic data that was available in all related to gender, age and length of service. In each case the relevant payroll or HR officer was asked to select an initial sample list of people on a broadly random basis but with the need to have representation from each main occupational group, levels in the organisation, each gender, different ages and lengths of service, different ethnicities, different work patterns (ie full-time, part-time, homeworker) and different locations. Clearly a statistically based sample selection would not be relevant but to make the selection systematic the payroll or HR officer/assistant was asked to produce an initial sample list by taking every, say, 20th person from their alphabetical list of employees. They were then asked to look at the list and see that all the main roles and demographic characteristics were represented. If they were not they were asked to choose the next person on the list and then reassess until they were happy the list was broadly representative. They then passed on The names of these people together with their key characteristics and their email addresses to the researcher, who contacted them directly to invite them to participate in an interview. Hence, only the researcher, not an organisational representative, knew the identities of the actual interviewees, and ethical guidelines (see section 4.8 below) on the research were adhered to. In two organisations (Case studies 2 and 4) too few employees from the initial list responded to the invitation and the organisational representative had to be asked to supply more names.

The final list of respondents numbered 74 interviewees (as indicated in Table 4.1). While the sampling fraction was lower in case study 2 than in the other three cases each of key characteristics of the respective staff profiles was represented.

4.5.4.2 Case study 1 – public sector agency

The organisation has about 900 staff and is located in the central Government sector of the UK public services. It should be noted that a high proportion of the overall staff are in professional and managerial roles and the sample reflects this.

Two prime data sources were used:

- Firstly, organisational documents and internal communications – staff handbooks, Intranet information, letters and circulars, trade union communications to members.

- Secondly, in-depth interviews with 27 staff and managers. The sample was drawn to include staff at all levels, reflecting differing role levels as well as demographic attributes (age, length of service, gender, ethnicity and whether the individual was part-time or full-time).

In the second longitudinal research stage 10 interviews were conducted with some of the 27 first stage interviewees about 18 months to two years after the first interview to assess changes to culture and reward.

4.5.4.3 Case study 2 - large charity

The data for the case study is based on interviews with 17 staff and managers across a range of functions in the charity, but excluding shop staff. The research method also included documentary analysis of staff information on terms and conditions.

4.5.4.4 Case study 3- small high technology consultancy

The data in this case are drawn from interviews with 15 senior managers, consultants, technicians and support staff and very limited documentary analysis (one sample letter and share scheme information).

4.5.4.5 Case study 4 - multi-national engineering design and manufacturing company

The data for this case study are based on 15 in-depth interviews with a range of employees and managers in both industrial and aircraft divisions in the UK plus documentary analysis. Documents used were booklets and training materials on the corporate culture and publicly available Internet information on the reward package at the company. Interviews were conducted with administrative staff, managers, supervisors, technicians and graduate level engineers.

4.6 Research methods

In line with the largely interpretivist design of the project the methods of inquiry adopted may be defined as qualitative in nature. Specific methods of enquiry principally consisted of interviews and documentary analysis. The data sources used in the case studies were firstly, organisational documents and internal communications; secondly, in-depth interviews with staff and managers; and thirdly, non-participant observation notes and reflective notes by the author.

Mirroring the work of Harris and Ogbonna (2000), in practice the most important source of data in each case study was interview data. The sample in each case study was drawn to include staff at all levels, reflecting differing role levels as well as demographic attributes (age, length of service, gender, ethnicity and whether the individual was part-time or full-time). Interviews were conducted with people at all levels in the organisation to assess different perspectives and views on culture and reward. By means of such a thorough approach the aim was to satisfy the construct validity test that multiple sources of evidence and chains of evidence were used (see for example, Yin, 2008).

Taking measures to ensure reliability is another test of research quality. The term triangulation entails using more than one data collection method or source (Bryman and Bell, 2007). Although traditionally triangulation was used in quantitative studies to provide greater confidence in the measures used, it may apply to either quantitative or qualitative methods. Denzin (2009) suggests triangulation covers a spectrum of techniques. This includes not just to use different methods to study the same phenomena, but also studies across time and using the same methodology on more than one occasion, using more than one investigator, multi-cultural studies and using more than one form of analysis. In this project triangulation is achieved via the use of multiple methods and by a longitudinal element (only in one case study). However, the processes of theoretical and saturation sampling adopted as part of the grounded theory processes (Charmaz, 2006) may also be seen as aiding the reliability of the study.

As well as the use of multiple methods, reliability also entails the use of a protocol for data collection and documenting data collection processes so that they could, if necessary, be repeated. It is important to remember in a culture study, of course, that the data findings might be different at two different points in time, because of the tendency of cultures to change over time.

4.6.1 Use of interviews

There may be seen to be a number of different types of interview, suitable in different research settings (Bryman & Bell, 2007). Because rich data were collected in this study in-depth unstructured interviews were used. In essence these are similar to semi-structured interviews, but the topic guide used is less detailed than for semi-structured interviews.

In developing the topic guide for use in the interviews the existing literature was used together with the findings of the initial grounded theory exercise. Although a grounded theory approach does not necessitate a pre-fieldwork literature review as Strauss and Corbin (1998) argue, sensitivity to the literature is not precluded. What is important in grounded theory (Charmaz, 2006) is open-mindedness to new concepts and ideas. Hence the uses of the literature in the ways adopted in this project may be justified as consistent with a use of grounded theory.

There are questions about whether interviews can manifest or surface hidden or partially hidden values and assumptions but it is contended that encouraging interviewees to talk freely in an in-depth format can bring to the surface aspects of culture and can get over the potential problem of their giving responses that they think the interviewer wants to hear. To gather data on '*nativ*e' views it is necessary, as Martin (2002:45) indicates, for the researcher to gain a depth of '*emic understanding'* or an insider level of understanding. To do this the researcher became a friend to the organisations being studied, visiting each many times and talking to people, not just interviewing them.

Including the longitudinal stage there were 84 such interviews conducted for this study and the researcher noted on her field notes instances when she considered the interviewee was giving an 'acceptable' response. This seemed particularly evident in

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the interviews in Case study 1 and seems to be one reason why some of the second (longitudinal) stage interviews seemed to yield less new material than had been expected - since these are civil servants used to saying what is expected of them.

4.6.2 Documentary analysis

Documentary analysis might be seen as falling into a largely positivist or realist paradigm. In each case study organisation, organisational documents and internal communications concerning both issues relating to reward and to what might be relevant to identifying cultural patterns were analysed where these were available. However, because of the general secrecy on pay matters in three out of the four cases, there were fewer such sources available for analysis than had been anticipated. The sources used in each case are indicated in sections 4. 5.4.2, 4.5.4.3, 4.5.4.4 and 4.5.4.5.

4.7 Data analysis

Data analysis followed a broadly grounded theory method, drawing on the work of Charmaz (2006) and Strauss and Corbin (1998). Interviews were transcribed and then coded. An analytic approach was used to codify and analyse the data. In-vivo codes were developed using the actual words spoken by the interviewees. This was important because the language and terminology used by interviewees form part of the cultural fabric of organisations and linguistic analysis is an important element within culture.

These in-vivo codes were then grouped into focused codes, which were then further refined into categories. This was followed by the writing of memos to build explanations and to begin the process of theory construction (see section 4.8).

Processes of theoretical sampling were undertaken to ensure the rigour of the research and analytic processes and to fill gaps. This process went on until saturation points were judged to have been reached – typically when the researcher was able to anticipate the answer an interviewee would give in advance.

As is typical with other research based on qualitative data (Eisenhardt 1989), the project used an iterative approach between data and concepts, with processes of constant comparison (Glaser and Strauss, 1967, Charmaz, 2006) used. It was decided not to use software (such as Nvivo) to undertake data analysis processes but to use manual methods. This is because the central analysis is of cultural values and it was important to capture the actual words and language used by interviewees. Although this was a very lengthy process and at times – echoing the work of Eisenhardt (1989)- the researcher felt besieged by data, it enabled a principle of grounded theory to be adhered to – keeping close to the data.

In essence as Eisenhardt (1989:540) says:

> '...the overall idea is to become intimately familiar with each case as a stand-alone entity. The process allows the unique patterns of each case to emerge before investigators push to generalize across cases'.

Hence grounded theory was used to analyse data within the cases. Then in the latter stages of data analysis – once saturation points had been reached – a form of content analysis was used to expedite the project's final phase and to facilitate cross-case analysis.

4.8 Ethical considerations

The project conformed to the ethical standards of the University of Greenwich and ethical approval for the project was received in 2008. The four organisations are guaranteed anonymity in respect of publication and hence the exact nature of their business is not disclosed here. Similarly, individuals[4] were guaranteed anonymity in relation to their participation in the research. This entailed some logistical problems in interviewing people at their place of work when they did not have a private workspace. These were overcome by the researcher booking meeting rooms (via contacts in the organisations) to ensure greater privacy for the interviews.

Agreement had been sought from the organisations that people would be allowed time off work to be interviewed. If they did not wish their participation to be known

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[4] A list of participants with names obscured is in Appendix D

this could have presented problems. In practice with careful planning these problems did not arise.

A consent form, complying with University of Greenwich requirements, was compiled. Participants and their organisations were given information on the project and participants asked to sign an agreement to their participation. They were also asked to sign to say they consented to their interview being recorded, provided the recordings were destroyed after the project was completed.

The interviews were then transcribed before coding. Two interviews in Case study 1 were conducted by telephone and notes then compiled by the researcher.

Organisations and the participants will receive a summary of findings once the project is complete.

4.9 Theory development

The aim of the project is to develop theory. It is debateable whether theory building is more or less easy if qualitative rather than quantitative research methods are used (Easterby-Smith, 1991). The process of theorising in this project used a broadly inductive approach, which characterises much cultural research. It is perhaps more difficult to use than the deductive approach associated with positivist work. However, the use of grounded theory processes also enabled a more abductive approach to be used, particularly in the early stages, than if a more conventional qualitative methodology had been adopted. Ethnographic researchers have begun to use the term 'abductive' reasoning - as distinct from either deductive or inductive (O'Reilly, 2005), in which hunches are followed and the research redesigned in an iterative process. This approach was broadly adopted as it had some potential in researching reward and culture, in which the theoretical base was unclear at the outset and the scope of the inquiry flexible.

Theoretical development using grounded theory has been seen as problematic by some writers. For example, Myers (2009) suggests only low level or middle level theory is typically developed in this way. However, Denzin (2009)- drawing on Glaser and Strauss (1967) - suggests one way in which theory may be built is first to

develop low-level, theory which can thereafter be further developed and elevated to a middle level via grounded theory processes and methods such as theoretical sampling.

4.9.1 How the emerging concepts and theories could be tested

Eisenhardt (1989) draws on Pfeffer's (1982) suggestion that good theory should be parsimonious (simple to state), testable and logically coherent, emerging at the end of a study not the beginning. This latter point is the case with the current study. While it may be argued that the thesis adds to understanding on reward and culture and while its conclusions seem logical, the question of how to test them remains. This is discussed further in the Future section (p 297).

4.10 Reflections on the study and its limitations

The research problem concerned exploring the complex relationship between reward and organisation culture. There was previously very little literature on this and it is possible that the difficulty of conducting a study in this area had been a deterrent to researchers. The researcher's background as a reward specialist with a first degree in part in anthropology was an advantage but even so the study and its methodology proved extremely challenging.

The use of grounded theory analysis for 84 interviews using manual coding was very time consuming but while this process might have been assisted by the use of a software package such as Nvivo (in which the researcher had received training), once the first stage of coding was complete and focused codes were beginning to be used. However, Nvivo was not used as it was considered that there would still be language-related subtleties within the data that could be lost if data were categorised via Nvivo, since a priori categories need to be set (to establish 'tree nodes' and 'categories'). This was a difficult decision since Nvivo could have expedited the cross case analysis and facilitated the theory building. The benefit would have been that the connections between data across the cases would have been easier or quicker to analyse than using a manual method proved to be. On reflection, though, there was value in going through and back through the interview data, since the researcher was

both very close to the case study organisations and close to the data - a key principle in the use of grounded theory.

The study needed more detail on two areas in particular. Firstly, in two cases (2 and 3) it needed more detail on reward practice. Although access for interviews was available in both organisations, it would have been useful to have access to more detailed data on reward practice decisions. In Case study 2 a limited form of information on reward practice was available since both main reward and HRM contacts in the organisation left during the project and their successors were not so supportive of the study 's aims as their predecessors had been.

Secondly, there was not as much data as had been hoped for on culture and reward changes in the organisations. For this reason the epistemological stance in practice could be described as more *being realism* than *becoming realism* (Chia, 1996) since processes of change may not have been studied over a sufficiently long time span. Only a limited amount of data was collected during the longitudinal stage of Case study 1. Interviewees felt they had already given their views and said little had changed since their first interview was conducted about 18 months to two years previously. This was surprising given the change in economic circumstances between first and second stage interviews, with the imposition of pay freezes and massive cutbacks in Government spending. It therefore seemed likely that the culture would have changed. However the 18 month timescale and the fact that only 10 interviews were conducted in the longitudinal stage – several first stage interviewees had retired and the second stage included only one interviewee from the part of the organisations that was changing the most during that period. Hence further work is needed longitudinally to study processes and changes and this is discussed further in the Future Work section at the end of the thesis (p.301).

However, in spite of the limitations some useful findings have emerged from the study which has enabled some theory building to be undertaken (Chapter 10).

Analysis

Chapter 5: Case study 1: Public sector agency

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5.1 Introduction

The organisation is a central Government agency, which is very well known in its field, with around 800 employees, spanning professional staff, administrative and managerial staff. It has professional specialist HR practitioners on the staff, but no dedicated reward specialist

The data for this case study are drawn principally from 27 interviews among staff and managers in the first stage and a further longitudinal study of the organisation conducted to identify the emerging patterns. The 10 longitudinal interviews took place two years after the first set of interviews and documentary analysis were completed. Further details of the sample and sampling are given in the Methodology section (Chapter 4). In this chapter, quotations are given to illustrate the points made. Each quotation is labelled with a code denoting the interviewee's status[5] in the organisation and their gender (mal or fem). It should be noted that exact job descriptions and specific areas of work that the staff of the agency undertake are not disclosed since a guarantee of anonymity has been given to the organisation and the interviewees.

5.2 Summary of reward and culture findings

This public sector agency is well-known outside Government service and, although the staff are civil servants, many with career-long service in the Civil Service, they have substantial day-to-day contacts with other organisations and individuals from all economic sectors. The pay system is set by the agency under the Government's delegated pay determination arrangements, allowing agencies to set their own pay levels. However, annual pay budgets have to be agreed centrally by HM Treasury.

5.2.1 Pay and reward arrangements

The agency's pay is set via a process of local collective bargaining with trade union representatives. The pay and reward determination processes for central Government departments and agencies entails devolvement of pay setting to agency or

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[5] The codes are TM (top manager), SM (senior manager), SS (senior staff), ST (staff)

departmental managements, but with centralised control of overall budgets for pay set by HM Treasury.

The pay scale in the organisation provides for service-related salary progression via service increments for a maximum of six years – to conform with the age discrimination regulations (*Employment Equality (Age) Regulations,* 2006**)** and to respond to an employment tribunal case, in which women employees complained that the 10 or 15-year length scales discriminated against them as they had shorter careers than male colleagues. This is further discussed under the Equality and Fairness (5.8) section below.

The pay structure is a narrow -banded grade structure, which covers all staff up to and including director level. Each grade has five incremental steps, with staff progressing through the grade on the basis of service, unless they have received an unsatisfactory performance report, in which case the increment is withheld. Pay in London is £4,000 a year more than national pay rates.

Table 5:1 Pay levels in Case Study 1: 2008

Grade/role*	Minimum pay	Maximum
Administrator	15,300	18,000
Call centre advisor, supervisor	19,000	24,000
Middle manager	25,000	31,000
Senior advisor	32,500	39,000
Area manager	42,000	52,500
Director	54,500	64,500

Rounded 2008 pay rates
Specific job title have not been used so that anonymity may be ensured

5.2.2 Culture

The organisation, which had been stable for many years, has been going through a period of change in which increasing commercialisation is seen in charged for services, which the organisation used to provide free to clients. Tensions and differences in value sets held by staff on this aspect of organisational life and its ramifications are becoming evident.

These organisational changes are not welcomed by staff, particularly those with long service. Nevertheless, they seem still strongly committed to the organisation's fundamental mission and purposes even though the strategic direction towards greater commercialisation is not welcomed. These members of staff, who have served for many previous years, have a distinctly different view of the organisation to that of the top managers and certain newly recruited staff and managers. This differentiation of views might suggest pronounced sub-cultural dimensions are present. However, there is evidence that there are some common shared values, with sub-cultural or fragmented value sets developing in certain areas or on certain issues. Two things seem to bind the organisational members together: firstly, its central purpose, which all interviewees spoke about in strongly committed terms; and secondly, as a top manager put it:

> '*Really enjoyable jobs…we have 900 …and there is probably less than a handful that are not very nice… The majority …are middle class professionals.*' (TM1mal)

The words '*friendly*' and '*nice*' appear frequently in the terms interviewees use about the organisation. A long-serving member of staff, who has worked most of his career in the organisation characterises the culture in pictorial terms as:

> '*…a family …you may have your little whinges but (we are) all working for one common outcome ….(its always) the same people whinging.. ..it is a cultural thing …*' (ST3mal)

The sociably comfortable, but stable nature of the organisation theme was echoed by many – for example, a woman member of staff characterised the culture as she saw it, as:

> '*Old fashioned culture, comfortable, small-scale….. an ageing workforce…..fairly friendly.. (you) don't see a lot of inappropriate behaviour*'. (ST4fem)

The effect of this is said to mean that employee retention is very high with many staff having long service. Another member of staff who called himself:

> '*…a virtual lifer – been here about 30 years . I am not alone… people stay a long time. The reason I have stayed is because I am reasonably happy here. You could say I was institutionalised*'. (SS2 mal)

The implications of this strong commitment to the organisation and its purpose suggest staff cling to a vision of the organisation they have developed over time:

'…they (the staff)…think the organisation transcends the now…'(TM2mal)

Both management and trade unions officers were broadly in agreement with this view of transcendence and identified, but a trade union officer also identified differing responses among staff to the organisational changes:

'This organisation is different ...there are a large number of people who view it as more than a place to work.they have...commitment to...its traditional role...Some staff left ....because they felt that the dash for cash was like the organisation prostituting itself...other people like me see the need to modify the organisation and change to a certain extent...' (TU2mal)

Staff who strongly support the trade unions seem to especially vociferous in wishing to preserve the organisation as they perceive it was and should still be. Another trade union officer said emphatically:

'.....I don't like the emphasis now…the direction in which the organisation is going…'(TU4mal)

The organisation's top management is considered by these staff who want to 'preserve' as the agents of the unwelcome change, which is seen as having brought increased workloads and income targets for the now charged for activities:

'There has been a lot of change and staff morale is pretty low at present ...we have more and more work to do with less people to do it...in the 10 years I have been here I have never been as fed up as I am now…'.(SS1fem)

Current leaders and management of the organisation are seen by some as not culturally similar or not dyed in the (organisation's) *'woade'* as one trade union officer put it:

'...the older senior management cadre wanted to protect our reputation but the newer ones are not dyed in the ...woade ... and don't have the feel for it... ...we are and never should be a commercial organisation'. (TU2mal)

However, while long-serving staff and trade union officers are associated with this view, there are also senior managers who hold similar views. For example a senior manager said:

'…we used to do everything free of charge ....then we started charging ...you have to be careful you do not go too far…because of our reputation for impartiality..'(TM3 mal)

There are subtle divisions between the views of the '*preserver*s' and those of the top management who take a more pragmatic approach as do many other staff and managers (the *pragmatists*). One top manager suggested that the '*preservers*' views of the organisation as it was in the past assumed mythical proportions:

'….they're in love with a sort of romanticised version of the past…that never really existed…(I hear them say) .. back in the good old days you got blah blah blah…'(TM1mal)

The theme of perceived top management detachment from the fundamental nature of and rationale for the organisation as it was in the past is pervasive and has several consequences. Firstly, a top manager acknowledging that there were some entrenched differences in views within the organisation suggested there were '*…multiple cultures...*' (TM5). This might suggest both fragmentation and sub-cultural tendencies.

Secondly, the nature of the work and how it is organised tends to lead to fragmentation. A senior manager, who had taken an interest in cultural issues explained his perspective on multiple or sub-cultures, reflecting:

'The dominant culture is a delivery type culture, typical of the Civil Service… delivery and customer focused, but the structure and the types of work people do invariably lead to subcultures. Of course you have the corporate vision, public service etc., but .... sometimes it's hard persuading people that they're working for the mission when they're doing different things'. (SE4mal)

Thirdly, team-based structures are linked to multiple cultures. The team organisation and processes appears to assist in the fragmentation of cultural values because teams and individuals tend to work somewhat independently of the organisation as a whole:

'The culture is very much a team culture. People do see all parts of the organisation and people are very reliant on colleagues to support or cover them, so people have a team culture working in their offices and to an extent between offices as well..' (SE4mal)

Fourthly, staff and managers who have more experience in the private sector see some stark differences between the public and private sectors. A manager new to the organisation, whose previous experience had been in the private sector commented on the cultural differences he observed:

> '..I think the culture is client focused ......(the organisation is) …inwardly focused ..(staff have an) opened handed view of life …' (SE2mal)

Finally, as the process towards more commercialisation continues, pronounced dividing lines between the 'preservers' views and values and those of 'pragmatists' are developing. This tends to suggest a fragmentation of cultural values is occurring during a time of change. As discussed further below in section 5.9 the organisation has been undergoing a period of change. That section analyses the data from both the first stage and longitudinal stage of the fieldwork.

5.3 Narratives on reward and pay setting

Staff views about the nature of the organisation, its role and culture are linked somewhat subtly to the values concerning the reward setting process and the themes of management detachment and of being caught up in a web of bureaucratic control again emerge. The length of the process of gaining agreement on the total annual pay budget spend, before local pay negotiations begin with elected trade union officers within the organisation, is protracted. Both members of management and unions acknowledge that the delays affect the views taken by staff. This results in a somewhat fatalistic attitude taken by managers and staff alike; and a rather detached and submissive view of pay setting. One senior manager said:

> '.to a certain extent you sit back and wait for it to happen….you know that you are going to get 2 increases a year …the revalorisation and going up the scale'. (SM 4mal)

Similarly, a long-serving member of staff expressed the views shared by many:

> 'Reward just seems set by Government....we have nothing to do with it...and it (pay rises) can be up to a year late being paid.'. (SS1fem)

The organisation has a high level of trade union membership with union membership at all levels of seniority. There is a widespread feeling amongst the trade union officers that:

> 'management may....not try too hard to get (the pay) remit (from HM Treasury)' (TU4mal)

A male senior manager recalls that everyone did well from the shortening of the scale:

> 'We got lots of money when we had to go from 10 points to 5 points but that was only because our pay system was illegal. I don't think we've ever thought about being too creative around the flexibility of the margin, reducing the more junior scales.' (SE4mal)

Another senior manager of the organisation commented:

> 'The pay setting process still bears the hallmarks of central government, Whitehall system. It is nominally devolved but within a system that involves department and HMT...after a long period of time ...there is a set pot of money... agreed and then we bargain with the Trade Unions'. (TM2mal)

Interviewees in this organisation, particularly those at senior level, indicate that the political and budgetary constraints seem to contribute to and strike a chord with the traditions of pay setting – in which managers do not really get involved and tend to distance themselves from the pay decision-making process. This distancing of organisation leaders from a more proactive role in pay decision-making is seen to have several effects - in particular a tendency to entrench traditions rather than a tendency to promote change. This might be seen as cultural lag – a factor also noted in the public sector studies of Wallace et al (1999), Parker and Bradley (2000), and Merali (2003):

> 'I struggle to see how it could be much different. Treasury could alter the point at which it controlled expenditure, but that could be a recipe for disaster' (TM2mal)

There were indications that this fatalistic attitude was shared with others elsewhere in the Civil Service. A long-serving senior manager suggested that the organisation was:

> '...not massively different from any other civil service organisation'. (SE4mal)

He told of his experience when the Conservative Government of Mrs Thatcher in the 1980s sought to decentralise pay determination in the Civil Service and take on some private sector norms. He reflected:

> ' *I was around at the time when Thatcher decided we'd have devolved pay, and friends of mine were involved in talking to permanent secretaries about the messages they wanted to send on pay systems. You may as well have been talking a foreign language..*' (SE4mal)

This distancing of the pay setting process from senior managers remains entrenched in the current mores in this organisation, in spite of reward developments in the wider Civil Service:

> '…*pay has always been divorced from HR, so bargained pay, all the old mechanisms making sure we were at a certain percentage behind the private sector, comparability exercises that also took in the value of the pension... no one actually thought about pay then, and in many ways I don't think we've moved on from that….*'(SE4mal)

Reflecting the experience of the German public sector in introducing performance pay reported by Schmidt et al (2009), there is some evidence that this organisation is only minimally taking on more private sector pay practices. For example, with respect to pay and reward setting processes, the leaders in this organisation give the impression of both being somewhat distant from the employees and of being caught in a web of bureaucratic control from Central Government – including the spending controls imposed by HM Treasury. While the planners of Civil Service employment policies might envisage more private sector pay determination practice - in which line managers take on more decision-making roles - evidence from this organisation suggests that sits awkwardly and possible counter culturally with employee and managerial values, which indicate a more fatalistic and distancing of leadership approach. This distancing and fatalism also seem evident in relation to values on performance and performance pay (see section 5.7 below) as well as on values in relation to market forces and pay comparability (section 5.5).

However, one long-serving member of staff also suggested that leadership quality and skills might also be relevant factors, suggesting that such skills are not valued highly within the organisation – and that might be culturally embedded:

> *'...(there is) an assumption is that we have good managers ...most of the managers here should be taken out and shot...I would not have promoted them to the position they are in ...(there is)..a culture here - since it started - when good management skills were not highly regarded ...weren't necessary...particularly staff responsibilities ...the vast majority have not got the skills…'(SS5mal)*

This view is not shared by top managers in the organisation, but they do acknowledge that views of this sort exist amongst their staff.

5.4 Institutional factors

Unionisation is high in this organisation, and the significance of this is recognised by top management:

> *'The union is very strong and would like to veto everything the management proposes...the union is quite hierarchical as well'.* (TM5mal)

A trade union officer shared this view to some extent:

> '*…relationships between top management and unions…(are in) a state of suspicion.*' (TU2mal)

The tensions between management and unions seem to have been exacerbated by the arrival of more managers from private sector backgrounds:

> *'It is not as antagonistic as you might have in some organisations ...the influx of new managers from outside has had an effect...management will tell you they will consult ...but it is only about implementation...not what they are planning to do…(they are) not enthusiastic about the union*' (TU2mal)

5.5 Marketisation and pay comparability

There were mixed views on external equity or competitiveness of the reward package. In making comparative judgements there was a lack of specificity from

most interviewees as to which roles in which organisations they would directly compare themselves to. Direct comparators which were mentioned by staff and managers were in other parts of the Civil Service, private sector consultants or other professionals, but in the main views on pay comparisons were expressed in rather general terms. A specialist senior manager was able to be more specific:

> *'Pay compared with outside is a little bit on the low side...because of below inflation pay rises.'* (ST3mal)

For those staff (about 40% of the whole staff) who are at the top of the now shortened pay scale:

> *'...from what I know it (pay) is probably fair...the problem is the size of the annual pay rise...we are not given sufficient money to have a people pay rise for people like me who are at the top of the pay scale...I am not quite sure how the pay system works....pay rises have been very delayed and that seems unfair…'*(SS8mal)

While pay rates are seen to be *'reasonable'* by most staff, the processes of pay decision-making and the messages that are transmitted when low or nil pay rises are decided by Government they are not considered reasonable. Several staff and managers implied that the messages and communication received by staff from TV news and national newspapers about Government policy in relation to public sector pay and pensions was influential in this respect. One of the reasons that staff seemed to rely on general information on pay rises and the process for determining them is that for career-long Civil Servants there was not a great deal of knowledge about outside pay levels. One long-serving member of staff said:

> *'You lose track with the outside world on pay – so I don't know how they compare.'*(ST2mal)

Since many staff are long-serving and some have never worked outside the Civil Service, it might not be surprising that there is a lack of information as to how pay rates compare. However, many staff have direct contact with private sector organisations as part of their work roles

They tended to use more general indicators as to whether they were well paid, as for example, the rate of the general pay increase:

'Pay compared with outside is a little bit on the low side...because of below inflation pay rise.' (ST3mal)

While some said that they felt they would be able to earn more salary in the private sector, particularly at senior specialist levels:

'For my area of work the pay is not good …..(there is some) isolation from the market.'(SE3mal)

The same manager, who had joined the organisation after several years' experience in the private sector, said he believed the relative personal performance should be taken into account and that in this respect:

'…people are paid what they are worth...but the jobs are underpaid…' (SE3mal)

A long-serving member of staff agreed that judging the external value of his reward needed to consider the level of effort or hours worked as well as the overall package:

'I probably could earn more in the outside – fair but I think about the whole package ...the pension and job security and the fact I don't have to work until 9pm at night...is fair ...Outside people earn more but they work harder. They move round a lot as well.' (SS2mal)

Most accepted that they did not join the public sector for high pay:

'When you join the public sector you know you are not going to be well paid...on balance the pay is fair...were are locked into public sector pay systems ....we have some good terms and conditions...job security is a factor – although we have had some redundancies here in the past...the pension does retain people ....'(SS1fem)

As with the above the comparisons interviewees made with the private sector in making some judgements tended to be quite general- referring to below inflation pay rises or low budget spends as evidence that their pay levels are low. When asked about specific comparators they tended to refer to professional workers with whom they had most immediate contact through their work. It is also evident that women employees tended also to refer to the reward experience of friends and family:

'Being the public sector ... we don't have bonuses so… it is things like holidays that are the main thing...a friend who works for herself is amazed how many holidays we get....it may not be the best salary in the world, certainly not the worst, but the holidays – you can count the cash value- and

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it's something I am grateful for…. I have another friend who is self-employed. …and does not get sick pay'. (ST4fem)

'*…my husband works in a private sector company and their way of working is still alien to us…it's just the way things are….On balance I think the pay is fair….the grade equivalents don't compare badly…I don't feel hard done by…. job security is good even in the current climate'* (SS4fem)

5.5.1 Total reward

Most interviewees took a holistic view of their reward package suggesting that a total reward perspective is adopted by staff:

'I think … pay….is good in relation to the outside world. There might be bonuses in the private sector – but the guaranteed pay here is good….there is an excellent pension scheme still and that to me is very valuable…I think if you take the package as a whole it is very competitive'. (SS6mal)

There is evidence from this organisation that employees see rewards as broader than cash and the traditional benefits such as pensions and holidays. However, different employees see the package and its elements in different lights. For example, part-time workers and home-workers in this organisation placed a high value on flexible working and time off opportunities including holiday. Even within this group of employees there were differences. One woman part-timer with young children at home valued both the opportunity to work flexible hours and compared her holiday entitlement favourably with a friend, who worked in the private sector. Another home-worker, who had had some difficult domestic situations to handle, viewed being able to work from home as part of the reward package and indeed, valued it higher than any other element of the package.

Many agreed with the view that their terms and conditions made the whole package fair in relation to the pay of those outside the organisation. When asked about their whole package, case study interviewees mentioned the following elements as important to them- job security, job satisfaction, good holiday entitlement, autonomy, flexible working, work-life balance, good pension, promotion prospects and training and development opportunities in addition to basic salary. A top manager commented:

'New staff are knocked out by the terms and conditions here ....they cannot believe them…'(TM1mal)

5.5.1.1 Autonomy

Across the organisation staff and managers placed a strong value on autonomy for people to do their jobs without close supervision. The organisation has a large number of staff, who have what is termed a '*personal performance'* role, that is they have no staff management responsibilities and although staff work in teams they have individual targets and performance objectives.

One senior manager indicated that people had joined the organisation from the wider Civil Service because:

> '*…they just wanted a personal performance job, so they joined….when we were recruiting because they could ….just have themselves and their caseload to worry about,... people didn't realise how lucky they were ... it was like coming to heaven, they had good, flexible management and flexible hours as long as they managed their caseloads…'* (SE1fem)

A top manager indicated that management see this autonomy as part of their institutional wish to be a good employer and to build trust:

> '*....we have a high level of trust for staff to do the work when they are not being supervised...I cannot see that we would be unsympathetic to people asking for their hours to be varied...we want to be a good employer...'* (TM1mal)

However, the establishment and extension of the call centre operation in which staff must clock in and out and whose work activities are tightly controlled, contrasts markedly with the levels of autonomy experienced by most staff in the organisation. The call centre staff both answer calls and give advice. The manager of the call centre pointed out that in contrast to private sector call centres, in this organisation there is no script for staff to follow. Indeed, they need to exercise judgement and deal with difficult, many legally – based problems. The roles are therefore dissimilar to those in many commercial call centres.

The staff they recruit must therefore have a reasonably high level of education and knowledge of the subject fields they cover. Nevertheless, the call centre organisation was a shock to some new staff:

> *'…there is a shift pattern…you have your hours set for two weeks ahead.…for me it was a culture shock…I had to clock in…I had never done that before…you were on the phone to the minute…it is very restrictive.'* (ST5fem)

She compared the call centre staff hours inflexibility with:

> *'…other jobs .you can come in earlier and leave earlier and the next day come in later and leave later…as long as the work gets done your manager is OK about that…It is a benefit if you can have flexibility…'* (ST5fem).

All interviewees seem to share values in relation to autonomy – it is highly valued. However, there is a stark difference between autonomy being a reality for most staff and being much less available for call centre staff. This proved to be a major source of dissatisfaction and conflict as the call centre operation grew in scale (see Organisational change section 5.9 below).

5.5.1.2 Work life balance and flexible working

Work life balance and flexible working emerged as integral to the reward package, although they tend to be referred to as 'terms and conditions' by the top management and by the trade union officers. Nevertheless, they are seen as important relational rewards by many staff:

> *'I think my job is quite well paid – the pressures and the volumes of work are harder in the private sector…I used to work there. I don't think I could get another job with the same amount of flexibility I have at present.….Of course there people earning a lot more in the private sector…but they are also doing the hours'.* (SS7fem)

Flexible working especially strongly valued by those with dependant responsibilities:

> *'..I think the pay is good. I'm one of these flexible home workers, which has helped me a great deal in my personal life…I save a lot on travel because I am a homeworkers… when I feel I'm stressed I can go sit in the garden at lunchtime! The pay does reflect what we do'.* (ST2mal)

Management of the organisation while acknowledging the value that people place on flexible working are concerned that there could be a reaction:

> '... flexible working started off as a quid pro quo…one of my concerns …is that we have fewer desks than people now….people could hold us to ransom …then it might be seen as curse rather than a benefit..'(TM5mal)

5.5.1.3 Job satisfaction

Job satisfaction is also strongly valued in the organisation and this seems a shared value across the multiple cultures. A top manager explained why:

> '…job satisfaction levels are some of the highest you would find anywhere… we are the last chance saloon…we resolve people's problems' (TM1mal)

5.5.1.4 Brand and mission

Several interviewees commented on the importance to them of working for an organisation with a strong 'very well-known brand' (SS2mal). The brand or purpose of the organisation is seen as distinctively different to the organisation per se, and its management. The former is valued by staff the latter less so. The perceived brand or mission seems to form part of the total reward picture:

> 'I like working here and I like the work I do. I am proud of what we do as an organisation' (SS1fem)

Long-serving staff and trade unionists ('preservers') seem to particularly emphasise the importance of reputation to them and to see encroaching commercialisation as a threat to the organisation. One trade union officer explained:

> '…we have felt that we are part of a large family of people who are maintaining their reputation...for most people here that is more important than mission statements or reward systems…'(TU2mal)

5.5.1.5 Recognition

The reputation of the organisation in the outside world, and clients' appreciation for the work undertaken, is regarded highly by staff and is considered a reward in itself by many. However, there is conflict between the reputation and recognition from outside and many staff reporting that they feel the organisation does not value them. The top managers acknowledge that recognition is an area of reward that they need to develop:

> *'I would like people to be recognised... as individuals ...…..we are looking for a basket of recognition measures ...'* (TM5mal)

Another top manager suggested:

> *'…I think the Chief Executive is very good at recognising good individual work...'* (TM6fem)

However, several interviewees explained that they saw a dilution of messages further down the managerial hierarchy. The net result seems that while most employees – who have regular contact with the outside world – value highly the recognition and praise they gain from clients there is a feeling that recognition from within the organisation is patchy and may indeed be seen to have a lesser value. For some staff there was again a feeling of detachment from the organisation and its management, at the same time as they saw that most of the recognition they valued stemmed from their regular clients.

A homeworker explained this in the following way:

> *'To a certain point it's up to the line manager, but you see emails and announcements at regional meetings, that sort of thing, if someone's done something particularly worthy. If you're excelling in your job and getting great figures I don't know if that would be picked up on.'* (ST3mal)

5.5.1.6 Promotion

The traditional links between being recognised as a good worker and promotion were point out by several interviewees:

'Traditionally in the Civil Service the way that one was recognised was through promotion.' (TM5mal)

Several staff (mostly women) complained about the new assessment centre and competency-based system for assessing promotability:

> *'…the competency based system means there are some people who keep failing to get promoted. This creates an atmosphere...people get emotional about it...people are trapped in a system which for all good reasons is not doing what they want...'* (ST4fem)

Those who complained indicated that the previous system under which staff had been able to apply and their annual performance reports were taken into account. They thought therefore that their previous performance had not been recognised as it had under the old system:

> *'You can work your butt off now and there is no reward through promotion because of the use of the assessment centre ....using competencies. I think there should be more recognition of what you have done….'* (ST5fem)

These findings might suggest a breach of psychological contract (Rousseau and Ho, 2000) and have an impact on the expresses views and values in relation to performance review (section 5.7 below).

5.5.1.7 Pensions

This theme of newer terms and conditions being worse than previous ones continued in relation to pensions. Staff and managers all placed a high value on the valuable Civil Service pension. The longitudinal stage of the fieldwork (see also section 5.9) was conducted just after the publication of the Hutton review on public sector pensions – in effect suggesting further reductions in public sector final salary pensions. A member of staff expressed the strong views of many in the changes being proposed to the traditional final salary scheme.

> *'…as you get older you start thinking about your pensions and things like that and you're quite fearful of that being, put it bluntly, being messed about with…we're probably not as well paid as those that are outside…..that was always the reason why our pension was subsidised if you like, because we didn't get the pay...it's always got to be one thing or another, nobody's expecting that we get both …'* (ST5fem)

5.6 Communications on and transparency of reward processes

There were marked differences in views on the effectiveness of the organisation's communication about pay and reward issues. Analysis of formal communications suggested that communications from managers to individual employees is minimal while the process of negotiations takes place – first for the pay 'remit' with HMT and secondly, once the budget is agreed with the trade unions locally. A top manager admitted:

> *'There were lots of rumours last time ... and questions about whether staff were being told everything...people are doing their best but negotiating positions should not be exposed when we are negotiating with HMT...and this leads to a non ideal position...official communications are always minimal'* (TM5mal)

Many staff admitted that they felt this process was remote from their experience and expressed concerns about it as, for example, one long-serving member of staff:

> *'Pay decision making feels distant ...there is a feeling of them and us.....I don't know how the process works...from where I am it feels like it happening outside...its feels like we are stooges....'* (SS8mal)

For some staff this feeling of distance and lack of influence suggested to them the process of pay setting was not transparent. However, all interviewees distinguished the perceived opaqueness of the pay remit process from the openness of the pay systems at the organisation.

One senior manager commented:

> *'You could see the pay system here as too transparent... (top) managers are not happy that their salaries appear in the annual report.'* (TM1mal)

Although all interviewees saw the pay system itself as transparent and open, there were concerns expressed about a lack of transparency in promotion procedures (see also section 5.5.1 above). Several staff expressed concerns that they saw no transparency in how these centres operated. One member of staff who had experienced both old and new systems found that her sense of certainty about the process had changed, so that it was now much less predictable:

> *'When I left university I thought there was a structure and I would go up it...It seemed predetermined. It's not like that now...'.* (ST4fem)

5.6.1 Status

There are indications that while the organisation is team-based it is also hierarchical, with the traditional Civil Service practice of referring to staff by their grade as the prime way of identifying people.

A top manager commented:

> *In terms of identity we are very gradeist...(which) shows a certain disregard for the individual..(it is) hugely unhelpful to continue referring to people by grade.'* (TM5mal)

A senior manager recruited from the private sector agreed:

> *(It is) very gradeist.. the first time I met someone they introduced themselves by saying I am a grade 7 – I said I don't know what you mean..'* (SM2mal)

While the management would like to adopt a more individualistic identity approach, the old traditional importance of grades in the Civil Service seems to live on and it appears deeply embedded in the values of the staff of Case study1.

5.7 Performance culture

Part of the organisational and work activity changes have been accompanied by the use of quantitative targets for work – set for all staff. Targets and target setting were described in detail by the interviewees. Many interviewees talked at length about their targets and clearly at times targets dominated their working lives. Asked if this meant the organisation had a performance culture one of the trade union officers said:

> *We have a target rather than a performance culture ...the delivery directors are very focused ...(*TU4mal)

In addition to having annual targets – set in numerical terms - staff take part in a performance review process, which entails an on-line system for inputting data on

their performance against target and an annual appraisal interview with their line manager. Staff tend to see a distinction between the on-line performance review system, which they perceive as deeply flawed (and these flaws are accepted by the HR Directorate which is working to change the system) and their own managers' approach:

> '...the .organisation made (the performance appraisal process) completely unworkable…difficult to input the information…it is supposed to be better and simpler… managers are interested in quality but the system is too numbers driven'. (SS8mal)

A senior manager suggested that the targets were being used to generate greater productivity and also acknowledges that an intensification of work has been taking place:

> 'We need more work out of staff – we need to reduce overheads and downtime.' (SE1fem)

A number of interviewees expressed a concern that the use of targets was not synonymous with performance. There was evidence that the dedication of many staff to their work and the use of a target-driven performance system did create a performance culture. A younger senior manager recently recruited from the private sector observed:

> 'I think the culture is client focused ...people want to do a good job but there is a disjuncture between that and being efficient.' (SE2mal)

The capriciousness of the targets and their effects was a concern for some. For example, a part-time member of staff expressed concerns about the target figures not really reflecting effort:

> 'My figures against target have dipped…and I don't know why and it makes me anxious. I don't feel I am working any less hard – in fact I am working harder but the figures are dipping.' (SS7fem)

The evidence from this case seems to suggest - firstly, that productivity is rising in some of the activities in this organisation (a trend confirmed by the Chief Executive); secondly, the use of quantitative targets seems to have been rather reluctantly – or perhaps grudgingly – accepted by staff; thirdly, targets do not give a complete

picture of performance; and fourthly, that when targets are internalised by staff they may become part of complex mix making up their own professional or social identity (Cooke et al 2005).

However, targets which are related to commercial activities are perceived by long-serving staff as detracting from what the staff see should be the prime purpose of the organisation and from the intrinsic value of the work the staff do:

> *'The target driven culture is moving us away from a public service ethos…we have a unique 'brand' and want to protect it...there is a tension between wanting to do more high profile work and meeting the targets…'* (SS1fem)

A top manager, whose career is in the wider Civil Service, reflected that this organisation was different in this respect to others in the Service:

> *'With respect to performance culture….(the organisation) is a bit behind the curve …this organisation has a lot of nice committed people …it's a bit naff to ask them how they are getting on'.* (TM6fem)

Dealing with what many people in the organisation view as the very small number of poor performers is contentious. A staff survey has shown that the issue that staff most wanted managers to do something about was to tackle poor performers.

A top manager described the problem in the following terms:

> *'….we want… staff to go the extra mile for us….some do not…'.*(TM1mal)

A manager newly recruited from outside the public sector was shocked to see:

> *'...a colleague in another directorate purposely ...gave a good rating to an under-performer so that the person would get a job somewhere else...'* (SE3mal)

This interviewee added:

> *'…there is no real performance culture…there is the notional instruction to set and assess against objectives…..dealing with poor performers…and withholding pay increases should be done in certain cases but is not done….there are emails to thank high performers but …there is no-one that champions high performance'* (SE3mal)

For the most part this organisation's staff care – and many care very much – about their work. Most of the organisation's staff are engaged in what might arguably be termed 'knowledge' work (Newell et al, 2009).

This could mean that the *'performance culture'* epithet (see Chapter 3 section 3.6.5) would fit this organisation. But the picture is more complex than that, especially since there are questions about how much staff – especially longer-serving staff and many managers (the *'preservers'*) - accept the political and top managerial direction of their organisation.

This case study organisation seems to exemplify the performance trends indicted by Prentice et al (2007) and Marsden (2004), but critically without the performance pay. It might then be questioned how important then is performance pay to achieving performance improvements? In this respect there is evidence of a fragmentation of views about performance pay. Perhaps rather unusually there is no top management push for performance pay and the Chief Executive has made it clear he is not in favour of linking pay to targets even though he acknowledges that it would be very easy to do that.

One of the reasons it is not on the management's agenda is that many staff -including some senior managers - are firmly opposed to performance pay. This might suggest sub-culturally there are definite dividing lines between staff. The picture is rather more complex and suggests fragmentation may provide a more useful perspective. At some levels there was unanimity – a longer serving top manager, who had in the past been a trade union officer, summed up the views of many others as well as his own:

> *'We used to do everything free of charge ...we then started charging ...what has happened is that people are being marked on how much money they bring in.....if you have performance pay on top of that then...(there) ... is likely to be behavioural distortion'.* (TM3mal).

The above views are strongly held by some opinion formers in the organisation and by most of the interviewees. However, while some of the potential dysfunctional effects were mentioned by others, it seemed from several interviewees that it was not

necessarily specific objections they had towards performance pay, but just that it did not fit the culture as they saw it.

A long serving member of staff reflected the view of several others:

> *'Performance and pay has been tried a few times….It bombed here… there was no buy in and the trade union was opposed to it. We just did not think it was a fit. Also not a big enough pot ….'* (SS2)

A top manager suggested that line managers in the organisation would not want to differentiate between staff if pay was attached to targets:

> *'Managers have a fear they may not be able to prove unacceptability of individuals' performance. When we had prp it was distributed in as flat a way as was allowed.'* (TM2mal)

There seemed to be a divide in views between *preservers* and *pragmatists*. Those recruited from outside the public sector tend to have no objection to performance pay. Indeed, one recently recruited senior manager said performance pay was: '*an important component*' (SM3mal), which he had given up to join this organisation from the private sector

While sharing in some of the above concerns, some interviewees indicated that their views were a subtle and rather ambiguous combination of pro and anti-performance pay. This ambiguity is expressed by one top manager as like *'wearing 2 hats'* (TM6fem) – welcoming performance pay when working in another Government Department and opposing it while being a union member in this organisation. In a similar vein one trade union officer said from a personal perspective he:

> *'...would not find performance pay unattractive…but the union stance is that it would be unfair'.* (TU2mal)

This ambiguity may suggest that while the opposition to performance pay seemed to be most acutely felt by *'preservers'* and less opposed by the *'pragmatists'*, there is also some fragmentation of values as there is some evidence that lower paid staff and women were more likely to see the benefits of performance pay. For example, a longer serving part-time member of staff said:

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> *'It would be nice to have performance pay …other Government Departments have it…'* (SS4fem)

If there were dividing lines (not all clearly defined) on which staff might find performance pay acceptable, there was a uniformity of view that the amounts of money that would be likely to be offered would be small. There is evidence (Marsden, 2004) that in the public services productivity improvements have been small in organisations using performance pay. Hence, it might be concluded that the question of the efficacy of performance pay in producing performance improvements cannot be divorced from important considerations such as the amount of money available (reflecting the tenets of expectancy theory as developed by Porter and Lawler, 1968).

Questions about the relationship between sums of money available as performance pay and concomitant effort are of course important considerations under various social exchange conceptual constructs (see Chapter 1). Asked about the relationship between effort and reward some managers and staff see in themselves and in the attitude of their colleagues what they regarded as a professional attitude to work. The effort and reward link in the effort bargain concept (Behrend, 1984, 1957) might then in at a basic level to be more appropriate to manual than more knowledge-based or professional work, for which there are more influences, including those related to identity and professionalism.

It should be emphasised that a high proportion of staff in the case study organisation might be described as knowledge workers (for which there is evidence from the literature of distinctive reward system requirements – see Chapter 1). In this organisation, professional identity seems to be bound up with or associated with achieving results:

> *'The reality of our work drives people to do far more than their contracted hours or than they are expected to do. There is a degree of professionalism …..people might moan but they will do the extra..'* (SS3mal)

> *'...the targets come across as the organisation not being worried about quality …(but)people have a professional pride in their work and are worried about quality….'*(SE5/TU1mal)

> *'People feel passionate about their work and put themselves out for their work...its very client focused...staff here don't want to let people down ....'* (SS1fem)

On the other hand there was some evidence of the effort bargain in operation yielding a more negative effect. One longer serving member of staff described the social pressure she experienced, which challenged the professional commitment of staff:

> *'In the XX region staff say they are 'not going to give 'free time'*
> *Yes – there is some cutting back on effort...and I can see that getting worse and worse...when you hear people saying I'm not doing that then there is a chain reaction...you think I can't do that either...'* (SS1fem)

Managers suggested that there was some evidence that the fixed or non-variable nature of the pay system equated to – for some staff - a fixed level of effort or performance. Several top and senior managers acknowledged that this was a *'factor'* but strongly argued that the vast majority of staff did more than they were expected to do.

There was also some slight evidence of *'gaming'* (Prentice et al, 2007), in which there is some attempt either to manipulate performance measures or to persuade managers not to raise performance requirements. There was some evidence of both of these. One senior member of staff acknowledged there were a few staff *ticking all the right boxes* but not actually performing well:

> *'....if people are not hitting their targets no-one asks why......if it is investigated it would not stand up...if you look at some figures it seems as if work is being done.... but if you were to investigate you would find they were ticking all the right boxes but not delivering....'.* (SS6mal)

In addition there was some evidence of perhaps more subtle approaches. A top manager said she considered that there was a high level of staff commitment but a lot of complaining:

> *'There are really committed people here, working very hard ...but with a slight victim mentality ...'* (TM6fem)

Other managers also commented about the moaning and complaining. One senior manager said in exasperated tones:

'If only people would stop moaning for a bit….'(SE1fem)

Top managers said that many staff complained at length about the organisation and the way it is managed. This seems a cultural attribute, which was very different from that some staff and managers had experienced in the private sector:

'...in the public sector...it is this culture of being put upon…'(SE2mal)

One interpretation of these expressions of these *'put upon'*, or *'moaning'*, *'victim'* observations is that they might be some subtle form of gaming in which staff are trying to signal to managers that their capacity to increase work effort is not limitless – in other words a form of communication to managers from the staff.

5.8 Equality and fairness

Women are a minority in the organisation and the legal case involving the pay structure was brought on grounds of equal pay. There seemed general agreement that had improved the fairness of the pay structure. However, there are subcultural differences in values on equal pay and related aspects of equality. Hence, the question that arises is to what extent is the culture seen as equal? Several male interviewees said that although the pay structure legal case was brought on equal pay grounds it had less to do with equality than might at first appear. One senior staff member said that:

> *'There were specious arguments (made) about internal equity …on the length of the scale. The trade unions used equal pay arguments to shorten the pay scale….Previously the pay scales were very long and you could not get to the top what ever you did'.(*SS6mal)

However, he added:

> *'….I do think the pay system is fair in relation to gender and ethnicity etc – there are clear cut definitions and the leave and everything is excellent'.*(SS6mal)

Male top managers want to see the organisation as a '*beacon*' (TM1mal) of good practice on equality. Women, though, while acknowledging that they like the men had gained from the shortening of the pay scale after the legal claim was settled, also voice some concerns about others parts of the reward package which are seen by women and staff from ethnic minorities as much less fair than the pay structure is now seen to be.

> '*Before the scale was changed I thought I would never get to the top of the scale – I just don't think it would work*'.(ST4fem)

There was some intersectionality of experiences (Browne and Misra, 2003) – especially in relation to promotion. The assessment centre process for promotion is seen as particularly unjust by ethnic minority women, in spite of the fact that the assessment centre process was nominally introduced also to increase equality. A woman from an ethnic minority, who also has a disability seemed to have a distinctive experience:

> '*I cannot see many ethnic minority women going* through (succeeding in gaining promotion) *…or people with disabilities …what I have noticed is that the ethnic minorities that do get through are male….*'(ST5fem)

The experiences of part-timers – mostly women were also distinctive. Several women interviewees work part-time and claimed to be working over and above what they were paid to do or complained of intensification of work. They saw that work schedules were organised to suit a full-time, essentially male, model of working – mirroring the research of Wajcman (1998):

> '*I am part-time there are no 'catch-up' days should ....proportion of time spent on general meetings is high ....it is expected*' (SS1fem)

The case study provides some evidence that there is a rather fragmented set of values amongst employees with respect to equality with top and senior managers believing they are a '*beacon of good practice*', but women, ethnic minorities and people with disabilities seeing a very different picture.

> '*..they don't practise what they preach…it is still dominated by males….sorry to say but it is…they may be younger with a splattering of differences, but mainly white middle class male…*'(ST5fem)

A senior woman also indicated that while the organisation had:

'…*been criticised in the past for having a very male-orientated culture..*' (TM6fem)

Some elements of a male dominated culture remain while acknowledging that some progress had been made**:**

'…*I've seen it change a lot... and in terms of gender equality there seem to be more senior women promoted, clearer career development paths for everyone, more emphasis on explicit project management which actually makes it easier ...because you do the business required in a project meeting not a pub or over a late-night phone call.... Quite a football culture sometimes so it can give quite an unwelcoming impression*' (TM6fem)

5.9 Organisational change

As a public sector agency the key pressures have tended to stem from different political policy priorities. One of the drivers for recent organisation change has been increasing commercialisation. For example, the organisation began charging for some work previously not charged for about seven years before the fieldwork was conducted. To the '*preservers*' this increasing commercialisation of their work seems to threaten the very nature of the organisation.

A long-serving member of staff described the culture as:

'*Fairly conservative with a small c, in terms of change…no, no, we have embraced change in quite a big way....I would not wish us to be seen as not taking on change but we have done it in a way which suited us …*' (SS2 mal)

While traditionally the organisation drew its staff from the wider Civil Service in recent years a growing number of staff being recruited to the agency have come from private sector organisations. Such staff tend to have different perspectives on the organisational practices and its culture.

Both *preservers* and *pragmatists* seem to agree that the organisation changes very slowly. A member of staff who is now officially retired but still works by choice and has worked most of his career in the organisation reflects:

'Change is a slow evolutionary process but will move faster as the volumes of work increase' (ST3mal)

One of the practices that the organisation has deployed to seek to achieve more work at a lower cost is the setting up of and increased use of a call centre operation. At the time of the first set of interviews the organisation was in the process of extending its operation and recruiting a large number of new staff, many from the private sector. At this time several managers expressed the hope that by recruiting a *'critical mass'* of new staff the culture would change:

> *'The new young externally recruited staff we're getting in ....could potentially change the culture a lot…'* (TM6fem)

> *'I think the culture will change, new people and fresh blood is inevitable, they're having an impact on the organisation as well …They're full of energy, there's momentum and impetus in their work and I think we are changing for the better'.* (SE1fem)

A top manager in commenting on the strength of current culture, particularly the values of longer-serving staff (the *preservers*), expressed the hope that the culture would change:

> *'…new people coming in.....the indications are that it is working...they are not being tainted'* (TM5mal)

However, several long-serving staff warned of the strength of the prevailing culture and of its capacity to socialise new members of staff into the current norms and values of the existing staff. A member of staff who works from home commented:

> *'The new folks tend to settle in over the couple of years they'd been here (but) ..the prevailing culture is set by the established folk'* (ST2mal)

Top and senior managers interviewed in the first round of interviews tended to be much more optimistic about the potential for cultural change than did other members of staff. One member of staff likened the attempts by the organisation to change as:

> *'Like an amoeba trying to change its shape, but not quite managing it…I don't think they know how to change it…'* (ST5fem)

5.9.1 Role of communication in process of change

Management has been organising communications about changes in the organisation, which entail increasing the commercial activities of the organisation and substantial changes to the nature of the work activities for many staff. A top manager explained:

> *'A lot of effort has gone in to explaining what we are doing...the problem with subtle messages is that they may not be understood…..'* (TM 5mal)

While management communication messages seemed effective they tended to get distorted during the communication process as they go through the organisation. Several interviewees commented on the role of trade union officers in that distortion:

> *'..it seems when it gets to a certain level.. if the unions get hold of it and it is not what they want....or if it gets to inexperienced managers ...the message is distorted ....* (SM 3mal)

> *'The CEO's Bulletin comes out after Board meetings. The Regional Director can add to information and give messages. ...If I look at my managers – there is only one I would trust not to spin the story (in a different way'.*) (SE1fem)

The apparent distortion of the messages top managers want to send within the organisation is linked to the view that many staff and trade union officers expressed about the direction the organisation was taking. This in most cases is combined with a feeling that top management is detached from the rest of the organisation. The lack of buy-in to the commercial direction of the organisation and the consequent organisational changes is linked with staff views of lack of managerial readiness to tackle poor performance and a feeling they are detached from the organisation (see section 5.7) . This picture of management is held by the '*preservers*' and might suggest that there has developed an idealised version of the previous '*pure*' nature of the organisation - devoid of its commercialisation - which might be thought to have mythical dimensions.

The mythical status of this idealised picture of the organisation - as it thought by the *preservers* to have been in the past - is questionable and requires further evidence to support it. This aspect, amongst others, was further addressed in the longitudinal stage of the fieldwork and is discussed below.

5.9.2 Longitudinal stage – second stage field work

The longitudinal stage was set up to examine changes to culture and reward over the 18 months to two-year period after the first stage interviews. Ten of the 27 first stage interviewees were re-interviewed. During that 18-month to two-year period, the external environment in which the organisation operates changed dramatically as a result of the banking crisis, recession and Government policy. Issues explored in the second stage fieldwork were the extent to which people newly- recruited to the organisation effectively buy in to the vision and cultural values expressed by existing staff. All 10 first stage interviewees re-interviewed after two years mentioned the effect of the large scale cutbacks in Government expenditure as featuring largely in their thinking. The CEO indicated that the organisation's existence had been in doubt and that there were large scale redundancies in its 'parent' department. Staff seemed to accept the changes which meant that budgets were cut:

> *'(We) like all government organisations looking at being cost effective and getting rid of anything that we spend money on that's not really essential. There's been a lot of uncertainty because we've not known for a long time how the cuts were going to affect us'* (ST5fem)

A trade union officer – also a senior manager - set out the situation as he saw it, mentioning both the imposed pay freeze and the commitment of staff to the organisation's purpose:

> *'…there is a pay freeze… in essence it will be for three years …more contribution for the pension, no matter how justified that it's, that's still a reduction…and the fact that people are still continuing to give… discretionary effort is testimony to the fact that folk are devoted to the product and the customers that they serve. ..'* (SE5/TU1 mal)

The organisation's management – at the instigation of the trade unions, claim the trade union officers - engaged in legal arguments with its 'parent' Government department in order to defend its right to continue to pay annual service increments. A majority of staff, though, because they are at the maximum of the pay scale, will have no pay rise for three years.

These developments have – to some extent – shaped the views of staff about both their reward package and about the focus of the organisation in seeking to change the culture. Top managers point to a marginal increase in employee engagement - as indicated by their survey data - and to rises in performance against target figures as evidence of a change in culture. However, they were uncertain as to whether the change they had anticipated would stem from the earlier recruitment of a '*critical mass*' of new staff recruited from outside the department, many from the private sector had taken place:

> '*the honest answer is....I don't really know but I think they have, (its) been very very different since the coalition government came in…*' (TM1mal)

Staff saw few changes in culture in spite of the changed economic and political context:

> '*..... despite the changes in the economy, changes in government... changes in working practice perhaps ....the overall culture I don't believe has changed dramatically…, there have been some moderate changes but not as many as I would have thought might have happened given those external influences*'. (SE3mal)

Factors suggested by interviewees for the limited change in culture included low staff turnover:

> '*..the organisation ...has a very small turnover…we had an influx of external people a couple of years ago, but we've had very very few leavers,… ....and a very…slow draining of old blood so the people …..(if) culture is driven from people and if one remains the same so does the other*' (SE3mal)

Improvements in communication from and to management are acknowledged by staff and managers to have taken place over the 18-month period. The emphasis has been on CEO accessibility and on bottom up communication not just top down:

> '*In terms of the sort of culture surrounding the communication…there's been a concerted effort to try and open up channels of communication at all levels…to try and ensure that there is staff engagement… that people are consulted …*(SS3mal)

One of the issues on which top management say they: '*…really listened hard....*' (TM5mal) concerned the performance management system, which many staff had

indicated they believed was flawed. A new system has been designed and put in place.

However, this work on the performance management system may not have been accompanied by an increase in performance. According to some indications there have been improvements, but there were mixed views and no clear-cut picture emerged. Top manager were more positive than others who thought that performance had not improved much:

> *'I've been ...trying to push up the productivity levels .....on a gradual basis ... performance management is now an accepted part of working, it wasn't before'.* (TM1mal)

> *'..there's been a lot of activity... in trying to improve the performance management culture with some success but again, cynically I'd say there's still quite a long way to go .... but the intent is there. Productivity, I don't think has dramatically increased'* (S3Emal)

From the perspective of trade union officers there has been an intensification of work and that has implications for the degree of trust between staff and managers in the organisation. For example a long-serving senior manager, also a trade union officer said:

> *'…..the culture is changing ....people used to do extra work but that is changing...people think that you can exhaust goodwill…'* (SE5/TU1mal)

In the first stage the autonomy that most staff had in relation to how they performed their roles – although accompanied by the increased use of performance targets to judge their 'output' – was highly valued by staff and seemed to form part of the relational reward package. In the two years since the first stage the use of call centre operations had continued to increase with the influx of new staff from outside the Civil Service. Top managers had hoped that this *'critical mass'* of new staff would change the culture. However, feedback from these new staff and their managers indicated that they felt aggrieved that they did not share in the autonomy enjoyed by most of the staff around them. They had to clock in and out and have their working days plotted out for them. This, they perceived, as a lack of autonomy and flexibility – which seemed all the more acute in contrast with their colleagues not working in the call centre, but sharing the same office location.

Call centre staff talked of developing a form of sign language so they could '*talk*' to each other while they were on the phones. The manager in charge of the operation acknowledged that this took place, commenting;

> '*…there's a degree of non-verbal communication between them sometimes during calls, which I'm not sure is absolutely okay...*' (SE2mal)

The importance of the relational aspects of work and reward seemed to have affected the degree to which the culture change desired by the top management had developed in the way they had anticipated.

In contrast, change had been swift in one unexpected area. One top manager talked of surprise and unbidden financial improvements as a result of travel cost savings by staff, apparently spurred by a collective and unspoken reaction to the national-level debates about public sector cuts aimed at curbing the national deficit:

> '*…people have got the message about the cuts and were so taken by it that we've ended up under-spending on our travel and subsistence…people suddenly became really frugal …when people got the message they think "oh bloody hell" then amended their behaviour…so I was surprised at the speed at which people responded ….and we …actually went round to staff and said "look if you've got any sort of good ideas for saving money"*. (TM1mal)

5.10 Conclusion

Case study 1 seems to have two strong cultures, which have been termed *preservers* and *pragmatists*. The former grouping comprises mainly long-serving staff and managers (including some senior managers) and trade unionists and the latter mainly shorter-service staff and managers (particularly those recruited externally). While both appear to be strong cultures, a question arises about which might be considered to be the dominant culture. Conventionally, the dominant or corporate culture (Anthony, 1994) is associated with top managers, but in Case study 1 this is less clear to see and more debateable, since more senior managers are *preservers* than *pragmatists* and there are also senior managers who are trade unionists. The division and conflict between the *preservers* (perhaps a majority of the staff, especially the long-serving staff) and the *pragmatists* (top managers and staff with employment experience in the private sector) might be seen as that between two orthogonal

(Martin and Siehl, 1983) sub-cultures. On many aspects of organisational life there is agreement between these orthogonal cultures, but on certain areas (for example on organisational commercialisation and performance pay) there are pronounced divisions.

Strong sociability (Goffee and Jones, 1996) characterises the organisation with solidarity questionable. A performance culture seems to be being built in the organisation with the use of performance targets. These had been taken to heart by some staff as part of their professional identity, but there was also some evidence of dysfunctional and 'gaming' (Prentice et al (2007) effects among some staff as well as tolerance of poor performance. This tolerance of poor performance might be seen as a pattern of 'indulgence' (Gouldner, 1954) but the case study provides a more complex picture, with some evidence that there is a rather fragmented set of values amongst managers as much as among employees. This division in values is principally in respect of the nature of the organisation and its encroaching commercialisation and there are more shared values in respect of the current pay and reward system, with staff deeply divided on the controversial issue of performance pay. There are some gendered differences in view on the pay structure and the promotion system, and there is some intersectionality of experiences and values along gender and ethnicity lines. More uniform views and values were expressed on relational rewards, such as autonomy and work-life balance. These were not uniformly distributed and caused resentment among the call centre staff in particular, for whom there seemed few compensations to counteract their notable lack of autonomy – especially when they compared themselves to colleagues in the same office location.

Narratives in this case study on the nature of the organisation and its brand image - and on how it was perceived by '*preservers*' to be better in the past – might suggest that such views and the retelling of them might fall into the category of myth. The longitudinal stage gave some evidence of the persistence of the myth of the organisation as it had been in the past, and there continued to be major dividing lines between those who believed in the past image and those who did not – the '*preservers*' and the '*pragmatists*'. Nevertheless, the views of those who expressed strong feeling about this in the first set of interviews seemed to have been mollified

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to some extent by external environment changes such as the public sector cuts and pay freezes. Hence, the narrative moved on from preserving the organisation to – in some sense- preserving self, with concerns over job security coming more to the fore.

Pragmatists seem to have a more external or 'cosmopolitan' (Gouldner, 1957) focus, while the preservers are more 'local'. Case study 1 therefore shows some ambiguity in the values expressed by staff in relation to the market – reflecting both 'local' and 'cosmopolitan' experience. Fairness is acknowledged as a strongly shared value and part of the organisation's 'DNA', but in the case of the preservers reaches what the pragmatists regard as absurd levels. The fairness around pay is highly evident and the pay system open and transparent. However, in this are as in others, employee values may be seen to '*fine tune*' (Swidler, 1986) employee reactions, as it is assumed by the '*preservers*' that pay system can be made ever fairer.

Analysis

Chapter 6: Case study 2: Large charity

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6.1 Introduction

Case study 2 is a large well-known charity in the medical field, with approx. 3,500 employees, spanning scientific, medical, fundraising, administrative and managerial roles. The current charity is the product of the merger of two charities about seven years ago. It is managing to survive in a difficult economic climate although its donor income is lower than it has been in recent years.

The charity has a number of locations around the country. In addition to the office and scientific locations, it has retail shops in many towns, each with a shop manager but mainly staffed by thousands of volunteers. Volunteers do much of the direct fundraising. At the time of the fieldwork it was in the process of relocating its HQ.

The data for the case study is based on interviews with 17 staff and managers across a range of functions in the charity, but excluding shop staff. The research method also included documentary analysis. Further details of the sample and sampling are given in the Methodology section (Chapter 4). Quotations are given to illustrate the points made. Each quotation is labelled with a code denoting the interviewee's status[6] in the organisation and their gender (mal or fem). It should be noted that exact job descriptions and specific areas of work that the staff of the charity undertake are not disclosed, since a guarantee of anonymity has been given to the organisation and the interviewees.

6.2 Summary of reward and culture findings

The charity employs professional specialist HR and reward practitioners, who together with organisation development specialists, take an interest in the development of the organisation and its culture. The reward specialists have developed a reward strategy and designed reward practices.

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[6] The codes are Mgt (Manager), Prof (professional), Supp (support staff). Each has a number relating the broad salary band of the interviewee's job. For example,Mgt1 indicates Management broad band 1. The higher the number, the more senior the role.

6.2.1 Summary of pay and reward arrangements

Reward specialists have developed a reward strategy, which comprises six key principles – market competitiveness, reward linked to contribution, recognition of excellence, an emphasis on total reward (including learning and development opportunities), fairness and transparency, and flexibility.

The charity has an increasing commercial focus with staff in support functions such as IT and Finance coming to the charity from industry and commerce. Considerable investment in IT has been made in recent years. Until 2009 the charity operated separate pay and grading structures for non-research and scientific staff – with the origin of staff experience being a key element – for example, medical/scientific staff who had previously been employed in the NHS were on roughly similar scales. Many different market pay levels were identified across different functional areas. The pay structure was changed in 2009, with the aim of simplifying the many different scales into a single structure. The charity's reward manager uses market rate data and aims that the pay should be thought fair and competitive. The new structure is a 10-band broad-banded structure, with:

      4 broad bands for managers and managerial level staff

      4 broad bands for professional staff including scientists

      2 bands for support staff

At the time of writing, the average salary for the 3,664 staff of the charity was £24,600. There were 158 staff earning above £60,000 and the highest paid is £225,000 at the time of writing.

The charity has a diverse workforce in terms of job role and employee's lifestyles. Hence, the charity, in keeping with some other employers (Chapter 1) sought to respond to this and devised a flexible benefits plan for staff with benefits in seven categories or channels - work-life balance, learning and development, health, finances, communications and involvement, travel, and discounts and savings. The take-up for this voluntary scheme has been slow at 10% of staff. There is also a

stakeholder (minimal cost) pension scheme, but after two years' service employees have an opportunity to join the defined benefit plan. A previously-existing final salary pension scheme has been closed to new members.

The charity aims to pay staff according to individual performance and there is a performance management scheme. Pay rise budgets in recent years have been low or zero and pay levels for many staff have not kept pace with inflation. The charitable funds decreased by £16 million in 2009 although all income rose by £15million, when account is taken of the trading and other group activities.

6.2.2 Culture

There is evidence of shared values in the charity, with many interviewees in agreement on how they saw the organisational culture. The *fragmented unities* definition of culture (Parker 2000:4) seems to accurately describe this organisation. While it is fragmented and differentiated by location, function and team, it is also united in valuing the mission of the charity. One corporate manager said there is '*a huge variety' (*in the cultures around the organisation), '*…there is an underpinning element which …goes back to the (organisation's) mission* (Mgt3Afem).

While the fragmentation was mentioned by all interviewees, so was the strong brand or mission of the charity which binds together the disparate parts of the organisation. A science-based manager summed up the way that she and colleagues viewed the organisation:

> '*We see ourselves as working for a charity …and that has its own set of rules that you make yourself as an individual because you're working for a charity and we're all acutely aware of where our funding comes from. Therefore there's this feeling that you shouldn't be wasting money …because we know how difficult it is raising money'.* (Mgt2Afem).

Senior managers seem sanguine about different cultural patterns evident in different parts of the organisation. One senior scientific function manager commented:

> '*The organisation…prides itself on being complex. ..most organisations are quite complex… we've just got a hang up about it…'.*(Prof4AFem).

In general, staff described positive images about the culture, in spite of the acknowledged absence of a single, dominant culture. The key factor seems to be the unifying mission of the charity providing a thread to join the different parts together. Collectivist images of the culture were mentioned by many staff and managers, for example the following analogies were used as descriptive images of the culture by interviewees:

> *'It's (like) a cloud—it looks kind of fluffy and nice from the outside, but when you delve into it, actually you find pockets of different things'.* (Prof4AFem).

> *'It is that sense of people joined together and standing and working together'.* (Mgt3A Fem)

> *'A really enthusiastic, ambitious and passionate organisation....(like) a playground of really happy children'.* (Prof2Cfem).

Many staff have worked in other organisations, particularly outside the charity sector. A manager, who said she had worked in quite a wide range of organisations outside as well as inside the charity sector, including banking, said she thought that while the mission of the organisation was a strong binding feature, that was not the only common cultural thread. She said there was:

> *'…something about the culture of how it treats people that is very important to me…..'* (Mgt3A Fem).

Some interviewees saw quite distinctive differences between the charity and industry contributing to the culture they value – which is different from their experience in industry:

> *'... I think there's less of a 'cut-and-chop' approach within the charity that you get in industry… where they have re-structuring every 5-6 months… we have had a couple of re-structures here ...but it's nothing serious really'.* (Prof3Amal)

This comparison with industry was made particularly by scientists who had experience of the pharmaceutical industry, but it also extended to support staff:

> *'I used to work for Sainsbury and this is a much more interesting job than that…and you are treated better by colleagues. I am still studying so I only work part-time...it is a very supportive culture…'* (Sup1AFem).

While there was a measure of agreement and shared understanding on the fragmented but unified culture there were marked sub-cultural tendencies in the

organisation with a differentiation evident by both function and location. The differentiation most often mentioned is between fundraising and science areas:

> *'There isn't one single culture… There are different cultures internally …. It's kind of fundraising versus science'.* (Prof3Bmal)

However, the cultural differentiation tends to be into what Martin and Siehl (1983) describe as enhancing sub-cultures. For example, although they are different fundraising and science can be viewed as mutually dependent. One fundraiser put a very positive spin on the differences between his area and the science-related cultures:

> *'..it's a real nice sort of virtual circle where whenever I've met the scientists it's like mutual high fiving....'* (Prof3Bmal)

But others described conflict between the fundraisers and the science staff:

> *'Some of the scientists, I think can be very obstructive towards fundraising …. Some of them don't really want to get involved in fundraising at all. Some are actually brilliant and couldn't do enough fundraising...'* (Prof2AMal)

Staff who had been in the organisation a long time, especially those who remember the merger seven years previously, tended to see the sub-cultural differences particularly acutely:

> *'...there are definitely different cultures here – between the fundraisers and those who spend the money. We have more links to the NHS, whereas fundraisers are all very target driven…'* (Mgt3DFem).

Senior managers in the organisation tend to see the bringing in of staff with commercial experience in the finance and IT areas as necessary and positive (and the raising of pay levels in these areas to make the roles more attractive to those from outside the charity is part of this strategy). Other staff and managers expressed concerns that such (corporate) staff did not share in the commitment to the charity's mission. One professional described the corporate staff (IT, finance, HR) as '*faceless*'. He added:

> *'With the corporate guys, I get the impression that some of them can forget that they work for a charity, and some of the guys in finance and some of the guys in IS as well and it can be any organisation ..it doesn't matter it's a charity.'* (Prof2AMal)

It is these corporate functions – as well as scientific areas - in which the charity has been focusing more market-based reward offerings believing that it might not be able to recruit high quality staff if it did not pay a market-based reward. This reward strategy may be running against the core shared beliefs, which tend to unify the sub-cultures, leading to increased divisions.

One fundraiser saw stark differences in culture between the scientists, fundraisers and *'communications and back office….I feel like we are not at all linked'. (*Prof2Cfem). She expressed some concern about the central communications staff taking the role of gatekeeper:

> *'It does hold us back a little bit, because for example Communications are the gatekeepers and they sign off the copy. If you are in fundraising you are just trying to raise some money, sometimes the one word that they change might not be worth changing. It takes time. There is a little bit of friction there'.* (Prof2Cfem)

Another professional, however, saw that in spite of her observation that:

> *'…we are not all uniformly travelling in the same direction at the same time...*(but)*….generally speaking, we are all moving forwards'.* (Prof2BFem).

Location-related, as well as functional cultural differences were described by interviewees, for example:

> *'….we're much more Cambridge centric than organisation centric. When we started up London was the mothership and there was quite a bit of animosity, I think they resented us being here with new equipment and building, so we've struck out on our own…We tend to make our own rules and do what fits best'* (Mgt2Afem).

The evidence from the interviewees suggests not a strict divide between subcultures and corporate culture but rather a layering in which some beliefs, assumptions and values are shared and there are also differences, which may be more fragmented by function, location and team.

There were some indications that the stories and beliefs expressed by staff about the divisions within the charity assuming perhaps mythical dimensions. This is debateable as the process of myth creation takes place over a period of time x) and

the research was conducted in the charity over a period of six months, over which time span it was not possible to observe myth development. Nevertheless, the key division between fundraising and science is a potential area of conflict and the stories may have a function in bringing to the surface some of the assumptions underlying their respective ways of working:

> *'You do hear some stories, anecdotal stories about how they (scientists) don't really want to get involved in the fund raising at all—and the animosity from some of the science writers towards how the fund raisers use that in their fund raising packs ...the scientists are ...driven by making it 100% factually correct. Sometimes that can get twisted by the fund raisers to make a better story ...there is definitely a culture difference'.* (Prof2AMal).

Some staff saw that different styles of leadership and decision-making in the organisation in different departments were instrumental in forging or perpetuating the differences observed. One professional saw:

> *'....it is very factional as an organisation.... there are some big leadership personalities which perpetuate the factions ...... different cultures (relating to) making decisions, people might not exactly know what their responsibilities are... I think there is probably a whole cultural thing ... not being clear about what their responsibility is and what is within their remit to make decisions'.* (Prof2Efem).

The corporate culture was described by several interviewees as 'bureaucratic' with some lengthy decision-making processes. A fundraiser commented that this seemed to be at odds with the organisation becoming more innovative:

> *'I think we really want to be innovative and we try...but sometimes ...the layers and the sign off time it takes can hold us back'.* (Prof2Cfem).

Nevertheless the intensity of the shared values relating to the organisation's mission seems to hold the organisation together and prevent cultural fragmentation. This has two implications. Firstly, staff are:

> *'...very engaged in their work here....'* (Mgt3DFem)

The organisation conducts a regular employee engagement survey and considers that the results show high level of employee engagement throughout the organisation. (The definition and nature of what is employee engagement, of course, are debateable -see Chapter 1, section 1.3.9).

Secondly, the drawback many staff perceive is that of a pattern of long hours working and intensification of work. Organisational data show that on average staff work an additional five to 10 hours each week beyond their contractual hours, leading to the existence of a long hours culture:

> *'It's becoming more corporate and much more pressurised than it was when I first came here. ...(with) longer hours. I think there still a culture that it's expected for you to stay late and I think there is so much pressure and so much to do that you tend to work longer hours.... a lot of people here are quite passionate about the charity, you are prepared to do those extra hours....*(Prof2DFem).

The organisation is described as *'very caring'* (Mgt2Afem), and this seems to be a shared belief, running across the acknowledged different cultures or sub-cultures. These caring, welcoming and collectivist cultural features both run through the sub-cultures and are a feature of the social exchange relationship experienced by employees. As one professional indicated, the welcoming and collective culture he thought existed in the charity was something to be contrasted against level of extrinsic reward in weighing up his total employment experience. He observed:

> *'I've had experience of quite stuffy ...corporate cultures in another role and really didn't get on with that and find it very welcoming and very inclusive culture here ....it seems very hard to get the combination of the higher reward and the nice collective culture'*. (Prof3Bmal).

6.3 Narratives on reward and pay setting

Managers' perspectives on the constraints from the lower charity funding, as a result of the recession, indicate that ability to pay and cost of living is causing some difficult decisions:

> *'At the moment because of the current climate, some of them (the staff) are doing a good job, but actually there is not much in the reward pot ...We are trying to do it by other ways by courses and training and offering incentives that way (instead of cash'.* (Mgt3Bfem).

After budgets (however small) are decided by top management, pay decision-making on actual pay reviews for staff is devolved to line managers:

> *'I'm involved in the budget....There was a meeting in London where they explained what the financial situation was ... then we were told what we're getting and that it's up to us how we spend it'.* (Mgt2Afem).

To both staff and managers the reward decision makers (top managers, HR and reward managers) seem like '*distant family*' (Prof2Cfem). It therefore feels very remote to them. It also leads to factionalisation as different practices and assumptions are developed in different parts of the charity. Narratives on how, and by whom, reward decisions are made very considerably by department. Hence the relationship with individual line managers is seen as crucial:

> *'I think it's very much the luck of the draw, if you've got a director that appreciates you ....you are okay. If you've got a director that doesn't appreciate you (then) you are less okay'* (Prof2Efem).

There may be no pay progression at all for some staff, but this is not set out clearly for staff. Line managers believe that the charity has developed a five- year plan for pay but they do not have detailed information about it, and rumours have begun to circulate through the charity:

> *'At the moment ...because our budget is level (it's been level for the past few years...) the rumour is that it will continue like that for the next few years anyway... so there are two things that don't increase: one is admin budget and the second one is ...salary budget. In fact the admin budget has been slashed'.* (Mgt2Afem).

The reduction in pay rises had resulted in some difficult conversations between managers and their staff:

> *'I'd be very lucky in some of my earlier years... I was getting 7% or 6%....and that's just been unheard of since.... I've recruited people who I've had for a couple of years and they've really delivered and I've had to say to them ''you've done really well this year and...(they say) I've worked late every night ... and what you are saying is, I'm going to get 1 or 2% ..'* (Prof3Bmal).

Broadly, staff accept that annual pay rises below inflation are justified, given the financial position of the charity. However, they see the top management view that budgets below inflation can fund performance based pay rises as controversial. One manager summed up the position from a line manager perspective:

> *'...you may well be in a pay band, but you could stick at that point in the pay band forever... ....We are told by the senior management how much money we've got to play with or what percentage we have to play with....we then*

have to justify what we pay our individual staff ....which, in theory is a nice idea, but in practice ...last year we got 1%....not even a cost of living rise …'. (Mgt3CMal).

Two subtle consequences seem to stem from the restriction on pay budgets and below inflation pay rises: Firstly, even though staff accept the below inflation or nil pay rises, they challenge the way that pay reviews are communicated and want more direct and *'adult-to adult'* conversations:

> *'Pay rises – there are no pay rises – but this is not declared openly by the organisation. If the financial situation means we do not get rises then we can understand that ...let us call it what it is rather than pretend there are performance based reviews....we need to be dealt with in a more adult to adult way rather than adult child. Let's not call it a pay rise if it is below inflation….'* (Prof2Ffem).

Secondly, the scarcity of resources for pay rises seems to have resulted in managers engaging in internal political action to get the best out of the system for their own teams and staff. In so doing they appeared to be seeking to distance themselves from the top management view and this could be viewed as a form of 'gaming' (Prentice et al, 2007):

> *'I've been able to influence the pay of my team on at least one other occasion when I was unable to recruit ..'* (Mgt3CMal).

6.4 Institutional factors and status

The interview data revealed some further evidence of the use of political behaviour by managers and their power relationships. One manager observed that some managers press for pay rises, engaging in various types of political behaviour to gain advancement for their staff:

> *'… stronger leadership within different teams actually push and support the members in their teams'.* (Prof2DFem).

She added that there was resulting unfairness:

> *'I think with other people who potentially are better at their job and maybe a little bit more critical… that look at things more critically, but obviously for the right reasons haven't been as successful as other people. I think there is probably a culture thing there'.* (Prof2DFem).

The use of political skills was indicated to be needed to secure personal advancement:

> *'I think the organisation values diversity of opinion of types of people… or at least it likes to think it does …. I've not seen very many mavericks who have a huge difference in opinion get very far…'* (Prof2Cfem).

Some of the subtleties of using political skills in order for staff to get the rewards or advancement they seek were described by a young professional:

> *'I've just come out of a meeting with the director of my team where… I had to kind of read a lot between the lines there, because I'm not 100% sure that he thinks that I'm ready …'* (Prof2Cfem).

She described how she lobbied her boss to secure the advancement she sought:

> *'I've been lucky. Now I'm in a place where I want to be earning another five thousand pounds and it's now a case of fighting with my director about whether I think I'm capable and whether he thinks I'm capable.'* (Prof2Cfem).

Another woman professional saw the political behaviour in a much more critical way:

> *'…there is a lot of crap to take here…petty egos putting a spanner in the works all the time….the leadership behaviours in parts of the organisation are such that they do not want to take decisions…'* (Prof2FFem).

The charity does not recognise any trade unions, but from pre-merger times there remains a residual role for staff representatives. They are not recognised for the purposes of bargaining on terms and conditions. A woman who remembered pre-merger differences commented on the changed role of staff representatives:

> *'They (staff representatives) seem primarily to reside on disciplinary, redundancy type processes. At one time they seemed to be more involved in improving things for staff'.* (Prof2BFem).

It can be seen there are political and institutional factors at work in this case study, which contribute to, while not being central to, the relationship between reward and culture. Similarly, status distinctions between people seem not to be influential or significant:

'…..it *doesn't seem a particularly hierarchical organisation….I think the only difference is that the directors have an office, normally, and they can often have a Blackberry and that's probably about it*!….(but) *I would say that, in terms of pay levels, there is a noticeable difference the higher up you get...*'(Mgt2Bfem).

Staff, who had worked in other organisations, observe that the charity is not as riven with status concerns as other organisations:

'...*it is democratic ....we all sort papers when it is needed ...and there is less status than in the NHS...*' (Mgt3DFem)

For most interviewees, the broad band pay scheme did not appear to be linked with status concerns, which has sometimes been indicated in other sources (IPD, 2000). Hence, at a general level, it might be thought to be suitable to an organisation such as the charity, but because of concerns over transparency (see section 6.5 below) the system is not well received by staff.

6.5 Communications on and transparency of reward processes

Most interviewees thought communication on pay was poor. There were critical views on the low or nil pay rises but these were more muted than those on the lack of transparency and perceived poor communication of the rationale of the new broad band system.

'...*there's no transparent system around that… it's not linked to performance or metrics in any way… so that makes it slightly subjective and therefore harder… I would also say that there's not a great deal of understanding, I don't learn what my colleagues earn, they don't learn what I earn, it's all very secretive...*' (Mgt2Bfem)

There are shared beliefs over the lack of transparency of the broad-banded pay structure, with the exception of the senior management, who view it as a simplified and codified system.

Senior managers' perceptions about openness and transparency on reward issues suggest they believe it is improving but there is still work to do on this aspect:

> *'It's a lot more transparent than it used to be. The problem is that there is just not enough to go round… at least it's run by committee rather than one individual. It's quite a clunky process'.* (Mgt3Bfem).

However, there was evidence of ambiguity and indications that managers can take both an official management view and an employee view at the same time:

> *'I think it's still a bit of a murky area about how it's all put together and who agrees the percentages…. That might be perception rather than truth in all honesty'.* (Mgt3Bfem).

The charity has a low level of employee involvement in reward developments, and the new pay system was implemented without staff or line manager buy-in. One line manager said:

> *'We have just introduced a new banding system - there was no consultation, we were just told about it, 'your job is now this', which we felt was slightly strange because it was presented in quite a formal way but we were told it wasn't a change to our terms and conditions'.* (Mgt2Bfem)

Another was equally critical:

> *'It was decided where I fitted and where my team fitted (into the new pay bands) without any discussion'.* (Prof2DFem).

The introduction of the broad bands seems to have resulted in a number of negative outcomes. It has created mistrust and frustration among employees and was considered 'demotivating' by some staff – at least for a short period of time. The negative effects have been counterbalanced over time by the strength of feeling on the organisational mission – and staff not wanting anything to interfere with that:

A fundraiser who was very positive about the organisation but is much less positive about the reward process said:

> *'...if you are doing great and then (are given) 1% ….I don't think it's transparent …. if you put a case forward and say you are not going to leave and they like you they might offer you a bit more'.* (Prof2Cfem).

There was agreement that the old, fragmented reward system seemed too ad hoc to staff but (echoing the findings of Kessler et al (2006) in the British Civil Service) there is an expressed liking for the incremental system that has been experienced by scientific staff who have previously worked in universities and the NHS:

> *'The new system gives people more explanation but it is not as transparent as the NHS - most people look to the NHS, which is very clear and transparent'.* (Mgt3DFem).

The implementation of the broad bands gave rise to both procedural and distributive justice (Greenberg, 1987) concerns:

> *'..the new bands didn't make any sense because I think I came in right at the top of mine but was told, don't worry, we can go above that and then I couldn't understand what is the point in having this band... that didn't really make any sense to me and again I didn't really get any answer to that. It was, don't worry, it doesn't really mean much'.* (Prof2DFem).

In spite of the criticisms of the lack of transparency of the broad band system, there were different, possibly sub-cultural, views on whether it should be that much more open:

> *'It's quite hard to get total visibility…'* (Prof3Bmal)

Some managers wanted to protect themselves from criticism from individual members of staff by keeping details of the pay bands confidential:

> *'I don't know if it should be totally open, because I think that stuff you want to keep people guessing. You don't want to give it away'.* (Prof3Bmal)

For scientists **t**he introduction of the broad bands and the lack of transparency have created mistrust and frustration among employees and was considered *'demotivating'*, but that was counterbalanced by the strength of feeling on the organisational mission:

> *'I have to say I was a bit frustrated by it when it came out, …to begin with we found it de-motivating but I can't dwell for too long about that…'.*(Prof3Amal)

The new pay structure has generated resentment but few formal complaints:
> *'… most people have accepted it(the pay structure) as their fate…(but) one person has said she's in the wrong grade and should be paid higher and that's something we must discuss with HR'.* (Mgt2Afem).

For the few staff in the 'talent 'pool', who are generally positive about the organisation the lack of transparency is also a key concern:

'...the question I've asked is… so where is my tier and what commensurate roles (are) at the bottom end of the next tier above …and I can't get an answer for that… It's not quite cloak and dagger… but I don't think it's totally open'. (Prof3Bmal).

While the 'talent pool' interviewees did not question the distributive outcomes, scientists did. One senior long-serving scientist was highly critical of both the old and new pay structures and the lack of transparency he saw:

'...we've just been through some kind of re-grading exercise …and that whole process wasn't particularly transparent … … I would significantly question the conclusions that they came to'. (Prof3Amal).

There is also thought to be minimal communication on the annual pay review and implementation of the nil pay rises. A manager said:

'....we sign a letter to agree the pay increase but everyone knows it beforehand, has a little grumble about it being very slight… there's no major discussion …….we're all aware that we're working for a charity, where our money comes from and how difficult it is to raise funds and keep the charity afloat…' (Mgt2Afem).

Several managers themselves said they were only '*minimally*' involved in the reward decision process:

'…it's decided and handed to you'. (Mgt2Bfem).

The financial circumstances of the charity and its consequent inability to fund pay increases seemed to be met by an unspoken acceptance by staff of below inflation pay rises both currently and stretching into the future. This might indicate that perhaps the messages did not need to be made explicit. However, some staff were critical of the process used to communicate when pay limitation measures were implemented. They accepted the nil rises, but not the process used to communicate them:

'It's usually dealt with….by the manager …handing you a letter the awards for this year I'm happy to say we are getting X per cent …the manager calls us to one side(and gives you) a letter'. (Prof2BFem)

Echoing the views of some managers on transparency of the broad bands, some also prefer opacity about annual pay rises, wishing to protect themselves from criticism

from individual members of staff by keeping details confidential. For example, one manager described wanting to:

> '.... keep very very quiet...because... there are some discrepancies   and .... it would cause problems... it would cause chaos'.(Mgt2Afem).

Unlike in some UK organisations, there is no formal way of discouraging people from sharing pay information, but even so pay issues are:

> '....very rarely discussed.... I think I know about what maybe three of my colleagues earn... I don't think I've ever told anyone the truth about what I earn!' (Mgt2Bfem).

Rather there is informal pressure restricting information sharing as it's an aspect of the 'culture', influenced by '...top-down management behaviour'. (Mgt2Bfem).

There were shared beliefs (with the exception of the senior management) about the lack of transparency of the broad-banded pay structure and the annual pay review process and these critical views spilled over into other cultural attributes, such as values in relation to fairness (see section 6.8). There was evidence of a close link between transparency and fairness:

> 'I can see it's much more transparent when we had before, which was just opaque ....and therefore led to a ...feeling amongst the masses that there must be some conspiracy and some diddling going on behind it or why else would it be so opaque?. (Has the new) framework made a difference to me? No. Perhaps it's made me aware that I am well paid....' (Prof4Afem).

> 'I think if you are doing a reasonably good job and they are happy with you then you will get...a cost-of-living pay rise....I know there is that option to give bigger than average pay rises. I'm not happy as to the criteria of those. I don't think that's made clear'. (Prof2BFem)

6.5 Marketisation and pay comparability

The charity's formal reward strategy in recent years has been to counter a perception that working for a charity invariably means 'low pay or no pay'. Increasing commercialism in the case study charity has been accompanied by a trend to more 'professional' reward management, which Parry and Kelliher (2009) note leads to the adoption of more 'calculative reward' policies in the voluntary sector. The charity's

reward manager spends time and resources acquiring and using salary market data. Reward specialists use a charity sector salary survey but do not disclose the comparators they use to employees. A science-based manager had doubts about the appropriateness of the comparisons used, indicating that managers would like more comparative pay information. She asked:

> '*Who are we benchmarked with*?' (Mgt2Afem).

The reference points scientists use, when making judgements about the market competitiveness of their package, are in academia or in industry, while the survey data that the reward specialists use to judge the general pay market tend to be other charities' pay levels. Hence although different groups talk about competitiveness their reference points are different:

> '*... the impression that we had from the outside (was that the organisation paid) very well... and ...labs were well-funded ... I am reasonably well-paid. The problem is that within the University ...we had annual incremental increases in pay, and this was something you looked forward to – we no longer have that (here)....if we worked here for 20 years then we'd still be earning the same salary as we are now...*'. (Mgt2Afem)

> '*...we struggle to be competitive in terms of reward and have a track record of losing people to industry or not able to get them out of the (pharmaceuticals) industry*'. (Prof4AFem)

Pay comparison reference points for fundraising staff include the unpaid volunteers, who do much of the actual fundraising. They therefore see the constraints that stemmed from donors and volunteers, with whom many paid staff work closely:

> '*I think the only time it becomes an issue is when we're talking with volunteers, as a paid member of staff you'll be working with a group of volunteers who aren't getting paid for what they're doing... they're always interested in what you earn*' (Mgt2Bfem).

In contrast, scientists, who have direct comparators in the pharmaceutical industry and universities, tend to express more reference points in those sectors – and hold more market-related values:

> '*...the jobs that are available within this part of the charity are very much duplicated across the industry so to get good people in... we have to be competitive. ...*' (Prof3Amal)

While the interview data indicated that there is no shared acceptance amongst staff that market competitiveness is a concept to which they attach importance, it might be noted that, before the recession took hold and reduced the money available for pay rises, there was an uplift in salary levels:

> '*I know people have left in the past - because …the remuneration at the time wasn't good enough. Things are a lot better now than they used to be and I think it's closer to the balance of being rewarded well enough for the job that you do, isn't quite as competitive as elsewhere perhaps but there are these other rewarding factors to take into consideration…*' (Mgt2Afem)

Within some of the science-based parts of the charity, pay benchmarking resulted in quite large pay rises to try to prevent people leaving to go into or return to industry, especially when jobs were directly comparable:

> '*…we had across the board 25 – 30 % pay uplift to try and bring us into some kind of competitive type position within the industry …*' (Prof3Amal)

Lower pay levels than in industry are seen as compensated for by other reward elements. Both the culture and charity's mission represent are elements of reward that are strongly valued:

> '*….I do value that and the feeling that you are doing something worthwhile…..potentially (I could) earn more…*' in the private sector but *….I'm not sure that I would like the environment…*' (Prof2BFem)

A manager, who had worked in finance, described the practices in that sector as '*cheque book management*' and contrasted it with the charity:

> '*I have chosen this type of organisation because I wanted to work for an organisation where it had a meaningful purpose….around whether I get a bonus or highly competitive salary or car or some of those other benefits I've had in the past…*' (Mgt3Afem)

A professional working in fundraising suggested that people make rather subtle judgements on pay and reward comparisons, which might be difficult for reward specialists to reflect in basic pay surveys:

> '*I think we are paid well for the charity sector. But we are not as well paid in comparison to (universities). But then….I feel like the development side and the investment that you get… makes up for that'. (*Prof2Cfem)

There is evidence that professional levels of staff attach the importance to relational rewards – noted in previous studies (Chapter 1). However, support staff in the charity also tend to take a rounded view of reward, with basic pay not their only consideration. A support worker who works part-time while she is studying considers that the supportive culture and the development opportunities offered by the organisation make the reward package '*good*'. (Sup1AFem)

Nevertheless, pay comparisons to the external market matter more in some parts of the charity, suggesting some sub-cultural trends. The 'Home Counties' (middle class, white and female) composition of the majority of the staff, who earn middle level incomes, might perhaps suggest that cash pay is less financially crucial to such staff. Support staff are relatively few in number in the organisation. They are lower paid than the professional roles and are also thought by their managers to have a different perspective on pay:

> '*I think....support roles are probably more aware of their finances*' (Mgt3Bfem)

Supporting this interpretation, a manager of scientists indicated that there might be a threshold level below which staff would not accept lower pay within the charity than pay levels they could earn outside. This seemed to indicate that the concept of *reservation pay* (Rynes et al, 1983) could be an important consideration:

> '*…one of my staff couldn't afford to buy a house … she's a single woman but she couldn't find a property. What should you expect in your early thirties, should you be able to buy your own home? I know she feels she's underpaid and has been looking elsewhere, she loves working for the charity and is very devoted to it but she can't afford to…*'(Mgt2Afem)

Most staff do not expect to be earning the same as in the private sector. Within the various functional areas of the charity salary market competitiveness was variable but when it was lower it was accepted by staff. A line manager in a support function suggested that:

> '*In the ...department where I'm based I think the pay is reasonable; I think people can get more in the private sector but if that's where you need to be then that's probably where you would be*'. (Mgt2Bfem)

However staff who have experienced pay progression or incremental systems in their previous employments see the lack of an increase in pay annually from such pay progression system as indicating a decrease. A science manager gave an example:

> *'...somebody who works for me says she would be on more money if she was at the university.....One of the problems we do have here ....is that we don't have any cost of living or incremental system and we haven't had for a long time.... you may have got somebody in on a decent salary, but... two years down the line you look outside and think well, actually, I could have got much more if I'd stayed in my old job and that's difficult'.* (Mgt3Bfem)

Many staff thought the current pay levels broadly fair in comparison with the market. One manager in a department, which has a requirement for very similar skills as the private sector said:

> *'I don't feel totally underpaid, but I don't feel particularly well paid...Kind of about average I would say...'* (Prof2DFem).

Similarly a technical specialist said she could '*...potentially earn more...*' in the private sector but she added: '*I'm not sure that I would like the environment*'. She reflected that if she were to leave she was in two minds as to whether or not she would want to work for another charity or would work in industry:

> *'I wouldn't necessarily work for a charity if I left here. I do value that and the feeling that you are doing something worthwhile…I think considering we are a charity that the pay is very fair...We are not having to work for love, because it's a charity'.* (Prof2BFem).

More subtly in judging pay competitiveness, while the scope of roles may be broadly similar to those in the private or public sector, often there are additional or wider roles:

> '*…..you don't expect to be paid as much if you work for a charity ….my job is broader than comparable jobs outside. My job I would compare with xxxx, who are paid a lot more than me. Its more the role itself which ...there is more diversity of work (here)…'* (Prof2FFem).

> *'With this being a voluntary sector you always end up getting involved in other bits and pieces as well, which is quite good fun…'* (Mgt3CMal).

However, this general approach does not seem to align with the importance of the relative employment environments and perceptions about differences between the

charity and industry. The previous experiences staff have had within different economic sectors affect their views about external pay comparisons. This suggests that feeder cultures and occupational sets of values (Chapter 2 section 2.5) as well as the experiences employees bring with them into the charity affect how they see the rewards in this organisation:

> '...we have more continuity of ...role, whereas in the pharmaceutical industry people are going in and out and being made redundant and that kind of thing. ...people have usually gone into that kind of environment (pharmaceutical industry), because they want more money'. (Mgt3Bfem).

6.6.1 Total reward perspective

There is evidence from interviewees that both managers and employees take a holistic view when considering the competiveness of reward packages. As Cunningham (2010) notes the 'relational' aspects of the 'psychological contract' (Rousseau, 1995) have been traditionally seen as most important in the voluntary sector, in which tangible rewards tend to be low. Staff in this charity make pay comparisons with other sectors but take a holistic view of the reward package. An IT worker who looks to the private sector for pay comparisons said:

> 'I think there are some areas where it (the package) falls short a little. Some things are very good... holidays and the pension. There is access to some discounted offers and I don't use those very often. I tend to find that kind of thing a bit irritating as a reward because ....I don't have much discretionary cash ...to take up on the offers... Obviously, as we are not a commercial organisation....That's just one of the things you accept working in a charity.' (Prof2BFem)

There is quite strong evidence that relational rewards may be stronger in retaining people in the organisation than cash pay:

> 'If I was to go for another job somewhere else....(it would be) not-for-profit again,..... I would be going for a job purely based on pay if it was an organisation I was not really interested in'. (Prof2DFem)

One manager described the thoughts he had observed developing over time with respect to both his staff (mostly nurses with experience of previous work in the NHS) in levels of satisfaction with the reward package as a whole:

> '... you have to make a kind of calculation in your own head, after a while that although the job is very stimulating and interesting and you get a great

buzz ....it can get a bit same-ish. ....are you going to stay and make the best of it or are you going to look for something else?' (Mgt3CMal)

It might be argued that in the voluntary sector, the intrinsic value of the work is high and therefore organisations don't need to offer so many tangible rewards. A line manager echoed the strategic thinking of the reward manager:

> *'I think that's how it's seen, whether that's right is something that I'd probably question. We employ professionals and subject....experts ...who give a lot to the organisation and I think that there does have to be a way of recognizing that... We do it to the level that we can.... to remain competitive....'* (Mgt2Bfem).

Different parts of the package were seen to have a significant value to staff with dependants in particular and there were some cultural aversions to private medical insurance from staff who have worked in the NHS. In this mostly female organisation there is a liking for benefits such as child care and that is shared by some men with dependants:

> *'..I don't mind ....that we don't have healthcare and dental care ...I don't really expect that with a charity....I like the ...childcare vouchers and that's something I use. That's been really helpful. I like the ...bike to work scheme (and) discounted car booking and rail fares, flights and holidays'* (Prof3Bmal)

The interview data suggest three conclusions on comparisons with other organisations: firstly, the implied social exchange with respect to both tangible and relational rewards this might be different within the voluntary sector than in industry or commerce. Secondly, they also show that different *i-deals* (Rousseau et al, 2006) suit different demographic and lifestyles. Thirdly, individuals do not disclose their reward preference to their managers.

6.6.1.1 Brand and mission

The '*finding a cure'* mission of the charity has a strong unifying effect. The interview data indicated that working for a good cause charity was seen as rewarding by many staff and that for some the specific mission of charity held special significance:

'I used to work for Unilever …The one specific perk I miss is private health care. It doesn't fit with what we stand for as an organisation….I left Unilever because, whilst I loved it as an organisation and lots of things it stood for and the way it treated its people and developed opportunities like that. At the end of the day I was making margarine to make money for shareholders'. (Prof4Afem)

'….my team accept what they get …working for a charity is a reward….' (Mgt3DFem)

'Sometimes it's lovely to work for a good cause, because you can still have a bad day and at least you've had a bad day for a good cause, rather than a bad day for something you don't really connect with'. (Prof4AFem)

The specific mission of the charity is of prime importance to some staff as their families have been touched by the conditions the charity works to cure:

'...some individuals have got very personal views on the charity…. whilst other people it's just a job that appeals… (for) some of our scientific researchers….it's good funding and good facilities and ..(being) able to progress their scientific research'. (Prof4AFem).

The reward aspect of the mission of the charity seemed to be generally agreed upon by staff across the sub-cultures and this is a common thread across the organisation, binding the various functions together.

6.6.1.2 Autonomy, work-life balance and flexible working

In this case study all the interviewees worked without close supervision, and although autonomy featured in the interview questions these were mostly answered with reference to work-life balance and flexible working responses. The majority of the staff are women and many valued highly the flexible working and flex scheme which allows staff to 'buy' extra leave'- there is a high take-up of this option:

'.. I have children. In the past holiday was very important to me. Now they are older it's less important…' (Prof2BFem).

'I value my work life balance quite strongly so I know pretty much every day that I can stop at the end of the day, I don't work into the evenings or at weekends, I'm not a puppet of some big organisation…'.(Mgt2Afem).

Reflecting on how the existence of flexible working influences views on pay competitiveness a senior manager said she*:*

'..really appreciates… flexibility and …work life balance… I suspect I could get more money (in the private sector). I actually feel that I am quite well paid here…'. (Prof4Afem)

There are indications that staff compare both the relative work-life balance available in this organisation with outside, and the perceived levels of stress of comparative roles, when assessing whether they are comparatively well paid or otherwise:

'*… here I think there is much more opportunity I think for people to have a life outside work'* (Mgt3CMal)

Location and travel cost issues are a focus for discontent. The organisation's relocation of its offices, only a short distance from most current offices has generated some concerns. On the one hand some, managers thought there might be a cultural value in terms of integrating the organisation by bringing several locations together. However, several interviewees thought this move would present problems in terms of extra travelling time:

'*I don't believe that that has been taken into consideration when the venue ...was chosen. …. there has been no talk of people either getting a one off payment or anything like that to cover the inconvenience and the increase in travelling expenses'.* (Mgt3CMal)

One manager said her working life and dependent care responsibilities were on a knife edge in terms of timing:

' *It works now in terms of my husband doing the drop off at nursery and I can get back in time to pick up from nursery, but the tolerance ….is to the minute … If the tube is late it is catastrophic'.* (Prof4Afem)

A male professional, who is in the 'talent pool' and has received much training development, has a similar issue. He indicated to the resaercher that he was considering leaving because of the relocation and the extra commuting time this would cause. Although he is positive about the organisation, he had not disclosed his thoughts about leaving to any colleagues or managers:

'It's partly due to the journey that I've had to get here….. I have to drop my son off two days a week at nursery and I try not to come into London on those days …I have some flexibility around child care and I always make up that time and I work late … I also have my travel funded which is a major

consideration, so that's probably about four or five K worth of travel …If I was on the same salary but I was paying 5K in travel, that would be much less palatable'. (Prof3Bmal)

But he added that:

'The thing that keeps me here is the culture and the people'. (Prof3Bmal)

A professional who likes to work from home and values the work-life balance potential of the new location remarked that:

'… there's not enough desk space for everybody so there will be a lot more flexible working, working from home and things like that…' (Prof 3A mal)

In this predominately female organisation it is perhaps not surprising that work-life balance and flexible working are highly valued. There are indications that some staff with dependent children have very tightly-scheduled working days. However, these aspects of work- life balance are highly valued by some of the men in the charity as well as women. While disclosing their circumstances to the researcher, these staff made it clear they had not told their managers of their concerns.

6.6.1.3 Job satisfaction

Findings in the case study reflect earlier studies on scientists which indicate (Chen et al, 1999) that for research and development scientists being involved in cutting edge work is seen as a reward in itself affecting the perceptions of market-based salaries:

'I think we are working on quite cutting-edge clinical trials which I themselves are quite challenging and rewarding to be involved in, but there's the aspect of potentially improving patients care that …of the great mission …the charity'. (Prof3Amal)

Some scientists commented that in pharmaceutical companies they would be much more restricted in the kind of science they would be engaged in than in the charity. A science manager considered:

'There is a pay-off, really… that's something in which there really is a difference (between sectors). …people have usually gone into that kind of environment (pharmaceutical industry), because they want more money'. (Mgt3Bfem)

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The interesting work seems to counterbalance the lower than industry level pay. One scientist commented that experienced scientists had stayed with the charity for a long time even though:

> '...they could easily get...higher salaries and many have worked in the industry themselves...'(Prof3Amal)

One scientist suggested that market values need to take into account how cutting edge and interesting work is:

> 'I feel that it's a chance to make a difference, (its) not just a faceless organisation generating money for some investor somewhere who doesn't necessarily have a buy in to the actual company....' (Prof3Amal)

However, as one manager pointed out job satisfaction has a downside in terms of the intensification of work that seems to accompany it:

> 'We try to make it as fun as possible so it's enjoyable being here ... but people describe their work as spinning plates, so you spin one and then another comes along and so another drops off ...'(Mgt2Afem)

The findings in this case study reflect those of earlier studies - for example, Walters and Cotgrove (1967), Chen et al (1999) and Thompson (2000) - in pointing to the value – for technical and scientific staff, in particular – of having interesting or challenging work to do.

6.6.1.4 Recognition

Various practices, which might be considered as rites and rituals in relation to recognition, as distinct from cash-based rewards, are used in the charity. The fundraising department was highlighted by interviewees as having several locally-based schemes to formally thank staff or recognise their achievements. A senior corporate manager observed:

> 'We had some attempt to get (it) linked to corporate values ..... I think we are very British about it and people are a bit shy about actually doing it. ...To me (it) means much more...than actually my percentage pay rise often does....It's the personal stuff that gives you that warm feeling. You walk home on a high.... (Prof 4Afem).

A line manager described the approach she adopted:

'.... we look to make people feel valued within the department.....both peer and manager nominated awards that are presented by the director of the department. They receive a certificate and a token gift ....a little box of chocolates or whatever's happening at that time to show recognition within the team'. (Mgt2Bfem)

She explained why:

*'.... I think working in the charity sector is very different to the commercial world because we don't invest our funds in bonuses or a reward system which is funded...so it is a very different way of working. Thank you means a lot more'. (*Mgt2Bfem)

One support worker contrasted her experience of the charity with a previous employer:

'*At Sainsbury if you did a good job it was taken for granted but here I am praised for good work... My manager sends emails saying well done and always remembers birthdays ...there is good recognition for my work ....Good work is praised ....I am ambitious and work hard.'* (Sup1AFem)

However, a professional worker pointed out that some staff were '*disheartened*' when their skills, experience and education were not recognised by pay and this may dilute the effect of general recognition schemes:

'...sometimes there is not the recognition for people generally.... Pay is only part of that whole set up ....(recognition is) patchy I would say....I think one's colleagues recognise whether one is good worker. I don't see much coming from the top down to acknowledge that people are good workers, apart from this annual thing ...in my department... Communicator of the Year or something .....' (Prof2BFem)

Another professional in the talent pool contrasted this experience with recognition schemes:

'*There is more tangible recognition of good people than good work....I'm in a talent pool....you feel pretty good about yourself, because hey, I'm in the pool'.* (Prof3Bmal)

There were some observations that junior staff were less likely to be recognised than senior managers:

'.... if people are being singled out for recognition you could say, well, it's always the same people...It's harder if you are just a junior person'. (Prof3Bmal)

Many interviewees referred to the key role of managers in recognition:

'..we were without a manager for something like a year and a half,....we were in limbo. During that period, I didn't feel particularly valued or supported'. (Prof2Efem)

There are also perceived links between recognition and career progression. One professional said she saw her own advancement:

'...as lucky....I can't think what else it could be. It's hard to understand — there is a feeling that the same people are getting the opportunities and move up and get recognition whereas a lot of people are working very hard and don't get the recognition that they deserve'. (Prof2DFem)

6.6.1.5 Career development and promotion

In spite of the relatively large size of the organisation, with over 3,000 staff, career progression is limited. A line manager observed:

'I think people either come and go within a couple of years or they stay for ten years or so… the high level jobs don't come up all that often… when they do there's always an awful lot of competition - in terms of a career path it's normally growing within roles as opposed to actually having a clear progression….' (Mgt2Bfem)

As with pay there is seen to be a lack of transparency on the criteria for promotion, particularly for specialist staff, who tended to want to see pay and promotion more specifically:

'... linked to career development and training....' (Prof2BFem)

Career progression is seen as variable across the organisation and seems to be limited to people progressing within functional areas rather than across areas:

'..there are many areas of the organisation where there is a sense of career progression....one of my personal bugbears is that it's quite rare to get career progress across different areas of the organisation'. (Prof4Afem)

Sideways moves rather than promotion may or may not be accompanied by formal recognition in terms of pay. Some managers referred to what might be viewed as manipulating the pay system:

> '...we do manage to progress them in a way... (Otherwise they would) be stuck there with what's called a reward every year, but what is effectively less than a cost of living rise.' (Mgt3Cmal)

The reason for this was articulated by a line manager who said:

> '....you generally join the organisation and the only way to increase your salary is generally by promotion, so we don't necessarily have a transparent ladder of progression which links into reward'. (Mgt2Bfem)

The charity has a talent management scheme which gives development opportunities for a small number of people in the 'talent pool':

> 'We have a talent scheme ...you get put into a talent pool and then you are given opportunities to—you have to work hard for these. You have to be really proactive and you have to be constantly self-evaluating and working on your Personal Development Plan ....it's exhausting'. (Prof2Cfem)

Other staff and managers believe their skills and experience are not valued by the organisation:

> '…you accept differences between here and outside, but people here are not paid here for their experience …'. (Prof2FFem)

There are equity concerns especially among staff that have similar skill sets to parts of the private sector and who have worked in that sector:

> '....I've been lucky in my time here and I've managed to move up the ladder, whereas other people I've seen haven't had the opportunity for whatever reason'. (Prof2DFem)

Training and development – which might be seen as a form of non-monetary reward in a total reward framework - were valued highly by staff but this was not so significant a factor in recruiting staff to the charity:

> 'Training and development is actually fantastic here and that's something that I would definitely put above average. They do definitely invest in their staff and once they've got people in and they've trained them they don't particularly want people to leave; that's really good.' (Prof2DFem)

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'...when it comes to attracting staff the bottom line is the salary…if you were considering a job here ....would you feel, oh marvellous, they will send me on study days...' (Mgt3CMal)

Reflecting on how that training and development stands in relation to pay, one professional commented:

'I wouldn't really say that it's comparable to a bonus… but if you are someone who is really ambitious and wants to lead an organisation that's going to make a huge difference.' (Prof2Cfem)

6.6.1.6 Pensions

The charity has recently moved away from a final salary scheme, in line with many organisations in the private sector, but staff still seemed to think the new scheme provided was good in comparison with other organisations:

'I feel that the pension scheme didn't affect people, the change of pension scheme didn't affect people who were old … previously we had a good pension scheme and talking now makes me realise I probably should know more about the pension scheme…'..(Prof3Bmal)

In contrast with the concerns expressed about the communication of the changed pay structure (see section 6.6 below) most staff thought the communication of the pension changes had been appropriate:

'...the pension changes were clearly communicated ...I don't feel the need for more information…..'(Sup1AFem)

6.5.1.7 Job security

Interviewees with experience of other sectors took into account the different environments in considering how competitive they thought the charity's package in comparison with other organisations. This was linked by some to the relative levels of job security. A professional in an IT related role took job security into account in judging pay comparisons with industry:

'I think it's a good salary…obviously, within the charitable sector you are not on a good salary compared to (industry) …. I could double my salary.... if I

went external and started contracting....but I don't know ....how many permanent roles there are out there'. (Prof 3Bmal)

6.7 Performance culture

Senior managers of the charity aim to promote a performance culture. A manager with responsibilities for promoting change in organisational effectiveness said:

> '*…the organisation's work to promote a performance culture is 'work in progress' and it's a big focus ...strategically… . We've got a system and structure in place ...providing people with the tools and the skills and the kind of confidence to have conversations around performance*'. (Prof4Afem)

In spite of developments such as a new performance management scheme, the lack of an embedded culture promoting high performance and not tolerating poor performance was explicitly critiqued by a professional in the talent pool:

> '*I don't know if it's a performance culture. I think we are probably more accepting of lower performance than other organisations ....because ...we are quite touchy feely. We talk about performance and I don't know that we always manage performance very well'*. (Prof3Bmal)

Pointing out the ambiguities and complexities, the same professional added his reflection that even those who were not the best performers had a level of commitment to the organisation's mission that he had not seen in his experience in the private sector:

> '*If they are not always the best performers they are still ...worth some of their weight in gold, because you can't buy that level of commitment'*. (Prof3Bmal)

Mirroring the work of Meyerson (1991), there is ambiguity in the views and values in relation to employee commitment. There are both tensions between commitment to the charity mission, with people working unpaid overtime, and resentment about some of the work that people have to do:

> '*... there's a high level of commitment to the charity and they will all defend it and not do anything to harm it. The other half is some sort of resentment concerning how we're forced to do some work that makes life very difficult for us. So there's a dichotomy of life here ...'* (Mgt2Afem)

In science-based areas there are different formal ways of assessing performance, and these more formal processes of project management performance reviews lead some scientists to see that the charity:

'… *does more and more now… (its) a performance culture..*' (Prof 3Amal)

Nevertheless, how departmental performance relates to specific individual contributions is seen as unclear:

'…W*e have a matrix approach to managing projects…So performance is based on people meeting timelines and milestones in helping that project move forward and that's one aspect that's reviewed but it's not the sole criteria, it's a bit of a grey area…. how people are assessed'.* (Prof 3Amal)

There seemed a clear differentiation between science-based and other functions where performance is managed without the discipline of project milestones. Managers and some staff talk about their 'work ethic', which is related to their desire to help the charity succeed in its mission: '*There is a work ethic here*' (Prof2DFem).

One of the problems in achieving a stronger delivery of performance was related to the difficulties of managers giving accurate feedback:

'… *we're all nice, someone's just moved in from industry and he can't believe how nice we all are to each other's faces and then when one person leaves the room the daggers are drawn. It could actually be very useful to the person to get proper critical feedback, but we're very nice people'.* (Mgt2Afem)

This lack of direct feedback means that people need to be effectively self-managed:

'…*I have at least one team member who …gives herself a little boot up the backside to make sure that she keeps her standards up'.* (Mgt3Cmal)

The extent to which the formal performance review process assists or can assist managers in giving feedback is debateable. Commenting on the system used by the charity, a manager who had previously worked in the NHS said that she doubted whether the system used really helped to manage performance:

'*Is it being done because it needs to be done?* (Mgt3DFem)

She added:

'....but I understand that...(poor performance) cases may be dealt with slowly. They should be handled more quickly'. (Mgt3DFem)

The issue of slow management or poor handling of poor performance including the making of termination payments to poor performers is seen as controversial by staff, especially those with an external focus such as fundraising:

'When I see that someone's contract has been terminated or they've agreed to leave but then they are going to be paid for another three months...It's quite shocking.' (Prof2Cfem)

Taking a more critical stance on poor performance another professional commented:

'Some parts of the organisation have a performance culture....such as fundraising, which has targets.....there are some people who do not put in the effort – some do sod all'. (Prof2Ffem)

Within fundraising, an area in which targets are very specific, a professional commented that while there were no obvious signs of game-playing or dysfunctional effects:

'....if you didn't meet your target then you could get away with it. You can make excuses, etc. Our targets are not just financial ... you are meant to have a certain number of meetings a month and you are meant to ask for a certain amount of money a month and so I guess if you are really unfortunate ....you can still demonstrate that you've had those meetings'. (Prof2Cfem)

The same professional added that:

'…you definitely need to be accountable and I've certainly seen people leave recently'. (Prof2Cfem)

The primacy on getting some good leads, contacts and projects seemed to be crucial to achieving targets:

'My colleague would say, I have no control over this, because he's unfortunately got ....a really terrible list of people who are not philanthropists so they will never really give.' (Prof2Cfem)

Although there were shared assumptions and views about the management of performance, there were fragmented views on the relationship between performance and pay. There was patchy and somewhat hesitant support for performance pay. One line manager wanted to see pay:

> *'...more linked to performance, more linked to KPIs bit of a more commercial model... we have appraisals; they're not specifically linked to our rewards strategy... you generally join the organisation and the only way to increase your salary is generally by promotion'.* (Mgt2Bfem)

A fundraising specialist saw that a link between performance and pay would work for her role and commented that the linkage would be acceptable, as it is in other sectors:

> *'I have a very personal target and in the business world, I guess you usually get given a percentage of what you earn as an individual. It's very salesy ...I think I would want to be rewarded on what I was bringing into the organisation ...'* (Prof2Cfem)

There were clear differences in perspective on the links between performance and pay between fundraising, science and other functions.

A technical specialist said her department was trying to develop more emphasis on performance by the use of performance pay but was unclear about performance criteria:

> *'… we have had performance awards in the last couple of years. It's hard to judge and hard to distinguish criteria over two years….it's not fair on certain people….to match up to the criteria'.* (Prof2BFem)

A science-based line manager of staff though set out some dilemmas with fairness and measurement in respect of performance pay:

> *'…people should be rewarded for what they do, but …it could potentially backfire… … it would be easy if it was quantitative but I don't know what you would measure …I recognise…that some are better than others, and some have a much better work ethic… maybe they should get awards for not complaining'.* (Mgt2Afem)

Another senior science professional expressed doubts - that were shared by other scientists - about how performance pay would work:

> *'... I wouldn't want to be in a situation where my reward was dependent on ... other people doing everything else right at the same time, which is clearly not going to happen at present...'.* (Prof3Amal)

The performance review process and the meeting of objectives and performance rating given to employees is seen to be the crucial factor by HR and top management in achieving more consistency across the organisation in managing performance and performance pay, but it is acknowledged that there is more work to do:

> '*I think there is quite a lot of work to do. If we are up a hill, how far up the hill are we? 20%?We've got a much better objective setting....*' (Prof4Afem)

The fragmented sets of perspectives on performance and performance pay seemed to reflect sub-cultural patterns, with different perceptions in different departments and between individuals on what is valued and seen to be rewarded. However, the pattern also might be seen as rhetorical in this respect, with top, Reward and HR managers seeing pay review and performance review processes as linked, but with much less certainty among staff and line managers that this was a reality.

6.8 Equality and fairness

The majority of the charity's workforce is female and white and aged within a fairly narrow range between age 25 and 35:

> '*It isn't very diverse here at all. I suppose in marketing itself its very white female. Our team is much more male based, but that's—it also a technical thing that appeals to males more, whereas marketing again appeals to females*' (Prof2DFem)

> '*...there are a lot of women here….it is also very white*'. (Mgt3DFem)

The similarity of the backgrounds of staff who work for the organisation is well known to HR staff:

> '*…on...diversity we always joke about the fact that certainly in fund raising that if you are not female, white and middle class then….That's who we seem to end up with. We talk about it here in HR…. that we could do with a few men …*'. (Prof4Afem).

This suggests a subtle cultural dimension to equality:

> '*… I don't think it's a conscious discrimination or exclusion. And yet, at the same time, you can imagine that there is unconscious stuff that builds and attracts like to like*' (Prof4Afem).

Some intersectionality (Browne and Misra, 2003) with distinctive experiences related to diverse backgrounds was evident. Just three interviewees came from a non-white ethnic background. They seemed to have had varying experiences. One male professional said he valued the: *'very welcoming and very inclusive culture'* (Prof 3Bmal).

In contrast a professional from a non-UK background was critical of the lack of diversity as she saw it:

> *'there are far more women than men…so no gender issues…but there are class and race issues…it is a very white Upper class Home Counties place….'*(Prof2FFem)

She did not think this translated into pay differences considering that overall that the pay is fair. Rather the lack of diversity was expressed in more subtle ways:

> '… (it) *does influence how certain projects are evaluated or rewarded'.* (Prof2FFem)

Few interviewees related equality issues to reward, although it was acknowledged that the work-life balance and flexible working practices (see section 6.5.1.1) were favoured by women:

> *'I really value …flexible working here… If I am honest …and I haven't even discussed this with my line manager, it was a factor on deciding whether I'd come back to work after …pregnancy'.* (Prof4Afem)

Taking account of the financial position of the charity, people tend to believe that pay is fair in comparison with external comparators, but there were concerns about the internal fairness of pay. This focused on two areas, the level of pay not keeping up with increased responsibilities and the lack of transparency in and the process for implementing the broad band system (see section 6.2.1)

> '*..if you were to align my profile and salary (when I) was appointed 3.5 years ago with what I'm doing now you'd find that they're very different, but there's no reward for taking on extra responsibilities* (Mgt2Afem),

Describing the '*distant family*' relationship of those who make reward decisions a fundraiser who was in the talent pool and very positive about her role and the organisation saw:

> '*…in my team, for example, there are people that do the exact same job and in many respects they are probably earning way less than me. How is that fair? Not really.*' (Prof2Cfem)

There appeared to be conflicts within and also between departments. One manager felt:

> '*...pay isn't consistent across the organisation .... I think people in other areas, in other departments get much more opportunities*'. (Prof2DFem)

She quoted some specific examples:

> '*...recently… a couple of people in our department had been promoted to a more senior role, but received no additional money…. Whereas I knew people from other departments were getting promotion and pay rises at the same time which didn't seem fair. ...when questioned there wasn't really a suitable answer to explain (the difference)*'. (Prof2DFem)

6.9 Organisational change

Management had sought to change culture a few years before the fieldwork, but it is widely acknowledged that the initiative had failed. A senior member of the managerial team has a continuing brief over this area:

> '*We do a lot of enabling and supporting change within the organisation…cultural and behavioural shifts….it's all about increasing the effectiveness of the organisation... in line with our strategy*'. (Prof4Afem)

This manager said she recognised the complexity and difficulty of achieving planned culture change:

> '*I don't think the changes in culture are static at all. Equally you do see… people get institutionalised and I'm sure that's happened to me*'. (Prof4Afem)

Differences in views between the science area of work and other departments within the charity were evident on this issue of change as in other issues:

*'I know that HR had an initiative of …trying to create… one charity culture…
two years ago and the scientists just turned round and said, look this is not
appropriate for us, go away…There is definite difference of cultures I think
within the organisation'.* (Prof3AMal)

The changes in the reward system (section 6.2.1) have not been specifically linked to
this culture change initiative. The senior manager responsible for culture initiatives
said her experience with such attempts had:

*'..raised questions for me in terms of can you shift a culture by shifting your
reward system or the other way around. Can it be both? I guess, my gut
feeling is that you can do a little bit...'* (Prof4Afem)

In contrast to the questionable role of reward in relation to culture change, the role of
managers in achieving change was seen as pivotal by some staff:

*'We have got a new director …that came in and … shook everything up and
she sorted out the whole restructure …there has been a lot of change
…recently so that we are now in a much better position…One of the people
left as a result of the director, basically. So, and there was a lot of
unhappiness and a lot of restructure'.* (Prof2Efem)

6.10 Conclusion

This case study found evidence that the shared values in relation to the charity's
mission *('finding a cure')* seem to override fragmentation and divisions in other
aspects of the nature of the organisation's culture and its reward system. The
fragmented unities definition of culture Parker (2000:4) may be seen to accurately
describe this organisation. While it is fragmented and differentiated by location,
function and team, it is united in valuing the mission of the charity. However,
divisions between fund-raising and science areas and their differing respective values
are influential across a range of issues. While there have been some rather half-
hearted corporate branding initiatives the fragmentation is evident. There are some
shared values which have developed across the factions with the culture being
described as a *'Nice place to work'* (Mgt3Afem). This seems to reflect Goffee and
Jones's (1996) concept of *sociability*, which seems to characterise the organisation.
There is *solidarity* (Goffee and Jones, 1996) too, in the sense that everyone is
focused on and committed to the mission. Although there could be seen to be
community orientation, there is also tolerance of less than high levels of individual

performance. This might not support the contention of solidarity, although there is evidence that even lacklustre performers are strongly committed to the organisational mission.

Tensions and ambiguities between the various parts of the charity are evident and might suggest sub-cultural tendencies. However, while the very separateness of the factions might suggest that there are counter-cultures (Martin and Siehl, 1983) in this charity the central unifying purpose of the charity indicates broadly enhancing sub cultures. Feeder cultures are influential in this organisation - with, for example, those whose professional networks and experience are in the NHS or universities exhibiting different values to those who have had private sector experience. Most staff have worked elsewhere and these differences in experience are brought into play when they evaluate their current organisational culture and the reward package.

 Top managers and HR and reward managers are viewed by other managers and staff as '*distant family*' and this remoteness has implications for the interpretation and perceived credibility of reward policies in different departments and localities. The reward manager too seems be more influenced by professional networks and influences in setting the reward package than by the views and values of the staff and managers of the charity.

Culture and reward links are seen particularly with respect to relational rewards. The role of relational rewards in shaping employee perceptions about market competitiveness seemed important in all areas of the charity - both to men (who are in the minority) and to women. More theoretically, this evident employee commitment to the organisation mission illustrates what Etzioni (1961) termed '*moral involvement*' and it has important implications. This case study provides evidence of employee values '*fine tuning*' (Swidler,1986) their reactions to the charity's reward policies. For example, when staff were not consulted about the new pay system, the demotivating effect was temporary because of the strength of commitment to the charity's mission. Even though this strong shared value moderates adverse reactions, such as those to the new pay structure, its strength in so doing could – as Cunningham (2010) argues in his research on voluntary organisations - have limits for charity sector managers seeking to rely on staff

commitment to ameliorate the potentially damaging effects of work intensification and/or poor pay. Since the pay in the organisation is thought fair by the employees, the strength of their moral involvement in countering the effects of poor pay is not tested in this case.

Nevertheless, the potentially negative impact of a lack of transparency and openness about the reward decision-making processes does influence staff views of the fairness of the rewards provided. The management may not have recognised that there may be a mismatch between their lack of transparency of processes and staff engagement or involvement, notwithstanding that the negative effect for the organisation of management's opacity appear moderated by strong positive 'moral involvement'.

While the reward manager has planned developments implying increasing commercialism and marketisation, market concepts are resisted by staff. Bringing procedural justice concerns to the fore staff are generally more concerned about transparency and openness about the reward decision-making processes than about market levels of pay. There were nevertheless examples of reservation pay (Rynes et al, 1983) with staff planning to leave, even though they wanted to stay in the charity, because they could not afford to live on the levels of pay they were offered. The charity had recently sought to be more commercial in its reward strategy, but there were indications that staff – while welcoming the pay increases that resulted from a use of market data in the science areas – seemed to be unaware of the formal reward strategy. Staff were also united in their concern about the top management and reward manager's contention that pay rises were performance based, when in reality resource constraints meant that there were nil or below inflation pay rises. This led to demands for more '*adult-to-adult*' narratives on reward matters.

<p style="text-align: center;">**Analysis**</p>

Chapter 7: Case study 3: Small high technology consultancy

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7.1 Introduction

Case study 3 is a specialist consultancy with a variety of high technology, engineering and IT specialisms. The business does project-based work with clients across the world. It is based in a science park near Cambridge and has just under 300 staff. The company was founded in 1988 by a small group of specialists and one of its founders is the current Managing Director. Although there are five businesses, one is the parent company with just six directors and two support staff, with the main consulting company, employing the majority of staff - 133 specialists plus 40 support staff. The remaining staff are employed in a very small manufacturing company (87 staff, including three support staff), a venture capital entity employing five people (one support role) and a technology entity developing digital printing, employing 29 people (one support role). The data in this case are drawn from interviews with 15 senior managers, consultants, technicians and support staff as well as documentary analysis.

The majority of the staff are consultants and engineers. They are highly qualified with many holding research degrees to PhD level. The company has a low turnover rate and much of the turnover is seen as beneficial to the company as a top manager commented:

> '*We tend to see people say…"I've got a good several years under my belt as a high tech consultant and I'm now ready to move into a product company at a very senior level", at which point we find they retain a fond relationship with (us) …they are useful contacts in the industry and we've got several clients now ….and the person that's responsible is actually an ex-employee (of ours)'.* (TMA mal)

7.2 Summary of reward and culture findings

The activities of the company are characterised by high technology knowledge work (Newell et al, 2002). Since its founding in 1988 the company has effectively been employee-owned through the agency of a variety of share and Employee Share Ownership Plan (ESOP) arrangements. There is also a deliberate strategy by the company directors that the company should remain small, with a very flat organisation structure. Company directors do not want the company to grow beyond

300 people, and have demergered parts of the company in the past, when they have grown. They are planning to demerger one growing group with about 30 people in the next few years. When such subsidiaries have been sold those employees who held a substantial number of shares have become millionaires.

7.2.1 Summary of pay and reward arrangements

The reward approach is common across the company and its small subsidiaries. The salaries are determined personally by the CEO on an ad-hoc broadly market-based approach. There is no pay structure. The market is assessed informally through contacts in other similar consultancies and by the HR officer who is involved in recruitment of scientists and engineers. Assessments are made about how well employment offers are received when the company is recruiting from this specialist labour market. The average salary for 298 employees, 253 of who are consultants, is about £60,000.

The company stresses it is offering a whole package which includes an annual cash profit-sharing bonus and a well-funded defined contribution pension scheme. The employer contribution is high – at approximately 20 to 25%. This scheme is a group personal pension, which the company believes this is an advantageous pension scheme, with an employer contribution rate, which is several times better than that of similar companies.

The annual profit-sharing bonus is paid from a bonus pool and is calculated by reference to the consolidated profit, and paid pro rata to salary. Hence, an employee in a loss-making subsidiary will receive a bonus equal to that paid to a similarly paid employee in a profitable subsidiary. There are also ad hoc bonuses paid from time to time

However, while the company aims to be at the top of the market in terms of basic salary and pensions, at the centre of the reward package are the employee share schemes, which are distinctively different to those in competitor organisations. The rationale for the share schemes goes back to the origins of the company. All employees are encouraged to be share owners and the company provides share loans

to facilitate this. Apart from one 'passive' shareholder, all the company shares are held by the employees, ex-employees and the employee share ownership trust. The company has used various formulations of HMRC approved share scheme (see Chapter 1, section 1.5) in the past, but because of the restrictions imposed, it now has a bespoke unapproved Share Ownership Scheme, which is open to all employees. In addition, there is an Employee Share Ownership Trust, which holds shares with an estimated market value of about £5million. Added to that, three directors have executive share options.

In the past the company gave shares to employees, but they must now purchase shares in a matching arrangement to be awarded 'free' shares. Most employees have some shares but their holdings vary. Longer-serving employees tend to hold more shares than newer employees.

7.2.2 Culture and change

The top management wish the culture to remain similar to that they experienced when the small entrepreneurial group founded the company. The leadership of the company see their role as co-ordinating and providing an appropriate environment to allow the consultants to use their creativity to develop and use technologies to innovate for the good of the business. They aim to be more facilitative than directive in leadership style, because the expectation is that the consultants will both identify new market opportunities and identify new technology that can be taken to the company's clients. Hence, the expectation is that the consultants will drive company strategy in terms of the new markets and technological approaches adopted. There is shared understanding that that is how the company culture works:

> '*You just see people taking more and more responsibility and getting more involved in other things. Basically, the way it is here… it's up to you how much or how little you want to do and how much you want to take on..*' (ProfFmal)

These self-standing cultural values in the culture are reflected in the expectation that consultants will be self-directed and use their skills to be innovative for the benefit of the company and its clients:

> '..the culture revolves on… what the techies do that is successful. It's not orchestrated from above..' (ProfImal)

As well as positive outcomes this cultural attribute can have some negative connotations:

> '..it's a very sink or swim environment… you stand on your own ability to contribute… we are left to our own devices and expected to deliver.' (ProfGmal)

The small-scale of the organisation is generally agreed by staff as influencing the culture. This small scale, the employee share ownership plans and the leadership style with an expectation employees will be self-directed are central features over which there are shared values within the company. The company leaders say that the small-scale nature of the organisation is essential to its very being. A top manager explained that he thought if the company grew to more than 300:

> '….communication would get difficult – you would lose that sense of connectedness we have'. (TMAmal)

This is linked to the reward scheme in that there is the potential for employee shareholders to make substantial gains when parts of the business are floated or demerged to retrench back to the preferred small scale (see also section 7.5.1.8 below)

A further cultural attribute on which there is general agreement amongst staff is that this is a company of and for very bright, engaged people with a culture that strongly values intellectual skills and abilities. While this is a shared understanding, its consequences are viewed both positively and negatively. Positively it is seen as:

> '…a culture of more of less wise gentlemanly wizards' (ProfImal)

At the same time as one of the few women engineers indicated, the assumptions that underscore the language and values reflect the predominantly male workforce and culture (see also section 7.8 below):

> '…we are a bunch of clever guys and we can do anything….' (ProfBfem)

Another woman engineer saw this aspect of culture in a more negative light:

'There is an intellectual snobbery ....that is probably part of the culture…You have these people with kind of puffed out chests and sort of looking important and answering some complicated scientific something. (ProfHfem)

Consultants who have worked for other companies see that the company does not have a dominant strong culture. However, there is a strong thread of valuing academic skills:

'It's a lot more tolerant of people of diverse skill sets, personality traits and attitudes... The only one common thread through ...is outstanding academic credentials… high flying academics.' (ProfImal)

Hence, even though there is no formal written down set of values it may be seen that there is a strong sense of shared understanding about this apparently rather informal corporate culture. However, there is also ambiguity – in that this commercial company: '*…is more academic than the commercial.'* (TechAmal)

Reflecting the values of '*sociability'* (Goffee and Jones, 1996 – op cit) are two other aspects of culture on which there seems shared understanding. These include the caring nature of the company top management firstly:

'I think ....they are very, very, very good at looking after their staff. Individually with my individual manager, individual group that I work for, they are not that good. But in terms of…the group and especially the person who is the head (is) absolutely wonderful.' (Tech2 mal)

Secondly, a trusting environment is also experienced and valued by staff. Some see this as linked to the share ownership structure of the company:

'I think they put a lot of trust on you. They give you a job and you have to do it and sort of you have to be very independent and find ways to do it, really. There is a little bit of steering of where you should be going, but it's up to you to do whatever. You are free to do whatever you want.' (ProfFmal)

The organisation structure continues the informality theme with a broadly flat organisation structure:

'On your business card, there is only one of two titles. There is consultant or managing director'. (ProfImal)

The flatness of the structure seemed to a young woman engineer to be distinctly different to that of other, larger, companies in the same business sector:

> *'With the flat structure there is a respect…in the sense that in larger companies there is more dead weight'*. (ProfHfem)

Work is organised using a project team structure, in which people are informally selected to work on several projects concurrently. This project structure works on what is described as an '*internal free market'* basis:

> *'…people who are considered to be project leaders or technically good are going to get more work. It is run a bit like a free market'* (ProfHfem)

Being chosen to work on a project was likened by some staff to the way school sports teams. Hence being chosen is seen as a form of recognition (see also section 7.5.1.4 below) and has implications for the interpersonal and social skills needed b the consultants and engineers:

> *'…it means you have to be very self-confident and… confident in your own abilities and the value of your own contribution. It can be quite daunting and not very rewarding.'* (ProfGmal).

However, while the company seems to thrive on the value created by highly skilled people, who feel comfortable with the informal culture, there are sub-cultural tendencies amongst those members of staff who do not see they fit the mould. There is evidence firstly, concerning those who are not educated to degree level:

> *'…there is a sub culture (it won't be admitted) but I do believe there is a sub culture of the have and the have nots. People who have a degree and people who don't have a degree**…**It basically comes down to whether you've got a degree and where you've got that degree from'* (TechBmal)

The graduate, non-graduate divide is also viewed in class terms:

> *'…there is a divide (between) the consultants who are all basically middle class, even if we weren't by birth we are by education and we are smart and are well spoken and the technicians are largely like swearing…and I find that a little bit awkward and I'm conscious of that sort of class divide…. …I try not to speak too poshly when I'm talking to the technicians'* (ProfCmal)

The second sub-cultural grouping is those with a degree from Cambridge University, who are seen as distinctly different from those whose degrees are from other institutions:

> *'...there is a culture here of trying to employ people from Cambridge University.... a colleague of mine ...doesn't like it, he sees it as "them and us"...'* (SMAmal)

The third grouping is the long-servers or the *founder generation* employees – those who remember the company from its early days:

> *'Coming to work here was a big culture shock .... I couldn't understand what sort of company I had come to work for, because my previous background had been manufacturing companies, clocking in and clocking out ....in those days, we used to work hard and play hard.... I started September. In November the company took every single member of staff and its partners and their partners on an all expenses weekend trip to Paris.'* (TechBmal)

The *founder generation* have particularly high respect for the founders and what they created:

> *'I think for those who have been here for a number of years, there is that respect for senior management and that close knit feeling.'* (SupAfem)

The founders and top managers wish any organisational change to retain the small scale of the original. The *founder generation* is instrumental in the perpetuation of the core values of the founder, who (echoing the work of Schein, 1991) was involved in shaping the culture. In such a small company the *founder generation* has key importance as both role models and as technical champions:

> *'..when I first started, you just look up to the seniors and once the culture starts spreading you just try to do what the senior people are doing..'* (ProfFmal)

Fourthly, there are thought to be cultural differences between the different subject or product groups. A graduate engineer working in a technical role observed:

> *'...the groups....have been put together to have different directions ....there's a product engineering group.... focused more on traditional engineering, whereas I work more on applied science, novel science, technologies that are kind of high risk, high reward...'* (TechAmal)

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Finally, and perhaps unrelated to other fragments or sub-cultures, several interviewees mentioned the cultural differences they saw between people who cycled to work and those who did not:

> '..quite a large proportion cycle from Cambridge every day ...there is a big culture and there's quite an amusing friendly competition between those who take it more seriously, you know have all the gear and the nice bikes...' (TechAmal)

7.3 Narratives on reward and pay

The company management say that the process of the annual salary review and mid-year review are the main ways in which pay is discussed and decisions made. The formal process gives responsibility to the group leaders to talk with each individual in their group to conduct a salary review. The process is acknowledged by directors as: '…*pretty informal…*' (TMAmal). The same top manager suggested a more structured approach would be:

> '… *massively time consuming thing ...You would have to do a heck of a lot of work doing lots of validations and benchmarking and getting it all right... I think...the group heads do what they think is right and the managing director has oversight of the whole thing, so that there aren't anomalies creeping into the system'.* (TMA mal)

For the annual pay review, the group leaders (managers) are given a budget and guidance from the accounts department on the percentage spend across the company, perhaps two or three per cent. They are also given information and key data such as the rate of inflation, growth and company financial data. There is an individual performance appraisal, but it is not directly and formally linked to the pay increase. However:

> '…*it gives the managers an opportunity to review what the person's done over the year because we do so much over the year that it's very easy to forget the hard work someone did eight or nine months ago…*' (TMA mal).

The group leaders then make recommendations to the CEO on proposed increases for individuals:

> '…*When the group leader comes back and says, well, here is my list, this person zero and this person up by 10% and the CEO will look through that and say, okay, if that's what you think then that's what we will do.'* (TMA mal)

A group leader explained the subtleties of a manager's decision-making process on the level of increase they propose and the reasoning behind the various recommendations:

> '*Sometimes we make large differences between people ...the issue is ...as people get older it's harder to give them large percentage increases because they're on a large salary anyway ....we also have younger engineers who... and you've identified the ones which are going to make it...and the ones that you can really push forward ...and then there's people who have performed well but they haven't given it that extra, so it's not fair to give them too much, but in general ....the difference in percentages is not huge.*' (SMAmal)

This process is seen and spoken about differently by different sub-cultural groups of staff. Long serving staff see they may be receiving lower percentage increases than others. There is also a general belief that the consultants receive higher percentage increases than other staff. A rather different story about the rationale behind the pay review process is told by staff, than the express rationale of group leaders:

> '*…in the last few years, we've been getting generally cost of living rises, maybe with a little performance bit on top...there is that divide and I can't confirm as fact, but in general development staff rather than support staff tend to get 2 or 3% higher pay rises than the rest of the company..*'(TechBmal)

Most staff accept the highly discretionary nature of the pay decision-making, but some relate their understanding of the rationale for pay rises to performance differences:

> '*I have heard……things aren't really necessarily explained…. They agree the percentage of the payroll and then your salary is increased. It's down to the discretion of the individual managers how they actually allocate that spend within their group. There is a differential ...in terms of individual performance*'.(ProfGmal)

> '*The two years when I didn't make my targets I got a pay rise below inflation. ... the fact I got two quite small pay rises was because I missed my targets by quite a long way*' (ProfImal)

In general interviewees indicated that the distributive outcomes seem to be accepted:

> '*….you don't hear people complain.*' (SMAmal)

However, the procedural justice of the process is questioned and this is linked to the paucity of formal communication and involvement about the decision-making process:

> '*There is not much bargaining. It's kind of take it or leave it type thing.*' (TechBmal)

> '*You get a letter and it's from the boss and… "Your pay rise this year is this much".*'(ProfImal)

7.4 Communications on and transparency of reward processes

The company leadership put a primacy on creating a corporate environment which facilitates informal communication on work-related matters to promote the exchange of technical information and knowledge sharing. The informal relationships and structures in the company seem to have benefits in terms of developing a culture in which individuals share information, is essential in such a knowledge-intensive business (Newell et al, 2009):

> '*..they won't hog knowledge*' (ProfBfem)

Informal networking does not extend to all staff. Those excluded from the informal communications see this as linked to perceived levels of managerial skills, since formal communication is limited and deficiencies in informal communication are seen as related to the skills of managers. A non-graduate engineer was very critical:

> '*There is no such thing as communication in this company. ..They don't know how to communicate. There is no communication whatsoever. It starts from the management.*'
> He gave an example:
> '*Our manager….I've been here four and a half years and I believe he's spoken to me five times. I walk past him probably six times a day.*' (TechCmal)

While informal communications seem to work in relation to the exchange of technical knowledge this does not extend to informal communications concerning pay. There is almost complete secrecy about pay in this organisation. The complete picture of who earns what is known only to the CEO. A top manager, who also did

not know the salary levels being paid, commented that this secrecy was in keeping with the expectations of staff:

> *'I would suspect everybody is pretty reticent about talking about salaries'.* (TMA mal)

This secrecy seems to be accepted rather nonchalantly by the consultants as *'normal'* (ProfHfem). This shared value amongst consultants seems to reflect two factors. Firstly, the more outward- looking or *'cosmopolitan'* (Goulder, 1957) focus of such employees, and, secondly, a practical stance by management that pay complaints from staff in consultant roles have generally resulted in swift pay reviews:

> *'…you don't hear people complain, mainly because in the past when that's happened, ...the salary has been reviewed six months later (and) it's actually been backdated.'* (SMAmal)

Sub-cultural values amongst the non-graduate technicians, who might be seen to have a more *'local'* focus (Gouldner, 1957), suggest they are much more affected by, and more resentful about, pay secrecy. This is linked to such staff being critical about the process of pay determination. They tend to blame a lack of management skill:

> *'You don't know how they come up with those figures.'* (TechCmal)

Within the pay decision-making process there is a contrast between project leaders and group leaders. Project leaders do not usually have, nor do they relish the prospect of, involvement in pay decisions:

> *'I don't get exposed to their reward structures and it's not necessarily clear how they operate ….it's not a topic of conversation.'* (ProfDmal)

Group leaders as line managers do have a role in pay decisions but consider it to be a *'personal'* matter whether they discuss pay issues with their staff:

> *'In my case I do share (information) with individuals, I explain exactly why they got what they got, I don't know about whether other line managers do…'* (SMAmal)

Conflicts were said by some interviewees to arise because of the lack of transparency on pay and in contrast with what might be expected in such a small company where

everyone knows everyone, there seem to be few informal exchanges, even over lunch. Some people indicated that there might be some private conversations on pay but that these informal exchanges are infrequent:

> '*People won't say how much they earn...*' (ProfFmal)

There is a marked contrast between the degree of openness and transparency in relation to different elements of the reward package. A group leader commented:

> '*I think if people started having more holiday than other people they that would probably be very tricky because that's very obvious isn't it? ...whereas salary is private*'. (SMAmal)

The company is open about the bonus scheme and there is detailed information for employees on how the share plans work, with briefings on the intranet as to how they work and on and the internal share market:

> '*…company emails go out to absolutely everybody and so we know the shares are going up for sale...*' (SupAfem)

Interviewees expressed varying views about whether they believe there should be more visibility of pay. Few are in favour of more transparency but even those who accept the lack of openness see the approach as:

> '*...not very well managed, because clearly it's not obvious that that's happening.*' (ProfGmal)

The *founder generation* and those with more ambitions and a *cosmopolitan* focus are more accepting of opacity. A *founder generation* support worker was one of several interviewees who did not want more openness, commenting:

> '*I'm happy not knowing because I think that's everybody's personal business. I don't particularly want people to know my business...*' (SupAfem)

More subtly, the lack of transparency is seen by some to fit the trusting environment, which seems to reflect a shared belief:

> '…opaque is quite nice because, you know, you don't get people snooping round saying "what did you earn?....If it was transparent you can imagine the bickering that might happen if someone felt that they had an unjustifiably low pay rise or someone else had an unjustifiably high pay rise… it's the kind of organisation (where) there's a lot of trust.' (TechAmal)

A young engineer who had previously worked in a university agreed that the trusting environment was a significant factor in making the lack of transparency acceptable and not leading to the creation of tension and conflict:

> '*There's no grading...I think it only works because I trust the people...*' (ProfCmal)

In the absence of clear information, though, rumours seem to take over, and stories circulate:

> '*..people don't really talk about their salaries so it's hard to know where you fit in, although I did overhear a rumour that ....senior staff … draw (a) graph of age against salary, stick a line through it and see who was extraordinarily away from that line, either above or below.. …one of the ways they worked out your pay rises and bonuses was… fitting into that line*' (TechAmal)

7.5 Marketisation, fairness and pay comparability

The evidence shows that this case study organisation tends to be permeable to the external market and all staff are at ease with salary market factors. At the time of the fieldwork the market for engineers and consultants in the Cambridge area was buoyant for engineers and consultants. The highly specialised engineers and scientists the company requires are recruited internationally as well as locally from Cambridge. Such staff tend to be in agreement on what are the appropriate comparator companies for pay comparison purposes:

> '*..(there are) four consultancies roughly the same size of 300 people so that's 1200 people doing roughly the same thing in a ten mile radius*'. (ProfGmal)

External pay comparisons are foremost for engineers and consultants. A group leader said he thought staff are paid:

'.. very competitively for the jobs they do here compared to other companies around who offer similar work....so ...I think when you come to work you're not looking through the classified ads for the next job on salary..' (SM1 mal)

One young graduate engineer compared his salary with that of friends especially those he was at university with:

'I'm happy with where my salary is for the stage of life I'm at and the quality of work that I can currently offer given my experience ...I think it's a fair reflection. I have friends ...some are earning more and some are earning less.... the ones that are earning more tend to be City boys working in law for example or banks, typical high earning jobs anyway..' (TechAmal)

There are some differences in the comparators interviewees mention as relevant to them, with the *newcomer*s and women tending to use family and friends as reference points or referents in judging the comparative value of their reward:

'My friend did go into management consultancy and (is) probably earning two or three times what I earn. I made an active decision not to do that...they work longer hours than I do.' (ProfHfem)

Many staff have worked for one of these other consultancies or within industry. They therefore have a reasonably specific level of knowledge of what the salaries, roles and terms and conditions are like in other similar firms. The comparisons consultants and engineers make take into account both the nature of their roles as well as the pay:

'We get paid a lot higher than xxx I get paid a lot higher than I would be if I was in a multi-national blue chip *..we get paid more because we do bigger roles....we need far more initiative than would have ever been allowed or encouraged in my previous role'* (ProfImal)

There is a shared understanding that in terms of external pay comparisons staff are well paid, with support staff also seeing the reward package as comparatively good:

'…we are well rewarded… if I looked elsewhere, I shouldn't think that I'd get the salary that I'm on here' (SupAfem)

A woman engineer observed that in her 10 years in the company she had never seen anyone leave the company to earn more money:

> *'I think everybody is very well rewarded here…although I have no idea how much ….very few people go because they aren't happy here …or because of a grudge.'* (ProfBfem)

The potentially negative effects for individuals' motivation and morale that result from feeling trapped within an organisation, which is paying them much more than they could earn outside, are illustrated by the non-graduate engineers and technicians. They refer to the *'honey trap'* they experience by feeling they have no opportunity to progress internally and cannot take another job outside as they are too well paid:

> *'….There is nowhere for me to go now. I've got no promotion goals to achieve now, unless I go and do a degree'.* (TechCmal)

Engineers working in technician roles perceive a clear market advantage in this company compared with others for which they have worked or could work:

> *'If you compare my reward package compared to positions outside …I'm rewarded very, very well for what I do, if you compare it to development electronics technicians elsewhere…I wouldn't get anywhere near the same remuneration package that I get here somewhere else'.* (TechBmal)

Consultants tend to see the nature of the job and the organisation culture as part of the reward comparison picture, which affected their view of the market value of their package

> *'I'd have trouble finding another job that's as enjoyable when I'd get similar pay, except if I went to one of the competitor companies. I prefer the culture (here) more than I would at one of the competitive companies'* (ProfImal)

A group leader said that the consultant roles in this organisation are very different to those in competitor companies because he said they are more challenging, the environment is more *'flexible'* and:

> *'… the effort we have to put in as well'* (SM1 mal)

Hence, the nature of the job, the company culture and environment; and the level of effort they need to put in seem to come within the *i-deals* (Rousseau et al, 2006) that the consultants are implicitly striking with their employer. A holistic view is thus

being taken on market comparisons and the market competiveness of the package provided.

7.4 Institutional factors and status

Informal relationships mask the power and influence processes in this organisation. The nature of the project structure may inhibit the building of more permanent power bases by individuals since as one consultant put it:

> '… *it's like shifting sands'* (ProfGmal).

Some staff see order and organisation in the process of project team formation:

> '(*You could*) *be leading one team and be a part of the different one the next time round with the person that you were leading, leading on the next project..'* (ProfBfem)

Although the informal way that project teams are formed means there is considerable uncertainty as to exactly how and why this approach should work so well:

> '*It's quite strange that it does work really, but I think it does, it's quite an organic thing..'* (TechAmal)

A woman engineer observed that she believes there is a hierarchy but that it is unseen. It is, in effect, cloaked by the informal relationships which characterise the organisation and its culture:

> '*There obviously is a hierarchy. It's sort of hidden'* (ProfHfem)

The informality of the organisation structure and nominal lack of hierarchy is seen in positive terms:

> '*We are really, really fluid here… we have this structure where you …make yourself valuable'* (ProfImal)

But it is seen much more negatively by non-graduates:

> '*It's very cliquey. If your face fits and if you are in a certain group you are fine.'* (TechCmal)

The high visibility of the bright graduates - those who have been to Cambridge University in particular - seems to underscore the internal political relationships in the company:

> '…*if you need a particular person or skill you can just go straight to them and get commitment from them for their time so there's no politics in terms of groups'* (ProfAmal)

Some staff further down the '*hidden*' pecking order see that they don't have much choice about which projects they work on:

> '*Most of the time, you don't have a choice… the company knows who are the top people….*' (ProfFmal)

The importance of managerial protection for individuals – especially when performance issues are at stake - suggests that there is political climate, which might test the '*no blame culture'*, which top managers and some consultants claim exists. One woman engineer said what she valued most:

> '….*the culture is such that if everybody appreciates that everybody makes mistakes…and they appreciate that other people know things that you don't'* (ProfBfem)

Formal status differences are not entrenched in this organisation in keeping with its '*fluid*' and informal structure. An engineer illustrated the attitude of management to status by saying the she sees that the CEO:

> '…*goes to the workshop and uses the laser printer'* (ProfBfem)

But the status distinction between those with a degree and those without is a heartfelt bone of contention with technicians who have been or believe they should be considered as engineers:

> '*I'm a senior technician…. I call myself an engineer, but they don't. I don't have a degree or anything. It's a status symbol, really. I class myself as an engineer but that bit of paper … I've got forty odd years of experience which is worth more than a piece of paper that says I've got a degree'.* (TechCmal)

7.5.1 Total reward perspective

A rounded holistic approach is taken by staff to their reward package. The rewards most highly valued by staff vary by role, but there is a strong emphasis on relational or intrinsic rewards, echoing the findings of Thompson (2000), Chen et al (1999), and the earlier findings of Walters and Cotgrove (1967):

> '…because I don't get any free shares (the main reward) is mainly job satisfaction and a job well done' (ProfFmal)

Of course, as indicated in section 7.5 above, it might be argued that it is because the employees are all well paid in relation to the external market that their focus might then be drawn to other reward elements. For support staff, social relationships, the share schemes and a perceived lack of work intensity as well as comparatively good pay are valued:

> 'We are good little team and we work together well and we support each other. It's great working conditions here and, as I say, the pay is good and we get our shares schemes…it is a good company to work for. I've been quite lucky. I've had other jobs when I know you can be pressurised. We are not pressurised at all' (SupAfem)

The well-funded pension is a valued part of the tangible benefits package, whereas the company-funded gym membership is less valued as it is some distance off site:

> The pension is good. The gym is a little bit impractical.' (ProfImal)

7.5.1.1 Autonomy and job challenge work-life balance and flexible working

Autonomy is valued as the single most important aspect of relational rewards by consultants and engineers:

> 'There's a strong sense …that the responsibility is with you to do your work and to push yourself in whichever direction you're going …that someone's not watching over you …you do get a certain freedom and it is nice to have …the liberty to pursue things that you're interested in… you are not herded down a particular route'. (TechAmal)

Senior managers see the autonomy consultants and engineers have to be linked to the ownership structure of the company. Because the company does not have

shareholders external to the company, they believe they don't have shareholder pressure:

> '… demanding: certain things to happen…we have quite a lot of flexibility…we're pretty much answerable to ourselves….because we are shareholders we're also the managers of our own company so that gives us a lot of flexibility to try new things and new areas'. (SMAmal)

In line with the earlier findings of Walters and Cotgrove (1967) on the performance links with autonomy, senior managers in this organisation associate autonomy with increased productivity. A consultant engineer working on new areas of business explained:

> 'If you have an idea, you go to your boss… I've been given a lot of freedom …if I didn't use that freedom, wisely, I probably would have been in danger of losing my job, which is the downside of it. But the upside of it is I've been given freedom to do these new things and …..it works.' (ProfImal)

Further explaining how autonomy manifested itself, two young engineers said:

> 'I can sit at my desk and do some maths that interested me all day and I would not get in trouble, I would get in trouble if I didn't do anything for a month of course.' (ProfCmal)

> 'the autonomy to think for yourself and not …having everything checked and having to answer to somebody.' (ProfHfem)

Company management acknowledge that because consultants are very engaged in what they are doing, there are risks of a long hours culture developing within the organisation. Company top management do not have a formal policy on this but say:

> '…there is no-one looking askance at somebody who walks out early. I have a completely clear conscience when I walk out at 5.30 or or 6 o'clock. So there is not an expectation that you should do that anyway. It's not like law firms where it's, where you going and get back to your desk, none of that whatsoever. However, we have got clients to service and if the project is running late then everybody rolls their sleeves up and they work long hours'. (TMAma1)

In spite of this assertion the informal culture seems to exert pressures to work longer hours:

> '…if everybody on the project stays, it's not even pressure, it's good manners'. (ProfBfem)

A group leader indicated that there were unwritten policies on hours as willingness to work long hours tended to feature in employee selection decisions:

> '….do people have the right attitude, are they going to go at 5 o'clock every night or are they going to stay without being asked' (SMAmal)

There are some gender differences on long hours, with women taking a different view to men. A woman engineer had a different experience to the top manager quoted above:

> '..when I went to the States I had to leave on Sunday morning and then I landed at Heathrow at 9 am. I was expected to come into the office… I think there is a culture of working hard and being seen to work hard. I think people look upon flexible working as working less hard' (ProfHfem)

Most engineers seem to see the main pressure to be lack of flexibility rather than overall long hours:

> '…people work a little bit longer, but not that much longer. The work life balance here is excellent. The flexible hours are not excellent' (ProfImal)

> 'They are very good on ...being flexible...If you want to come in earlier, that's fine...you want to go home later, that's fine, as long as you are here between the hours of half nine and five — there isn't a written policy, but it seems to be the unwritten policy that you have to be here' (Tech Bmal)

> '…you can work flexi-hours…as long as you do a minimum of thirty seven and a half hours … if you've got trouble with children or they are sick...its a great benefit' (TechCmal)

However, this limited flexibility could have consequences for people with dependent care responsibilities:

> 'You are encouraged to work more than your contracted hours…if I start to get children into the equation that could be more tricky' (ProfHfem)

7.5.1.2 Job satisfaction

Great variety in the projects that consultants and engineers work on seems to mean that people are genuinely interested in what they do. Moreover they want to do what they're doing. They have the opportunity to work creatively and innovatively. Reflecting the earlier work of Walters and Cotgrove (1967) the opportunity to use

their creativity and the challenge of the job are thought by all consultants and managers to be the key motivating forces in the company, strongly linked with autonomy (see above):

> *'...the technical challenges of the job are its key aspect.'*(ProfImal)

An engineer said that the:

> *'....nature of the work is more important (than) the pay..'* (ProfBfem)

> *'...you are not just doing one product. It's very varied....you get to learn about different things which is another motivation.'* (Prof F mal)

While this seems to be a shared value among consultants, when the variety of job and tasks is cut back, as with certain technicians who used to be engaged in consultancy work but now do production work, this has had negative consequences.

This feels to one technician as if now his:

> *'...job doesn't exist...building the same old things year in year out with (only) a bit of development work.'* (TechC3mal)

7.5.1.3 Brand and mission

The company has a very low key brand image and that is deliberate since:

> *'...it isn't a known brand....quite a lot of projects are confidential'* (ProfFmal)

Clients tend to come to the company as it is well-known in its specialist areas. Much of its business comes from large companies worldwide who know of the company's work. Hence, brand image like other aspects of the organisation and its culture is characterised by informality and quiet discretion.

7.5.1.4 Recognition

The main form of recognition is the way people are chosen to work on projects. There is seen to be a progression between projects. A longer-serving consultant explained:

'…*when we get a new project we build a team…. We start with the guy to lead it and then he goes and finds his team. It's a bit like the football team at school that the best guy gets picked first'*. (ProfDmal)

The school team analogy was seen by many interviewees are indicating that there was recognition of achievement:

'*if you are not leading bigger projects then you are not progressing..... What is happening is a form of reward'*. (ProfHfem)

Being recognised as a '*technical champion'* is an important aspect of recognition:

'*You did a good job on the last one. You are quite good at this and that…you feel wanted because people want you to work on their project'*. (Prof Fmal)

'*There is a lot of personal performance …. incentive and motivation around peer recognition'* (ProfDmal)

However, for support staff there seems little provision to provide recognition or feedback:

'*Only if there is something negative…you get the feedback. You certainly don't get any feedback on anything positive at all'*. (SupAfem)

7.5.1.5 Career development and promotion

The flat organisation structure and the organisation's small scale limit the amount of career development and promotion. Consultants and engineers tend to join the company for two or three years and then to progress their careers they leave as there are few group leader roles for them to be promoted into. Various technical training is offered to them - such as project management or presentation skills. While this enables some progression for young graduates who prove themselves, an older consultant observed:

'*You advance by expanding the capability of what you do and adjust the scale of your value to the company.'* (ProfImal)

However, there are more negative views on development opportunities:

> '..I've had negative comments ...from young people ....that we really don't offer much technical training ...external ...or internal training..' (ProfDmal)

For non-graduate technicians and support staff there is a perceptible lack of development opportunities:

> 'I asked many years ago to be able to do something else and to learn more and there was no interest shown. I think they are very happy if you are in a support role ...and that's your position'. (SupAfem)

7.5.1.8 Share ownership

There are pronounced differences in values in relation to how fundamental the share schemes are believed to be in relation the fundamental nature of the business, employment relationship and organisational culture. The *founder generation,* which in the past had free shares, is much more positive than the *newcomers,* who do not. A typical *founder generation* view is that:

> '…being a shareholder and a partner in the company gives you a much better perspective of what they're trying to achieve in the company at all levels...'(SMAmal)

Employee gains from the share schemes have been made especially when parts of the company have been floated off as separate enterprises. A story about what happened and the riches for staff that ensued was mentioned by several interviewees. This story concerned three senior staff who were said to have stopped off at the local Porsche showroom on their way to work on the day that their shares, substantially increased in value by the flotation, were able to be sold. They became very wealthy as a result. This story is widely told and might be considered to have assumed mythical status. A top manager said:

> '…many people have made millions—many people have retired early and gone off to do other things...'(TMAmal)

Those at the top of the organisation believe the equity basis of the company is instrumental in setting the ethos or culture of the company:

> '….even across all levels of the company… the top men down to the bottom, you know, everybody can be a shareholder and it doesn't mean just the more

highly paid, the more senior people have more shares...there's quite a few lower paid people with substantial shareholdings'. (SMAmal)

The internal share market works in such a way as to allow employee shareholders to sell shares internally within the company. They are not allowed to sell their shares externally. The cultural implications of this 'internal market' (Becke,2010) are said by employee shareholders to be that it:

'...engenders a good culture ...especially I think when it comes to things like dividends and bonuses as well, to have the opportunity to invest in the company and be actively encouraged to do so'. (SMAmal)

Longer-serving staff that now have to sacrifice salary to buy shares, which would once have been given free to them recall that:

'For the first four or five years that I was...here....You used to be given an amount of shares every year. The situation now is ...incentive deals in that if you buy two shares you might get one free.... I've taken a step back from the share ownership, because of my current financial situation.' (TechBmal)

For new recruits the existence of the share scheme does not seem to have influenced their decision to apply to work at the company:

'It didn't affect my decision to work here, but I do appreciate ...it helps the culture, but on the other hand.... most people don't buy shares.' (ProfCmal)

These more negative views of the value of the share schemes is in spite of relatively large gains in the past, even by technicians and support staff with fewer shares than group leaders or top managers (for whom there is also an executive share scheme):

'I probably made about £30-£35,000 solely through what the company had given me...' (TechBmal)

While there is extensive information on the scheme and an internal share market in which anyone can participate, there is less information available to employees on the gains that could be made, and have been made, by individuals from their shares. There was a perception of much higher gains in the past, even among newer joiners:

'We get dividends every year, but not much... I haven't got many shares... the new guys that come in that have to buy the shares ...it's a bit harder to get the money' (ProfFmal)

Some strong positive values are expressed by staff on the organisational effects of the share schemes:

> '*I think ... people tend to work harder, because it's going to affect them directly*' (ProfFmal)

Staff at all levels, who are in the *founder generation* tend to be positive. A support worker said that the employee share ownership

> '*...makes you actually become proud of the company and want the company to do well*'. (SupAfem)

Hence, although there are positive cultural outcomes from the share schemes, it is not only that shares now need to be bought and are not given to staff that creates some divisions – the operation of the internal share market is also viewed critically:

> '*If you've got somebody that's got huge holdings and somebody like us at the bottom has got a small amount, the shares will always go to the person with the maximum shares ...Obviously theirs gets bigger and mine stays static.... I always thought it's first come first serve, but it's not.*' (TechCmal)

This technician saw the positive features of share ownership, while being critical of the distribution:

> '*...it makes you feel part of the company. You are not just an employee, you are part of the company, which is good. It would just be nice if they would share them out a bit better*'. (TechCmal)

In contrast some newcomers with few shares see fewer positives in the scheme:

> '*I had a few shares ... it doesn't change the way I approach my work or the hours I put in.*' (ProfAmal)

A longer serving consultant contrasted the value of the shares to him now with 10 years ago:

> '*...shares in the last few years have played virtually no role at all in anything that's going on*' (ProfDmal)

A more subtle opinion– but also negative in tone– was evident from a consultant who said the gains he had received from shares he sold in the past helped him to buy a house:

'…*if you are going to be working for somewhere and also invest in it. If the company does badly it's a double whammy'.* (ProfEmal)

7.7 Performance culture

The company has clear performance metrics relating to utilisation, fee income and sales. However, as several interviewees pointed out these metrics do not give a complete picture of performance. One consultant working on development projects commented:

'Unfortunately for me, there is no metric that measures what I do… I'm developing concepts and searching to see how original a concept is and finding patents' (ProfImal)

Company management say they do not want to '*penalise'* staff working in underperforming departments as they wish to emphasise the unity of the enterprise.

'*You want to have a bonus and salary system which works across the company and doesn't advantage those that happen to be in a particularly profitable area'.* (TMAmal)

The company's top management takes a largely developmental approach to individuals who are poor performers. There are estimated to be three or four people from the workforce of just under 300 who are performance managed out of the company a year and rather more whose performance is being monitored and:

'*....encouraged to up their game'* (TMAmal):

'*For most of the company's history it was dealt with I suppose by encouraging people to do better and maybe changing roles more suited … it's been rare... There have been more recently a few instances …a bit of clearing of dead wood….it was good for the company.'*(ProfDmal)

A more recently appointed consultant saw the issue of poor performance in more negative terms:

> *'I don't see that poor performance is recognised. We have… yearly or perhaps six monthly appraisals…I don't think it is very effective'* (ProfEmal)

There is general agreement that poor performance is tolerated and this seems related to the largely informal self-managed corporate culture stemming back to the founders. The problem is spoken of in more muted terms by the *'founder generation'*:

> *'I think some people …need a bit more guidance, and you do get people who have lots of coffee breaks and cigarette breaks but it's pretty rare'* (SMAmal)

In comparison the *'newcomers'*, especially those who have worked in other companies, see that in this company:

> *'There isn't any performance culture. This company is so laid back it's unbelievable'.* (TechCmal)

While company managers say they do not directly manage performance, the informal managerial relationships with consultants are important in consultants being seen to add value to the business. The political relationships with managers are seen by consultants as instrumental in protecting them from criticism. A consultant working on development projects, in which the company potential might not be realised for several years and for which the results are difficult to quantify, said:

> *'I rely on my boss seeing … there is value in what I create that isn't quantified in the current (performance criteria). … I was going through a transition from one role to another and I missed my targets two years ago ..I was …getting worried that I'd get fired… I'd …feel a little bit vulnerable if …my boss moved on'* (ProfImal)

The company does not use performance metrics to set either annual pay or the annual bonus. There is a shared value amongst employees that the annual bonus is not formally related to individual performance nor should it be. A group leader said:

> *'…I don't personally like the idea that there's a great big bonus waiting for you at the end of the day if you perform so hard or work so well or achieve this target because I think that just focuses you on achieving that target. …'* (SMAmal)

Because there is little formal communication on the bonus, as with salary, there are a variety of interpretations. For some there is a feeling of serendipity when bonuses are awarded:

> *'We just got a whopping bonus…perhaps, that was more than I deserved.'* (ProfImal)

Many staff expressed uncertainty about how the bonus is calculated and a variety of interpretations circulate:

> *'I understand it's performance related, but doesn't vary much between the best performing employees and the least performing employees'* (TechAmal)

Some staff see a link between performance and pay, others do not, or the link is viewed as unclear:

> *'I think there is a linkage between performance …I couldn't really say how strong it is….'*(ProfDmal).

Technicians, in particular, see no effort and reward link:

> *'(Performance) doesn't seem to make a difference, certainly on the surface whether you do a good job and you do a bad job and you put 50 hour work weeks in or you put 20 hour work weeks in. None of those seem to make a difference.'* (TechBmal)

There is a demand from some consultants for a stronger link between pay and individual performance:

> *'We all get paid the same. It doesn't matter. I've just come back from Scotland, and we were working silly hours I got the same pay rise and the same bonus as somebody who did 37 hours and didn't even do a full week.'* (TechCmal)

There is some evidence in this case study of the effort bargain relationship at work – especially among lower levels of staff and in a negative way in terms of the release of discretionary effort:

> *'…comments I've heard from people …saying…. why bother to stay late, because you don't get any extra for it... If there was something …an extra 5% of my salary it's worth me staying'.* (TechCmal)

However, at the other end of the performance spectrum, there is also some evidence that the apparent collegiate nature of the performance bonus may have a detrimental impact in relation to those who would prefer a more individualised approach to reward including individual performance pay:

> *'I've seen a few… really high performers leave. I think some of them have left because they felt they were contributing way more than they were getting out of (the company)'* (ProfImal)

7.8 Equality and fairness

Equality and fairness in this case to has two principal components. Firstly, values relating to pay and reward and secondly, relating to broader gender equality culture. Even staff who by their own admission are not fully motivated say (rather grudgingly) they are comparatively fairly paid:

> *'In terms of the job that I do, I think that I'm fairly rewarded* '(TechBmal).

> '*The pay is quite reasonable, I suppose'* (TechCmal).

However, the lack of pay transparency means that people do not have enough information to decide if they are rewarded fairly in comparison with their colleagues. The permeability of the organisation to the external market and the detailed knowledge that staff tend to have about pay in other comparable companies seems to inform their view that they are fairly paid, although this relates, of course, to external rather than internal equity. It also seems to influence the values in relation to the opacity about relative pay within the organisation. Potentially internal fairness concerns might arise, but seem not to:

> '*I don't know how much people get. It's difficult to tell whether it's fair or not. I suppose...that it is fair. If it wasn't people would have left.'* (ProfBfem)

In terms of gender the overall culture of the company may be described as predominately male. There are very few female engineers or scientists, but the company does not formally monitor diversity nor know exactly the gender breakdown of staff. There are assumptions about '*meritocracy'* within the company management. The company wants to recruit and retain the best world class engineers, in the words of one top manager:

'*…irrespective of whether they….wear a skirt or not.'* (TM1mal)

The assumption that people are recruited and appointed on merit alone led him to assert:

'*We are pretty much gender blind, colour blind, origin blind and everything blind, I mean, we are interested in high quality, world class, physicist engineers…… In terms of encouraging female applications, I don't know that we do anything positively to encourage a female applicant. I suspect we would say that we don't need to do that'.* (TMAmal)

Reflecting on the culture amongst the graduate engineers, which women tend to see as a male cultural milieu, a senior engineer and group leader said:

'*…there is quite a lot of people that are like ourselves…I wouldn't call it a "laddish" culture, it isn't but it's…the way we address other, the way we dress, the way we work is quite different to the rest of the company and we're very successful..'*(SMAmal)

There is a segregation of roles by gender with most of the consultants and engineers being male and the support staff women. A woman engineer suggested the project structure was a system favoured by men:

'*Engineers are usually male. There are some women….They …either stay here for a long time or they go quickly. One of the reasons is that you don't feel that you are nurturing something….if you think about female characteristics'* (ProfBfem)

A woman support worker also commented on the gender segregation of roles:

' *I think women are tolerated more in support roles than higher positions... I think we have got a few more now than we used to have… there are definitely more women in support roles here and that it is very noticeable'.* (SupAfem)

Does that therefore mean that male values permeate the company? Most men interviewees did not see any bias in terms of male values, although one described the *'sink or swim'* approach to new joiners as indicating '*…this is a very macho organisation'* (ProfDmal).

Another male consultant agreed with this view and observed that there was also more obvious gendered behaviour among some men in the company:

'(There are)...a couple of alpha males…'(ProfGmal)

The few women engineers saw the company culture as:

'*… a male company.'* (ProfHfem)

Another woman engineer with long service saw more subtle male assumptions and values permeating the company and even used language that supported her observations:

'*There is a general feeling that we are a bunch of clever guys'* (ProfBfem)

Family formation patterns seem to suggest that pay levels are high enough for many of the male engineers to have partners who do not work. Two women engineers, in particular, commented on this pattern amongst their male colleagues, in contrast to the pattern evident amongst the women engineers:

'*…there are lots of guys who have families…'* (ProfBfem)

'*….a lot of the wives of people who work here don't work... We joke that (the company) is one of the last middle class breeding grounds. I know people with a large number of children….'* (ProfHfem)

In terms of other aspects of diversity such as age there is some evidence that the company's typical long service pattern means that there is an older profile than among competitor companies:

'*I thought it was quite old. I came from (another similar company) and their workforce is completely opposite – quite young…I would say quite a lot of the workforce (here) is over forty…..religion and culture never comes to the forefront. It never comes into conversation, so you don't think about it.'* (TechCmal)

7.10 Conclusion

Case study 3 exhibits many of the characteristics of the 'knowledge-intensive' firm that Newell et al (2002:28) describe. It has strong shared values but not a strong culture in the sense or meaning of Deal and Kennedy (1982) or Van Maanen (1991) since the brand image is very low key. Rather, in this company it is the strength of the informal relationships which provide a conduit for the sharing of values. There

are some sub-cultural tendencies but these tend to be more enhancing cultures than counter cultural (Martin and Siehl 1983). Women, non-graduates and graduates who are not Cambridge graduates may be considered to have some sub - cultural tendencies although these still tend to support the main shared values in relation to pay and performance aspects of reward. The non- graduates exhibit some counter culture tendencies but these seem to be ameliorated by respect for the founders. The company might be argued to embody the attributes of what Goffee and Jones (1996) refer to as a community organisation, which has high solidarity or focus on performance and high sociability, reflecting the trusting and caring environment. Nevertheless, the tolerance of poor performance in the largely self-managed company might militate against such a generalisation. The links between pay and individual performance is unclear.

While there are employee concerns over pay transparency, the primary 'cosmopolitan' focus of employees tends to support the dominant culture and the permeability to the external market is linked with staff seeming at ease with salary market norms. They seem to come within the definition of '*cosmopolitans*' (Gouldner) as their values have a more external focus. However, there is also a tolerance of internal 'quasi-markets' (Becke 2010), which is seen in the internal market basis of choosing people to work on different projects and in the internal share market.

The *founder generation* and the *newcomers* tend to have very different values with regard to the share schemes, with the former much more positive about their value. The share schemes seem to be associated with the creation of a trusting environment, but there is no specific evidence that performance outcomes are affected by the equity-based plans. This finding partially echoes the research of Kalmi et al (2006) in suggesting that employee share plans are far from corporate panaceas. Both the organisational and total reward context may affect their impact. Reflecting the earlier work of Walters and Cotgrove (1967), Chen et al (1999) and Thompson (2000), in this case study the relational rewards of autonomy and the opportunity to engage in leading edge engineering work are especially valued. Indeed, they are seen to by many staff to outweigh the share schemes in their value as rewards. Underscoring

these relational rewards is, of course, the high pay in relation to the market this company offers to all employees.

Analysis

Chapter 8: Case study 4: Multi-national engineering design and manufacturing company

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8.1 Introduction

Case study 4 is an engineering firm that designs and manufactures electrical and electronic products. The company is US owned and the multi-national has operations in 26 countries and employs over 8000 employees. This case study is on the UK-based subsidiary, which has a manufacturing plant comprising both aircraft and industrial divisions, located in the South-West of England. The company uses a cell-based system and a lean approach to manufacturing precision control components and systems for aircraft, space and industrial applications. The company's components and systems are used for primary controls in aircraft and are behind many complex and high profile projects, many of which are secret or one-off projects entailing a high degree of innovation and skill.

There are approximately 400 people employed in the UK, principally in technical, professional and manufacturing roles. The majority of employees are assembly staff, technicians, engineers and administrative staff. The workforce is very stable with the average length of service 10 years and a low employee turnover rate – about four per cent per annum.

The data for this case study are based on 15 in-depth interviews with a range of employees and managers in both divisions in the UK, plus documentary analysis. The following sections include quotations from the interviews with administrative staff (admin), managers (mgt), supervisors (super), technicians (tech) and graduate level engineers (prof).

8.2 Summary of reward and culture findings

This company is unusual in that it has a specific and explicit set of cultural corporate values it wishes to see enacted in its workplaces. The reward policies reflect these values. The data from the interviews therefore make it possible to compare these dominant culture or corporate cultural values with those of sub-cultures or cultural fragments.

8.2.1 Culture

 Influenced by its founder the parent company wants the firm to have a strong culture and publishes a booklet for employees on what is expected. This is backed up with workshop sessions for employees organised by HR staff. The booklet states the cultural values the company desires:

> *'Trust is a must. Competence is King. We try harder. We're all in this together. It's my job. We look for solutions, not scapegoats. Communication is crucial. Formality doesn't help. We have to be adaptable and ready to change. Commitment should be rewarded. Work should be an enjoyable experience. Your personal life is important.'*

Such formalising of cultural preferences is seen as part of the company's strategy of leadership for building employee commitment. It is aimed at cementing the organisation together by instilling values that will promote a cooperative working environment: '*mutual trust and confidence, respect, and fairness are essential'*, states the company documents on culture.

To enable new recruits to be comfortable with its preferred way of working, HR staff organise training sessions on culture. These sessions are more or less voluntary and are low key. There is therefore much less of the use of strong socialisation techniques adopted by some other companies which believe in promoting strong cultures (as, for example, Van Maanen (1991) describes at the Disney Corporation).

An engineer at the company, who has taken a particular academic interest in the company culture, said the preferred set of cultural values were developed by the founder from McGregor's Theory Y. The importance of founders in shaping corporate culture has, of course, been noted by several writers (for example, Fineman and Gabriel, 1996). In contrast with others however, this company does not have a forcefully directive approach to propounding the cultural values and behaviours favoured by the founder. Instead the rather low key approach can seem:*'...exceptionally woolly'* (Prof Bmal), according to the engineer who had made an academic study of the corporate culture. Using the analogy of a cow which produces milk, he suggested that the company philosophy was akin to saying to employees:

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> '…*there is the lushest, greenest grass you will ever see, as many acres as you can eat, now go make milk…*' (Prof Bmal)

How this corporate culture works seems very subtle, so subtle that employees may not see its positive attributes and be critical of the formal statement on culture. This engineer cited the example of a newly-appointed engineer:

> '*He didn't realise that he had been taken on simply because...he was completely at home in this environment, very confident in his abilities, very good at what he does… and the company philosophy was simply allowing him to get on and do what he did best*'… *I had to chuckle ...he couldn't see it*'. (Prof Bmal)

The two corporate cultural attributes mentioned most frequently and agreed on by all interviewees were firstly, the high-trust environment –evidenced, for example, workers on the production site not having to clock in and out (as is the norm in nearby engineering firms). Secondly, the company has a lack of bureaucratic structures, with less hierarchy and management levels than interviewees suggested were evident in other engineering companies.

The '*no-blame*' aspect of the corporate culture is controversial and yielded some different perspectives on meaning among employees. For most interviewees there were strong resonances in relation to the trust culture and no blame culture. The emphasis on these values is recognised by new entrants as noticeably different to other organisations for which they have worked. A young, recently recruited engineer observed that only a minority of employees did not seem to buy into the corporate culture, when it was phrased in terms of no blame. He used a picture of '*a simple flower like a daisy*' to illustrate how he saw the lack of blame and guile:

> '*I haven't got a lot of experience...but in other places people have got quite aggressive towards each other to get things done, whereas here it's quite friendly, we're all sort of equal really*' (ProfAmal)

Various stories are told to attest to the credibility of the no-blame culture. The senior manager in charge of reward told of a costly problem with some form of insurance, which tested the no-blame claims of the corporate culture, and ensured no-one person

was blamed. In that instance there was indeed no blame. In contrast a technician told of an incident:

> '.. where we forgot to do a couple of things on a certain job.. and three of us lost a pay rise for it and we were sort of hauled across the coals ...the three of us (were) singled out, we were being blamed, we were being shamed and being named'. (TechCmal)

Indeed, it seems that the stated principles and philosophy within the corporate culture could be open to a wide degree of interpretation. One manager pointed out that there was evidence that people tended to focus on some of the principles that meet their values and downplay others they find less palatable:

> '…if you read through the culture, it's not just about being friendly towards each other, it's also about have a very professional attitude..... I think a lot of the time we focus on the friendly way of working and everyone doing the right thing but actually we're here to do a job and we're here to make money as a business and really the key thing for me is 'competence is king.'' (MgtAmal)

A technician, who said he was well entrenched in the corporate culture, talked of how he had been socialised during his apprenticeship in the company. He observed that not everyone kept to the stated values and there was a degree of picking and choosing which to follow:

> '..they follow it when it suits them....I think sometimes they think they can step around it, and I think different people tend to react differently to it, some people just don't follow it' (TechAmal)

However, he indicated though that perhaps the corporate culture did have some force in that:

> 'I think the people who have done well in this company follow them, but I think that the people who don't tend to follow them tend to come and go quite quickly…. or they change suddenly. We've had a few people in recently and they've come in with fists flying and ...when they realise that it doesn't work here they leave….'(TechAmal)

Staff and managers who travel to other parts of the company internationally observe that some of the same manifestations of the corporate culture are evident in group subsidiaries across countries:

> '*When I go to international meetings abroad with all the senior managers ...they're all really friendly and happy to interact with you so it's really nice...there's no looking down their nose at you.*' (ProfEmal)

At such international company meetings the participants tell and retell each other:

.

> '**....**"*quirky*"... stories about the founder*...people still tell these stories.....they are myths really, but true....he was a bit of a jack the lad…*'(MgtBfem)

Such stories and myths about founders are not uncommon (Fineman and Gabriel, 1996) and have the effect of perpetuating corporate values even when, as in Case study 4, the founder has passed away.

A manager with an international role and experience in other UK companies expressed the appreciation of many interviewees with the distinctive culture:

> '*…you are grateful for this oasis that's here...some people who have not worked in other companies may not see it… and it does depend on the job you do..*'(MgtBfem)

Another member of staff with international experience suggested that the cultural attributes of this multi-national company:

> '*….could well be unique..... it's really like nowhere I've worked before*' (ProfEmal)

As the company has expanded, the culture has changed according to long servers, who suggest that:

> '*The culture has sort of watered down ....not quite as strong values as originally*' (ProfAmal)

This feeling seemed strongest from the perspective of those on the shop floor:

> '*I've been here 26 years... and the place has changed……our management still think the (company) philosophy is still going but on the shop floor we don't think it does*'. (TechBmal)

The current cultural attributes are linked by some with a growth of cynicism and a sense of disengagement amongst long-serving employees:

> '*I think the people that have been here for a long time, like myself, have ....become more cynical, we've seen it all before, heard all the blarney before.....*'. (Tech Bmal)

Nevertheless, several interviewees indicated that what they knew of the company before they joined had attracted them to come and work there:

> '*It was a conscious decision to come here…*'(ProfFmal) said an engineer voicing support for the culture and its positive aspects, which he likened to:

> '*...a tree in a field...peaceful and sunny...you are under pressure quite often but nothing that makes you fear for your job...*' (ProfFmal).

Culture rather than pay is seen as an employee retention feature. A story is told about one engineer who '*did leave ...but after a week he came back*' (ProfCmal), while another engineer said he had thought about trying to get another better paid job in another company:

> '*I've thought it might be nice for variety to go somewhere else but...it's the culture that keeps you here*' (ProfA mal)

While the culture attracted some it also had a negative effect on employee retention for those who did not '*warm to the culture*'. For example, a graduate in an administrative role was choosing to leave the company as she said she found the flexible '*randomness*' of the culture did not suit her:

> '*I want a bit more structure... the main problem is the slowness with which things are done because of lack of organisation or structure...*' (AdminAfem)

While there was some evidence that some newcomers leave if they do not like the culture there is also evidence that some stay and exercise a degree of scepticism and even cynicism about the nature of the corporate culture:

> '*...our culture is quite American and I think a lot of people rebel against that...*'(TechAmal)

It is debateable whether this 'rebellion' has led to the engendering of subcultural trends. Certainly, there seems sub-cultural and fragmentary differences in values

between cells, between office and manufacturing, and between the company's four different workplaces on the same site. They are said to have developed distinctive '*cliques*':

> '*The machine shop is split up into individual cells where you have four or five people who work closely with each other, and they all tend to agree with each other, and then if there is ever any disagreements it's usually between areas rather than within the cells*' (TechAmal)

The differences in culture between cells are attributed to:

> '*The stronger personalities that generally set the tone....depending also on the supervisor and their expectations and you do get, department to department, very different environments...*'(ProfDfem)

Many staff observed splits within the company between the industrial and aerospace parts of the business, with the former being described as:

> '*...like the poor relative, it's like it's only industrial.... we used to have like logoed shirts (which I still wear) and they still give me grief now «you can't wear that over here!» ...*'(ProfDfem)

The aerospace facility is said to be more in tune with the corporate philosophy and values, while the industrial site is less imbued with corporate culture. Even in the industrial plant there is an acknowledged ambiguity (echoing the work of Myerson, 1991). One shop floor worker acknowledging that he might have a '*narrow*' view demonstrating an ambivalent set of views about the company and its corporate culture:

> '*…I rant and rave about the company, but the place to come and work is very good, I mean I work in a clean environment, it's a relaxed atmosphere. If the girls can help you they do, if you've got a problem you can talk...*' (TechBmal)

There are pronounced splits evident within the industrial site between office staff and shop floor and these cultural differences also tend to be gendered (see section 8.8 below):

> '*...there isn't much integration between the office staff and the shop floor...it's the blue and white collar thing*' (TechAmal)

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On the shop floor the cell-based manufacturing system is associated with a complex cultural pattern, echoing the *'fragmented unities'* tendencies observed by Parker (2000). An engineering team leader suggested:

> *'..there's cultures within cultures...'*(ProfDfem)

A cell leader who is a relative newcomer to the company described the resistance he encountered, suggesting some pervasive counter-cultural (Siehl and Martin, 1984) elements:

> *'They get in their little groups, you get two or three guys and they stick together, kind of 'us and them'.... It doesn't matter what you do to get them to see the light...they won't have it...they're kind of bull-headed...and there are a few here that are like that....they seem to have a very poor attitude....no matter what you do for them or try and do for them they will just throw a spanner in the works, verbally, not physically..'* (Super Amal)

Hence, it might be seen that there are counter cultural indications especially among what several employees refer to as the *'tea machine culture'*:

> *'..the reaction of the boys on the workshop floor, which tends to be a tea machine reaction, you know gathered for a cup of tea around the machine'.* (ProfBmal)

These counter culture indications are associated with some people taking advantage of the freedom and culture of trust, which has implications for performance (see also section 8.7 below):

> *'…because the culture is based on trust and everybody working to their best and because of the freedom that we have, it's not dictatorial, and ….it's almost like (people) taking advantage of it, but...with the culture of not getting rid of anybody it makes it difficult to do anything about it.'* (ProfEmal)

Managing these counter cultural tendencies is a challenge for company managers and leaders seeking to manage within the corporate culture. These challenges lead, according to some staff, to some patterns of leadership behaviour which seek to avoid conflict and thus might be viewed as dysfunctional from the perspective of the company:

> *'I think they hide behind the philosophy and culture when it suits them…. I find the management isn't good, it's not strong…(they) avoid conflict…I want managers to manage…I find very frustrating…'* (ProfDfem)

However, the observed counter cultural tendencies of the *'tea machine culture'* seem too present fewer challenges for managers than might have been expected. For example, although there were differences in values, they did not follow through to how employees performed in their jobs, because of the safety critical nature of much of their work (see also section 8.6.1.2 below**)**

> *'They don't mess anything up in the job, the job's important, but they just have a negative attitude…'*(Super Amal)

8.2.2 Summary of pay and reward arrangements

The company aims that its reward systems fit the culture it wishes to promote. It particularly aims to develop a total reward approach, emphasising the non-financial rewards. Company managers believe the technical challenge of jobs and the opportunity to work with cutting-edge technology, the supportive working environment and the opportunities for training and development should be viewed as part of the reward package.

The company does not believe that individual performance fits with the trusting environment and strong teamwork it wants to create. It therefore has a company-wide profit-sharing scheme, rather than individual performance pay. The Reward Director comments that there is a lot of pressure on the company from its sales force, which wants the sort of sales commission or sales incentive schemes people who have joined from other firms have had.

Recently, the company has decided to adopt two practices which introduce more formality and structure into its reward approaches:

Firstly, the company had a more ad hoc approach to pay decision-making, which seemed to fit with its high trust environment, but in response to feedback from technicians and engineers, and following the appointment of a new director, the

company introduced a more transparent pay ladder-based structure, linked to training and competency development.

The ladder system uses spot rates for each job level, with the level set after research by the Reward function on pay levels among competitor engineering firms and customers locally and in Gloucestershire. There are five levels and concomitant rates of pay:

Assembler/tester
Assembly and test technician
Technician
Senior technician
Senior technician 2.

Secondly, the company has begun to link its annual performance appraisal results more formally to annual individual pay reviews. This applies to staff and engineers.

There is a broad-banded salary system for the staff and managerial grades, with the grades being job-evaluated using the Hay system. There are 7 broad bands up to senior management level and there are two further bands for senior managers. The bands overlap to a considerable extent. For example, the lowest band, Grade 6, ranges from £14,500 to £24,000 which fits within most definitions (for example, Institute of Personnel and Development (IPD), 2000) of broad bands, which are defined as having salary band widths upwards from 70%.

The company believes its benefits package is '*competitive*' and designed to attract and motivate the '*best talent*', and gives employees '*a feeling of security and the freedom to enjoy their lives*'. The benefits package is standard for everyone in the company and includes flexible benefits options.

To encourage employees '*to get along well together*', the company organises various activities, including company picnics and sporting events. To encourage personal and professional development, there is also assistance with tuition for advanced degrees.

A valued benefit is medical insurance, with the level of cover increasing with length of service. After three years' service partner cover is offered and after five years' service family cover. These extra levels of cover can be flexed under the flexible benefit scheme. Under the scheme, on an annual basis, employees select their optional benefits. The other benefits available include dental insurance, travel insurance, AA cover roadside assistance, a healthcare cash plan. In addition employees can also '*buy*' or '*sell*' up to three days' holiday for the next year. The standard holiday entitlement is 25 days plus bank holidays. The company pension scheme was previously a final salary scheme, but this has been closed to new members and there is now a stakeholder (basic pension) scheme for new entrants. The employer contribution is service related, ranging from 4 per cent up to 10 per cent, after 10 years.

8.3 Narratives on reward and pay setting

Given the company approach to cultural values it is questionable how far the preferred values read across to reward and how they are manifested in narratives on reward and pay setting. There is some evidence that the corporate culture may be seen more obviously in the benefits package than in the pay systems and approaches to pay:

> '*...I see (pay) as slightly outside the culture ....then there's the perks, like the Christmas do...so I think things like the Christmas do fit in with the culture, but I think financially...I find it hard to link the two...except that you get opportunities to further your career which I guess would result in financial reward*'. (ProfAmal)

However, the lack of mention of anything to do with pay and direct financial reward in the corporate culture documents and in managers framing and reframing of those corporate cultural values in what they say, seems to leave a vacuum, which the informal culture fills with its own narratives:

> '*...a few years ago (new directors)..took over and…(said) «yes, we realise your salaries on the shop floor...have fallen behind» and they ...restructured it......but then they promised us £500 on 1st January...and that's been forgot about...but we haven't forgotten about it...and it's very much an us and them atmosphere...ourselves on the shop floor and .the people on the other side of the wall...the senior management…*' (TechBmal)

The new pay ladder system seems to some to give more of a sense of control to the employees as well as rewarding their skills:

> '…the nice thing about it was it was left open so that individuals could excel.' (SuperAmal)

Many employees mentioned the low and nil pay rises which had been evident during the recession, resulting from the financial position of the company. In this aspect there were predictable differences between the views of higher and lower paid, with professional staff placing more emphasis on job security than on pay:

> '*the company let everyone know and said «there's no pay rise this year» and we all accepted that because we don't want anyone to get made redundant...*'(ProfAmal)

In contrast, lower paid employees expressed much more difficulty with low or nil rises:

> '*I don't understand how a company can give a small percentage of a pay rise when the rate of inflation has gone up double, how they expect us...how they can...it's not a pay rise, it's a survival rise…*' (SuperAmal)

Some communications from the company to its employees seem to show a lack of coordination between parts of the company, but they tend to be seen by employees as subtly integrated:

> '*…a couple of years ago we had a memo from the States...saying «Worldwide no pay rises ...because...if we give a 3 per cent it will cost 30 million dollars.» Two weeks later we get another (saying) ..«(the company) have just bought a company in Latvia for 30 million dollars cash» ... and that rankles...that hurts people...*' (TechBmal)

8.4 Communications on and transparency of reward processes

Company managers believe there is still more to do on communicating the total reward package it offers. Communications and transparency of pay processes is partial at present. The new pay ladder system is available for employees to see on the Intranet but with respect to the Hay-graded broad-band system there is much less openness. An employee can, on request, find out their Hay grade and if they request

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information can be told what the range of pay is for their grade. This rather secretive pay system seems to indicate a potential conflict with the corporate cultural value in relation to trust, but this could be interpreted in two ways. The broad band system might be seem to accord with the corporate culture value of trust if staff do trust managers, but if they do not then it might seem to run counter that that stated value.

The broad-band system's lack of transparency prompts questions and expressed concerns from staff not just about pay review decisions but also about which pay band staff are in and why. One member of staff said she had discovered that her salary level was in three separate bands and there seemed to be no explanation available on why her job was in her current band.

A technician with experience of the older technical pay system, which was less open than the newer more open pay ladder structure said:

> '...because it used to be. ..that everybody didn't know what everyone else was on and it was all a bit hush hush and you daren't say and...but the ladder system.... is a lot more open, which. ..people like, because they don't feel like they're being cheated…' (TechAmal)

The company believes that employee engagement has improved as a result of the new ladder system, even though it does not apply to all employees. They believe the increase in employee engagement:

> '…has been helped by a transparent pay ladder structure, linked clearly to competency and training' (MgtAmal).

Technicians agree:

> '…you can see exactly where you are on the ladder and you can say to yourself "right I'm there, I want to get to there, what do I need to do?" (TechCmal)

An engineer who had benefited from the system in terms of the levels of increases he had received and who was generally positive about it commented on the partial transparency:

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> *'I don't understand the full process.....you are left to work it out yourself.....its not 100% transparent....the reasons for a pay increase or not are communicated but....we are not aware of the whole process…'*
> (Prof Fmal)

However, there is more expressed concern from staff and managers still covered by the broad band system:

> *'For the office staff it's secret so no one knows what you're earning, so no one other than you and your manager... know what your percentage increase was so, it's not really spoken about…'*(AdminAfem)

For the office staff the broad-band system can seem procedurally, even if not distributively, unfair:

> *'…not really transparent...I was told my pay rise before my appraisal was completed…but the outcome is fair…'*(MgtBfem)

The formal way of communicating pay rises is viewed somewhat cynically by staff:

> *'….what happens is you go for your appraisal and then two months later you'll get your brown envelope with «this is your salary increase».'*
> (Prof Cmal).

In the absence of clear and full information, individuals attempt to make some rational sense by piecing together fragments of information and trying to see a whole picture. A manager who had some information on the current pay rise award and who said he was rated as 'outstanding' said:

> **'***5.3 for outstanding, and there's very few people in the business who have achieved that, maybe one or two, you can count on a hand...then highly successful, which is above average I suppose …'* (MgtAmal).

The same manager had been responsible for making decision about pay rises to staff and thought staff needed a fuller picture, covering not just the reason for an increase or not, but typically how well they stood in relation to other staff :

> *'I think as much as anything staff here are as concerned about their grade as they are about the actual pay increase itself... one of my staff, I gave her the grade and said «your grade this year is highly successful», ...and the*

question she asked was, «was that above average?» to which my answer was «yes» I said the average was successful' (MgtAmal)

Echoing other research (for example, Kessler and Purcell, 1992) on performance pay one of the staff receiving an award reflected that the relationship with the line manager is critical in determining the award, but added that:

'*...I think the judgement made of my performance was right…*' (TechDfem)

An engineer explained that he thought communication about the pay rise generally took place in his part of the company but it had been absent during the current year:

'*…the only reason it wasn't this year is because we haven't got a manager at the moment…. somebody from HR did come and say «you're getting a pay increase, if you want to know what have you, the details, go and speak to so and so but it's just to let you know you're getting a pay increase ….we've had some input from your old manager»*' (ProfEmal)

8.5 Institutional factors and status issues

The use of individual performance rises based on line managers' appraisals might lead employees to seek to develop their relationships with their line managers. This could in turn lead to the sort of individual political behaviour, which the corporate culture discourages. The senior manager specialising in reward commented:

'*We do not want people to focus on the short term and the political but on working with one another and on the long term*' (MgtCmal)

The company discourages internal political behaviour. In its culture booklet for employees it says:

'*Political upstaging is not considered acceptable behaviour. Making yourself look good at someone else's expense is regarded as violation of the principle of mutual trust, and you can't progress very far in our Company using that technique*'.

However, some aspects of political behaviour were evident. A technician told of some discussion among others who like him were undertaking supervisory training courses within the company:

> '…one of the main things that came up is that people.. don't feel supported sometimes because of the culture here, and they don't want to say what they're really feeling..... they don't want to upset the wrong people' (TechAmal)

Several interviewees talked about the effect of the corporate culture in gaining compliance. A fairly recently appointed technician observed:

> 'The people that generally have adapted the way they work to the culture, believe it and work hard generally get the better jobs and the bigger pay. The people that sort of rebel against it, are the ones that you'll probably find tend to be kept down a bit more…I'm like a stick of rock, you cut me in half and the company values are written through me…, you know to get on …what you need to do. ..I just play the game' (TechAmal)

A need to be seen as culturally compliant in order to get on means that people tend not to complain about things. A fairly long-serving engineer rather half-heartedly endorsed that the trusting culture extends to welcoming criticism:

> '...if you go around saying bad press about people obviously that's not what they want but if it's positive and they understand your feelings then …I think it is one of those organisations (in which managers) probably have listened and taken some action.' (ProfCmal)

The company does not recognise a trade union, but interviewees thought that some of the older workers on the shop floor would like the support of a union, although that was not a shared view:

> '…they (the company) are willing to be trustworthy and open, and so why have a union here to basically cause trouble' (TechAmal)

Another technician told a story about an employee who had had an accident at work and commented about the lack of support he had received. He assumed would have been different if had been a union recognised:

> '…there are quite a few things I think over the years….which they wouldn't have done if there had been a union here' (TechBmal)

8.6 Marketisation and pay comparability

The reward manager uses market data in the setting of pay rates, but local HR staff accept that engineering firms in the same locality tend to pay slightly higher pay.

They try and emphasise to potential recruits that the company offers much better benefits than other firms - such as private health care. Most interviewees refer to local firms in making judgements about pay comparisons. Several told the same story about the pay levels of a company, which the case study company had just taken over, the employees of which are better paid than in their own company.

Long serving staff observe a decline in pay comparability over time:

> '…when I started here, the only people that were paid more than us were x …and they were known as the hire and fire...whereas in (this company)… job for life, great place to work...but our pay over the years has deteriorated and deteriorated....I think in 26 years I recall two pay rises..' (Tech B mal)

A technician observed that it was difficult to see direct comparability of jobs with other firms as the company's products were both unique and complex:

> '..they always go on about…. looking at your pay and comparing it to other companies and doing big studies but the things we make here are so unique to us, I don't really think you can do that..' (TechAmal)

Others also saw comparison problems:

> 'I see jobs locally that are about ...£5 000 more than what I'm on for very similar roles ….but it's a difficult one because it depends on their benefits......we don't really know how we compare...' (ProfCmal)

Women tended to make comparisons with friends and family:

> 'I compare with friends in other companies…….my husband hasn't had a pay rise for 5 years and a friend who doesn't get sick pay…' (TechDfem)

An engineer voiced the views of several staff in that the corporate culture and working environment compensated for the lower pay that most staff saw in the company compared with other local firms. There are indications that this compensation has limits as reservation levels of pay (Rynes et al, 1983)- below which people cannot afford to stay in the company – may be becoming evident:

> '(I am) not a big fan of comparing with other people…where does that get you? … …certainly other companies pay more ….it's a long term decision to come here….I would move if I needed more money… a need not a want for more money.' (Prof Fmal)

8.6.1 Total reward perspective

Both the company and the employees tend to emphasise a total reward picture. This covers tangible benefits, the culture and environment itself, the job challenge and responsibilities and recognition as well as the social events. These aspects of the package do seem to counterbalance – to some extent – the low pay that many see the company offers:

> *'I've never known a company to be so rewarding in different areas....This is like my fifth year so this is the first time I'm being recognised as a long serving employee and you get to choose a gift...I've never seen that before in my life...'* (SuperAmal)

> *'... a lot of people here don't realise how good it really is, it's like we always get a Christmas turkey or a fruit and veg box and it's quite old fashioned ...no companies I've worked for in the past have done that, but... some people take it for granted'* (TechAmal)

> *'...non-financial rewards are good ....things like the different 'do's' ...Christmas party and ...summer ...picnic...I think things like that are good rewards and that builds relationships as well'.* (ProfA mal)

There is some evidence that job security is also a significant intangible reward and it is highlighted by staff in comparison with the policies of other local engineering firms:

> *'...knowing that you don't always have to be on your toes and saying the wrong thing and getting made redundant...'* (ProfAmal)

However the low pay seems to have prompted some employees to seek any way to get small amounts of extra earnings:

> *'I've got a guy in my cell who wanted to be a first aider because he gets an extra small amount each month'* (SuperAmal)

There is some evidence of dysfunctional effects in relation to sick leave, which in spite of the corporate 'trust' values is now being more actively managed:

> *'…they've started monitoring it a lot more, but when I first started some people were terrible, just because they would….trust you enough to say you*

were ill. ..and there were like some people you were like «Oh yeah I'm going to have next Friday off, I've got a bit of decorating to do»' (TechAmal)

8.6.1.1 Autonomy, work-life balance and flexible working

The implication of the corporate culture is that there is an:

'…*incredible sense of freedom that comes from being left to get on with the job. It is not a place where you are bolted down and you will answer tomorrow…*' (Prof Bmal)

This 'freedom' was said by some employees not to suit everyone and there were examples given of people who had joined the company and left quite quickly as this is something that some people who had worked for other companies sometimes could not cope with:

'*The liberty, the freedom is almost their undoing….I can think of two people who have left because of that...*' (Prof Bmal)

Staff may take personal time out for going to the dentist or doctor or for family crises without being questioned, and for people with families - especially those with young children - this flexibility is highly valued:

'*When I had children they let me go part-time, which was really good...they offered me that flexibility…they are very family friendly…that's what they do in relation to the whole family.....the health care…*' (TechDfem)

When employees' children are ill, managers are:

'*...pretty relaxed...you have a back to work meeting now but it's never anything too....you know, slating you for having a day off, you know...yeah it's quite good really.*' (TechAmal)

Compared with other engineering companies, engineers note other profound differences with wider job roles and more trust:

'*The culture is different here…very different to Company X which was very, I'd say… very regimental…. there was clear boundaries in «this is your task, your job» …There even engineers … had to swipe in and swipe out at the end of the day, whereas here it's on trust -on the time sheet..*' (ProfCmal)

Employees believe there are corporate benefits from such freedom and flexibility:

'...the freedom helps creativity...' (Prof Fmal)

8.6.1.2 Job satisfaction, brand and recognition

For the technicians and engineers there is a pride in the value of their work and the products they produce. Their work is potentially safety critical and this has substantial ramifications. Those who work in the aerospace division told of anxiously watching television news whenever there is a plane crash. A technician from that division gave the example of the crash that jockey Frankie Dettori was in and said when he saw the crash on television:

> *'... and that was an engine failure and I thought was it me?'* (TechBmal)

He added:

> *'…we don't compromise on standards. Because at the end of the day if ...that plane crash was because of what you've done, because ... my valves ..went wrong...'* (TechBmal)

The potentially critical consequences of mistakes is influential both in relation to quality of work and also seems to spill over into a broader satisfaction with the company. A technician said staff who designed and make the high profile products took pride in what the company does:

> *'...I think a lot of people are quite proud to say some of the things they've done...'* (TechAmal)

This is also linked to recognition, which interviewees said does not seem to be part of the corporate culture. Nevertheless, it is particularly valued when it stems from satisfied customers. A technician said that when he had come in to work specially to help out a client on a Sunday morning he had a letter from the client's marketing director thanking him for coming in and doing the work:

> *'.. to me...it doesn't mean more than a pay rise, but it means a lot... I think that thank you's could be worth quite a lot'.* (TechAmal)

8.6.1.3 Career development and promotion

The company believes that it invests heavily in training and development and this is part of the culture it wishes to promote. Most people seem to share this set of values and several of the interviewees had undertaken company funded higher education, which is seen as rewarding:

> '…the new director is very big on people improving themselves.. I think, yeah, the company as a whole…do push people to go on and do more college courses or degrees.' (TechAmal)

People interested in developing themselves both by studying academically and through secondments to other parts of the international group value the opportunities they are given. For example, one (male) engineer said he saw international opportunities for himself:

> '..if I really wanted to go and work in America, I'm sure they could go and find something for me….the opportunities are there if you want them…' (ProfEmal)

A technician with long service and now training to be a supervisor also saw the opportunities positively and the culture supportive:

> '…when you do get that little bit of responsibility you do think "yeah I can do that" and they sort of encouraged it and said "… we'll put you on this course and do this and this for you". It's nice because they do sort of help you along the road a little bit...' (TechCmal)

In the context of career development women saw fewer opportunities for promotion than men (see also section 8.8 below). Partly, this seems to be because more women employees are in the broad-band pay system than in the technical pay ladder structure, which has some elements of career development within it. For instance, it permits a progression from assembly work to senior technician level. This progression, governed by competency steps, remains discretionary rather than mandatory.

An engineer with long service which had more recently complete a degree found that development of qualifications was not necessarily linked to promotion:

'I tried to change to a senior role last year and ...the reason given (for turning me down) was «well yes you do tick all the boxes in the job description but for me to justify it you've got to go beyond that» and I think well you're moving the goalposts slightly there....my degree increased my value to the company because I've now got a bigger skill set of knowledge' (ProfCmal)

8.6.1.4 Pensions

The move from a final salary to a more basic stakeholder pension has created a sense of being cheated among some staff:

'...final salary (scheme) .. (has) been cut and instead of coming to us and saying «look lads, you've got a company pension...we can't afford that any more»... but they persuaded ....most of us to change to ...a stakeholder (pension)...and ..I don't know why I changed because the guy from HR, I wouldn't have believed him, if he'd have told me it was raining I would have got my suncream out...but I changed and it's cost me a fortune.' (TechBmal)

8.7 Performance culture

The company philosophy that people should have the *freedom to perform,* within an aimed for high trust environment and not be blamed for mistakes raises a question as to what implications such corporate cultural values have for actual performance outcomes.

There is evidence that, while many people seem to respond positively, some take advantage of the trust approach:

'...you can be sort of left to sort, left to... you'll be brought in here but then you'll be left to get on with it and just and manage yourself and some people probably do struggle' (ProfCmal)

The laid back nature of the corporate culture can be open to abuse:

'I guess the culture can be open to abuse ...you don't have people breathing down your neck ...some people underachieve, but ...some people do better here than they would with more (close supervision) …' (ProfFmal)

While there is some evidence that poor performance is tolerated in some areas, poor performers seem to be few in number, because:

'the …poor performers tend to stick out…' (TechDfem)

'…in the team I work in, we have two temps that are more productive than a permanent member of staff and everyone carries this permanent member of staff day in day out, and everyone is completely frustrated about it'. (ProfDfem)

One cell leader commented that the culture in relation to poor performance was unlike other employers which would *'read the riot act'* (SuperAmal) to poor performers. Instead the case-study company:

'…seems to be more concerned as why you're performing below average, and they want to know so they can help...' (SuperAmal)

There are questions, though, about whether the corporate culture is conducive to the promotion of high performance:

'There's a very small minority of people that will go the extra mile. I think a lot of people are happy to just come in and do their job and go home' (TechAmal)

There is evidence that high performers are valued and encouraged but there is also a drag-down effect of the tolerance of poor performance, even if this is only among a small minority of people. A young graduate in an admin role observed:

'...peak performance seems to be handled well and developed well, poor performance has been tolerated for too long, ...sometimes it hasn't been addressed because you need to be looked at as a team, the "no blame culture."' (AdminAfem)

This can lead to distortion of information. There is limited evidence of gaming in relation to both sick leave and to time monitoring. A manager set out the problem:

'…you need to be able to trust that people are writing the right times down on their time cards and they're booking the right hours, you need to be able to trust that people are working...., if ...some people don't...haven't got that professional attitude and just don't work, ...they're getting away with it....because .....managers aren't ....checking up on ...them...' (MgtAmal)

Some people are said to *'hide behind the culture'* in not working at the highest levels:

'We have got people here who do a lot of navel gazing ...they need to work longer and harder. I... see people having lengthy breakfasts ...there is a kind of a slow culture... I haven't experienced ...whip-cracking...everyone is very

kind and caring ...I have never been shouted at here...at other places you are taken to task...that does not happen here' (MgtBfem)

There is some evidence of the effort bargain in operation yielding both positive and negative effects. On the one hand there is general agreement that:

'*...the people who work the hardest generally are rewarded for it.'* (TechAmal)

On the other hand, while poor effort seems to be reflected in pay decisions, several interviewees thought lacklustre effort might still be rewarded:

'*...if someone...hasn't made any effort, that will get reflected ... but ...there are some people that don't seem to have done a really good job... (and) get a better pay rise, regardless of what's typed into the appraisal system..'* (ProfAmal)

This means that it is not clear how strongly the effort bargain is at work. Long serving employees – particularly on the shop floor – suggested that the dilution of the strong corporate culture they felt had taken place over the past few years had resulted in less positive attitudes towards performance. Their expressions of both resentment and stoicism to keep performing indicated an ambiguous set of values. These seem to suggest the strength of pride in work and the perceived importance of the work is an important cultural element in relation to performance. The primacy of the safety of the parts he and his colleagues make meant that employees are conscious of the potentially disastrous effects of poor work:

'*If we go back to the old days, it was a lot smaller, more like a family......you would go the extra mile... you'd come in Sunday ....now people just don't really care, but we still do things to the best you can because...they go on missiles, they go on helicopters, they go on planes....(but) why should we make the extra effort if we don't get any, if you like, reward for it?* (TechBmal)

The corporate culture has hitherto not favoured individual performance pay, particularly bonuses, because it does not fit with the high trust and teamwork values. The lack of structure for pay related to performance decisions reflects both the high trust and '*formality doesn't help'* values. Nevertheless, the company has now decided to link its performance appraisal scheme to individual performance-based annual pay awards for those staff and managers covered by the broad-band system. The new link

between performance appraisal and basic pay raises cultural fit issues and has prompted some differences in view:

> '*This is the first year they have tied it in with performance officially. …I do think that's the right thing to do…*'(TechDfem)

One of the few women managers thought performance pay would fair but that it wasn't the most important aspect of reward:

> '*Performance is rewarded here…in cash terms and with promotion…the most important for me is praise and recognition…drive and enthusiasm is rewarded…you do need to put yourself forward…*' (MgtBfem)

Other women raised fairness issues and suggested that it was not always the better performers, who were better paid:

> '*…..people who blow their own trumpet get better paid…*' (TechDfem)

While in the performance review process, there is a formal meeting between the member of staff and the line manager, giving an opportunity to give performance feedback, the performance appraisal meetings may also be seen as an opportunity to engage in individual negotiation over poor pay (citing) market rates:

> '*… these companies are only 5 or 10 miles away so it's not as if they're 50 miles away and yet they're offering these rates and it's doing an identical job to what I do …I may draw it into my appraisal and say, «look you know it does concern me that as engineers we are slipping behind....we are in danger of being undervalued compared to a lot of other organisations»*' (ProfCmal)

Most staff seemed to accept the new link between pay rise and appraisal, but the company's decision that individual bonuses are not commensurate with the corporate culture is welcomed by many, and is in some contrast to other companies. An engineer commented:

> '*When customers come here.. some of them have their bonuses dependent on getting the project completed …and they come across as aggressive...*'
> (Prof Fmal)

8.8 Equality and fairness

While the new pay structure for technical and assembly staff seems to have improved the view about the fairness of pay, there are still concerns about the discretionary nature of advancement. A technician fairly new to the company said**:**

> '…*there has been cases…. it's only ever whispers and gossip, but when people have been made up to - especially now with this ladder system – made up to the next step and you sort of look at them and think "hang on a minute, what have you done to deserve that?"'* (TechAmal)

A longer serving technician described how one sort of unfairness seemed to have replaced another, with the more discretionary approach to grading replaced by a 'tick boxes' in the pay ladder system :

> *'It's changed but it used to be... there was one guy (we) called Johnny 5 because he couldn't get grade 4 for love or money…. you basically had to go cap in hand to get a rise…..now we have a Tech 2 a guy who's been working here five years and he said to me «I shouldn't really be getting tech 2» but because he's gone through the hoops he's got it …. it seems to me that it's not so much a question of how much you can do, but how much you can tick all these little boxes...'* (Tech2mal)

Fairness on both distributive and procedural grounds gives rise to concern. When the new pay ladder system was implemented the way that it was done was not seen as fair - raising procedural justice issues:

> '… *a team of supervisors sat down and sort of put people where they thought they belonged on the ladder,… and then they sort of jiggled it around to suit the budget ... They kept some people down because it didn't fit ...saying «oh next year we'll move them up» ...which is unfair'* (TechAmal)

Administrative workers, who are in the broad band system see benefits of the new structure for technical staff and feel their exclusion from it – or a structure like it - is as at odds with the corporate culture from their point of view:

> *'If you're a family you all work together you should all get the same benefits, you should all be getting the same pay rise ...but the shop floor workers all get the same percentage increase, whereas for office staff...it is done on performance.'* (AdminAfem)

The company is segregated by gender. Some 80% of employees are men, and most of the women work in administrative roles. Many of the women working on the shop

floor are fairly recent appointees. They seem not to progress. The lack of progress for women seems well-entrenched. A woman who has long service said:

> *'I cannot recall any women being promoted – except in HR…I've seen quite a lot of men being promoted to manager jobs but not women'* (TechDfem).

A male technician suggested that it might be because women did not want promotion:

> *'They knew what job they were taking and that's sort of where they've stayed. I imagine that if they wanted to progress they could... ….You tend to find that they don't want to, they're quite happy'* (TechAmal)

This and other evidence suggests sub-cultural differences between men and women, with a male culture evident especially in the aerospace division, which is the area of the company said by interviewees to be most in tune with the corporate culture values:

> *'…in the assembly and test department in aerospace I think there's only one or two women… and there's very much a male culture down there... one of the guys who used to work in that section moved over into industrial, I said to him «how are you finding it across there?» and he said, «well, there's not as much banter but there's more work»'* (ProfDfem)

8.9 Organisational change

Several organisational changes have taken place in recent years, and these are linked to the needs and demands of the company's clients and customers, which have become more demanding with respect to the delivery times and tolerances, especially in the more complex product areas, such as specific aircraft parts manufacture:

> *'…the tolerances are so tight that they set you a ridiculous time span to do a job, and you just hit a few problems and...the time just spirals out of the way and then obviously you're late on delivery.'* (TechAmal)

The company's implementation of a three-year growth strategy included the introduction of a lean manufacturing system focused on identifying and reducing costs and on increasing efficiency. One administrative worker commented that this had challenged the corporate culture but as more managers conversant with the new ways of working were recruited there was a change of culture:

'..*initially I think that challenged the culture but it's becoming part of it now'* (AdminAfem)

The pay ladder system was introduced at the same time as these production system changes and the combination of that as well as the new leadership structure seemed to challenge and then change the culture. A worker who had joined two years ago observed:

'*It just seemed to be like an old school empire building type culture when I first got here and... my superiors didn't like you to shine because I think they felt that it was going to make you look better than them ....but when the new management came in ....they recognised peoples' values and abilities and it actually increases production at the end of the day'* (SuperAmal)

An engineer with a particular interest in culture observed that changes to the corporate culture were taking place and linked this to the changes in company leadership:

'..*in order to survive (the company) has had to bring in people, good people, senior people, people who brought with them new ideas ...It has been mainly the bringing in of senior people that has brought change about'* (ProfBmal)

The challenge of the changes implemented has been particularly to the stated value that '*formality doesn't help'* - several interviewees point out that formality had grown in the company:

'*Formality, structures, a certain distance is coming into relationships now which I'm not 100% convinced could have done otherwise ....in order to survive as a company'.* (ProfBmal)

The informality of the corporate culture values has meant that little information on company processes has been documented in the past and this has implications for new joiners. A recently recruited manager reflected:

'...*you've got lots of different things to learn when you join and they're not documented...and you have to ask other people.. so it perpetuates the friendly culture but it's not necessarily getting the work done'.* (MgtAmal)

The engineer who had taken an academic interest in studying the company's culture suggested there were contradictions between the introduction of more formal

processes in the company and the essence of the corporate culture, which he saw as altered by the changes but essentially still intact:

> *'I think in actual fact, that side of the culture, the freedom to come up with the goods, the freedom to perform is still here, is still very much alive'* (ProfBmal)

8.10 Conclusion

This case study provides evidence from a company, which rather unusually has a formal policy on corporate culture. The parent company and its founder wanted it to have a strong culture and continue to publish the values the company wishes to see. Socialisation measures to inculcate these values are low key and this means that they may be interpreted and reinterpreted by employees in different ways. This in turn has led to sub-cultural tendencies. There are different cultures between cells and workplaces, between long servers and newcomers, and between men and women. Some of these seem to fall within Martin and Siehl's (1983) definition of enhancing sub-cultures – especially in the aerospace divisions among the longer-serving staff. The '*tea machine culture*' on the other hand displays some counter cultural tendencies. However, this seems not to impact on company performance, as there is strong commitment to producing good products or components, which are safety critical in, for example, aircraft and missiles. Hence, potential alienation (Blauner, 1964) from the corporate culture and work process seems counteracted by the craft pride and the importance of the safety critical parts made in the plants. These factors seem to limit some of the damaging effects for the business of a potentially negative effort bargain at work.

The company has not in the past offered individual performance pay, as this has been seen by the proponents of the corporate culture to be out of keeping with a trusting environment. There has been a lack of structure and formality as the corporate culture aims to create a high trust environment to promote teamwork. However, there is a conflict between two of the corporate culture values: *Communication is crucial* and *Formality doesn't help*, in respect of pay and reward. Staff express concerns about the broad band system and there is a general lack of openness about pay, which seem to conflict with the nominal value of the importance of communication. Low

morale resulted in a well-received new ladder-based pay structure for technical staff based on competency development. This more transparent pay system is said by the company to have increased employee engagement. Administrative workers (almost all women) see that the new technical pay structure is at odds with the espoused corporate culture value - *We're all in this together* - as they believe they have been receiving lower percentage pay rises than the in-structure increases provided for those in the pay ladder. They seem therefore to be challenging both distributive outcomes and the procedural justice of the process.

It might be contended that corporate culture often exists at the rhetorical rather than reality level, but in this case it may be seen that the setting of preferred corporate values does seem to have effects. Rather paradoxically (perhaps echoing the arguments of Meyerson (1991) this largely results from the *freedom to perform* corporate value being effectively a strong shared value. This means employees have freedom to buy into the other stated values. In developing the new ladder pay system, managers too have been permitted to challenge the corporate value of *formality doesn't help*. Their decision to do this seems to have paid off in performance terms.

Reflection and discussion

Chapter 9: Thematic cross analysis of case studies - reward issues with strong cultural dimensions

Contents

9.1 Introduction

Chapter 3 identified two sets of elements making up a study of reward and culture – firstly, 'traditional' elements of culture and, secondly, broader reward issues with cultural elements. These were summarised in Table 3.1, which was an amalgam of the literature review and the pilot grounded theory exercise findings. The topics identified in that table were used in the previous four chapters as the themes under which the results of the fieldwork were analysed and discussed. To analyse across cases – a necessary stage to develop of theory from case studies (Eisenhardt (1989) - this chapter and Chapter 10 synthesise and discuss the case study findings. Chapter 10 focuses on the traditional cultural elements, identified in Chapter 3 as relevant to a study of the links between reward and culture, while this chapter focuses on the broader reward issues, identified as having a strong cultural dimension. Institutional factors and cultural change in relation to reward issues, listed in Table 3.1 as broader issues are discussed in sections 10.2 10.4 respectively.

These dimensions discussed in this chapter have been grouped into the following four broad topics, revealed as significant from both the synthesis of the literature with the initial grounded theory exercise (Chapter 3) and the case study findings. These are culturally - bounded reward issues of current debate – both within the literature and of concern to reward practitioners:

- Performance and performance culture issues;
- Marketisation and acceptance of salary market concepts;
- Transparency, and;
- Fairness and equality culture.

This chapter separately discusses each of these four areas, using data from the four case studies as well as the literature. To aid this cross-case analysis and discussion a comparative analysis was made comparing the shared values in each organisation with fragmented or sub-cultural values on each of these above four areas, using indicative quotes to illustrate the differences. This comparative analysis is displayed in Tables B1 to B5 in Appendix B.

9.2 Performance and performance culture

A set of questions in the interviews concerned the extent to which the interviewees perceived there to be a performance culture or that performance was considered of high importance within their organisations. The term 'performance culture' was understood variously by interviewees in the four cases. Even though imprecisely defined – see Chapter 3 section 3.6.5) it was understood by all interviewees in Case study 1 as it has some currency in the public services (Bevan and Horner, 2003). It was not widely understood in the three other organisations. When interviewees were unfamiliar with the concept, the researcher explained that it entailed performance matters being central to everything the organisation does and how it does it. This was used as a working definition.

9.2.1 Use of performance metrics and targets

Performance measures were more evidently in use in relation to the work of individuals in the public sector organisation than in the charity or the two private sector firms. This might seem perhaps surprising, but as Bevan and Horner (2003) point out the focus in the UK public sector on performance, delivery and efficiency has led to an increased use of targets. In Case study 1 part of the work activity changes in recent years have been accompanied by the increased use of quantitative targets for work – set for all staff. Many interviewees talked at length about their targets and these clearly dominated their working lives at times. There are shared values among all staff that targets and target setting matter, but there are sub-cultural differences in their assumed significance and their implications. Top managers say that targets are being used to generate greater productivity but they also acknowledge that an intensification of work has been taking place:

> *'We need more work out of staff – we need to reduce overheads and downtime.'* (SE1)

In Case study 2 there are different approaches in the different parts of the charity with science-based areas using project management type milestones and performance reviews while fundraisers have individual targets. For most staff in Case study 2 few

targets are in use. This is similar to Case study 4 in which the company philosophy – part of the corporate culture - that people should have the *freedom to perform* sets a climate that is responsive to the delivery schedules of customers but does not compromise on safety. There is a shared understanding that this is accompanied by a trusting environment and evidence that, while many people seem to respond positively to this approach, some others take advantage of the trust approach:

> '…*you can be sort of left to sort, left to...you'll be brought in here but then you'll be left to get on with it and just and manage yourself and some people probably do struggle'* (ProfCmal).

Case study 3 uses performance metrics relating to consultant time utilisation, fee income and sales, but these metrics are acknowledged by all in the firm to give an incomplete picture of performance:

> '*Unfortunately for me, there is no metric that measures on what I do… I'm developing concepts and searching to see how original a concept is and finding patents.'* (ProfImal)

Hence in case studies 2, 3 and 4 there is a partial or incomplete use of performance metrics and less significance seems to be attributed to them than in Case study 1. In Case study 3 for example, company management say that while they use metrics they wish to emphasise the unity of the enterprise and do not make pay or other decisions dependent on the achievement of performance metrics.

The use of targets is accepted and even cared about by the *pragmatists* sub-culture in Case study 1, but the capriciousness of the targets and their effects was a concern:

> '*My figures against target have dipped…and I don't know why and it makes me anxious. I don't feel I am working any less hard – in fact I am working harder but the figures are dipping'* (SS7fem)

Rather reluctantly – or perhaps grudgingly – targets are accepted by *preservers,* who form a subculture associated with trade union officers and long servers in the organisation:

> '*We have a target rather than a performance culture ...'* (TU4mal)

More broadly, in Case study 1 targets are perceived as detracting from what some staff see should be the prime purpose of the organisation, over which there are conflicts between *preservers* and *pragmatists*. This is turn affects values in relation to the intrinsic value of the work the staff do:

> '*The target driven culture is moving us away from a public service ethos…we have a unique 'brand' and want to protect it...there is a tension between wanting to do more high profile work and meeting the targets.*' (SS1fem)

The organisations in case studies 1, 2 and 4 have formal individual performance appraisal or performance management schemes. Nevertheless, there is evidence that the existence of a formal system is not necessarily synonymous with a performance culture and, in some ways, seems incidental to it. This finding contrasts with much of the literature which places emphasis on the characteristics of formal systems and their strategic implications (Bach el al, 2005). These systems, aimed at improving the performance and to gain commitment from employees, have also been seen as techniques to control employee behaviour (Townley, 1993, Newton and Findlay, 1996). These studies imply a level of managerial action and intent, which was not evident in any of the case studies. For example, in case study 2:

> '*We talk about performance and I don't know that we always manage performance very well*.' (Prof3Bmal).

Performance appraisal or performance management systems might be construed as rhetorical or culturally existing at an artefact level only with little meaning attached to them. In the case studies they seem to be having little real impact on performance, but the picture is complex. For example, the first stage interviews in Case study 1 revealed trenchant criticisms of the on-line system - these flaws being accepted by the HR Director. Staff tended to see a distinction between the on-line performance review system, which they perceived as deeply flawed (and) and their own managers' approach:

> '*...the organisation made (the performance appraisal process) completely unworkable…difficult to input the information …it has got less good because it is now very numbers driven...based on have you achieved these figures…not interested in quality…managers are interested in quality but the system is too numbers driven*' (SS8)

Within Case study 1 management and HR had been working to develop their performance system during the 18-month period between the first stage and second (longitudinal) stage interviews. A radically changed system had been designed and put in place. This work on the performance management system entailed – a top manager said leaders: '…*really listening hard….*' (TM5mal). Staff acknowledge that efforts that have been made as a result and see a difference in quality of communications on performance:

> '*In terms of the sort of culture surrounding the communication, that sort of thing, there's been a concerted effort to try and open up channels of communication at all levels…*' (SS3mal).

The increase in listening - communication between *preservers* and *pragmatists* on this issue - may have had a positive impact in terms of the promotion of the performance review system's acceptability by staff. Nevertheless, although the system has been changed and the processes of communication about performance are seen by interviewees to have improved, these trends may not have been accompanied by an increase in actual performance. A top manager was hesitant about claiming resulting productivity improvements:

> '*I've been …trying to push up the productivity levels ….on a gradual basis …but I think performance management is now an accepted part of working, it wasn't before.*' (TM1mal).

9.2.2 Promotion of high performance and tolerance of poor performance

In the case studies there was only partial evidence of embedded cultures promoting high performance (and not tolerating poor performance) seen as the hallmarks of a performance culture (Juechter et al, 1998).

In both Case study 3 and 4 there are more informal, cultural ways of promoting performance. In Case study 4 the corporate culture emphasises the importance of allowing employees '*the freedom to perform*'. Although some staff commented that some aspects of the corporate culture were not observed in practice this principle*: '...is still very much alive*' (ProfBmal) – according to an engineer who had taken an

academic interest in the corporate culture. Interviewees considered that the company does value and encourage high performers, but that there is also a drag-down effect in relation to the tolerance of poor performance:

> '...*peak performance seems to be handled well and developed well, poor performance has been tolerated for too long, ...sometimes it hasn't been addressed because you need to be looked at as a team, the "no blame culture."* (AdminAfem)

Similarly, in Case Study 3 the *founder generation* culture in relation to performance appears to *newcomers*: '...*so laid back it's unbelievable* (TechCmal). There is general agreement that poor performance is tolerated, but the problem is spoken of in more muted terms by the *founder generation* than the *newcomers*:

> '*I think some people ....need a bit more guidance, and you do get people who have a lot of coffee breaks and cigarette breaks but it's pretty rare.*' (SMAmal)

In both Case studies 2 and 3 there is evidence that the organisational effects of employee low performance are ameliorated by either employee commitment to the organisation's mission or by commitment to ensure safety critical products are not compromised. In Case study 2 (the charity with the '*finding a cure*' mission) it was observed about poor performers:

> '*If they are not always the best performers they are still half the time worth some of their weight in gold, because you can't buy that level of commitment...*' (Prof3Bmal)

In case study 4 (the manufacturing company) the counter cultural tendencies of the '*tea machine culture*' seem not to have pronounced impacts on performance, as there is strong commitment to producing good products that are safety critical. Hence, it is the informal sub-culture that both seems to give freedom to individuals not to be the highest performers, but also limits its potentially damaging effects. Similarly Case study 2 relies in practice on more on informal cultural values relating to the '*work ethic*', related to staff wishing to help the charity succeed in its mission:

> '*There is a work ethic here*' (Prof2DFem).

More formally, in all four organisations there were complaints from staff, not managers, that dealing with poor performers was either too slow or ineffective. This

again raises questions as to whether any of these organisations could be said to have built a performance culture, in spite of their respective commercial (Case studies 3 and 4) or service-based success (Case study 2); but with some signs of raised productivity in the public service (Case study 1).

9.2.3 How important is performance pay?

In practice, none of the four organisations use pay strategically as a principal driver of individual performance. Two cases (2 and 4) are similar to many UK organisations in using merit pay - linking pay and appraisal or performance management (Office of Manpower Economics and Chartered Institute of Personnel and Development (2008). Case study 1 exemplifies the performance trends Prentice et al (2007) and Marsden (2004) describe in the UK public sector in that productivity has risen slightly; and this is linked to the use of targets and performance management techniques. However, many public service organisations now have performance pay but critically Case study 1 manages without performance pay. Hence, the question which arises is – how important is performance pay to achieving performance improvements and creating a performance culture?

While Case studies 2, 3, and 4 revealed some criticisms of performance pay from employees, their views were in marked contrast to those in Case study 1, where there are very strong feelings. In Case study 1 there seemed to be a divide in views between *preservers* – primarily longer serving staff and trade unionists and the *pragmatists* – primarily newer staff and managers. Those recruited from outside the public sector tended to have no objection to performance pay. Indeed, one recently recruited senior manager said performance pay was: '*an important component*' (SM3mal), which he had given up to join this organisation from the private sector.

There was some evidence from both Case studies 1 and 4 that lower-paid staff and women were more likely to see the benefits of performance pay. In Case study 1:

> '*It would be nice to have performance pay …other Government Departments have it…but budgets are so tight I cannot see that happening.*' (SS4fem)

Case study 4 has hitherto not favoured individual performance pay, particularly bonuses, because the company felt it did not fit with its corporate values, but it has

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now decided to link appraisal to individual performance-based pay awards for staff and managers covered by the broad band system:

> '*This is the first year they have tied it in with performance officially. ...I do think that's the right thing to do...*'(TechDfem)

While this might indicate (as does Neu Moren's 2008 study) that performance pay is related to ways of distributing (the employer) or acquiring (the employee) scarce resources, there are some more fundamental and cultural issues at stake in Case Studies 1 and 2.

Firstly, in parts of the cultural 'heartland' of Case study 1 people disagree about the means used to achieve rising performance with a fundamental opposition to performance pay and this is bound up with these '*preservers*' values and disagreement about the current strategic direction of the organisation.

Secondly, in Case study 2, the reaction of staff with very low or nil pay rises that are termed performance pay is a reminder that -as Pfeffer (1981) says - the language used is important:

> '*Pay rises – there are no pay rises – but this is not declared openly by the organisation ...let us call it what it is rather than pretend there are performance based reviews.*' (Prof2Ffem)

This suggests that if managers talk about rewarding performance, they should be doing that rather than rewarding some other attribute. The demand for more direct and '*adult-to adult*' conversations on pay and performance in Case study 2 is indicative of the potentially negative effects, when there are not adult-to-adult communications.

This seems to suggest that performance pay could be an important part of the building of a performance culture but it must be seen to be both procedurally and distributively just, as might be inferred from organisation justice theory (Greenberg, 1987). Secondly, if performance pay is seen by employees as linked to other unwelcome corporate developments it might as Kessler et al's (2006) study of public

sector employee reactions to pay system changes shows, be met with 'outright hostility', even though the organisation aims to follow '*good practice'*.

If performance culture is a condition in which, in a variety of ways, performance is imbued into the very being of the organisation, rather than seen as a functionalist aspect of it, then performance pay may be integral to such a cultural development or not, depending on the other cultural values within the organisation. There is no evidence from these case studies that organisations can use performance pay as the principal means of building a performance culture. There is some evidence from Case Study 3, in particular, that providing relational rewards may be more effective in this process (see also Chapter 10).

9.2.4 The effort bargain

The '*effort bargain'* is an important theme in the reward and the industrial relations literature (Behrend, 1957, 1984) (See Chapter 1). It recognises that, in perhaps rather subtle ways, performance norms and their link with pay may be negotiated and renegotiated within organisations. This suggests a strong cultural dimension to the social exchange. Asked about the relationship between effort and reward managers and employees in all the four cases see in themselves and in the attitude of their colleagues what they regarded as a professional attitude to work. The perhaps rather basic effort and reward link in the effort bargain concept might perhaps be seen as more appropriate to manual rather than the more knowledge-based work, which is more prevalent in the case study organisations. For example, in Case Study 1:

> *'The reality of our work drives people to do far more than their contracted hours or than they are expected to do. There is a degree of professionalism …..people might moan but they will do the extra.'* (SS3mal)

> *'People feel passionate about their work and put themselves out for their work...its very client focused...staff here don't want to let people down …'* (SS1fem)

In case study 4, in which there are technicians and shop floor workers, craft pride in their work and the importance of the safety critical parts made in the plants seem to limit some of the damaging effects for the business of a potential negative effort

bargain. On the other hand, there was some evidence of the effort bargain yielding a more negative effect, in terms of the release of discretionary effort:

> '…comments I've heard from people …saying….why bother to stay late, because you don't get any extra for it... If there was something …an extra 5% of my salary it's worth me staying.' (TechCmal)

However, this was not limited to lower-paid staff as professional staff in Case study 1 also suggested they might withdraw some effort:

> 'In the XX region staff say they are 'not going to give 'free time'
>
> 'Yes – there is some cutting back on effort...and I can see that getting worse and worse…when you hear people saying I'm not doing that then there is a chain reaction …you think I can't do that either…' (SS1)

Managers in Case study 1 indicated that there was a little evidence that the fixed or non-variable nature of the pay system equated to - in some staff - a fixed level of effort or performance. Several top and senior managers acknowledged that this was a '*factor*' but strongly argued that the vast majority of staff did more than they were expected to do.

9.2.5 Dysfunctions and gaming

There was also some evidence of what Prentice at al (2007) term '*gaming*', in which there is some attempt either to manipulate performance measures or to persuade managers not to raise performance requirements. Within the four organisations this tendency took different forms. In Case study 2 the scarceness of resources for pay rises led to managers taking internal political action to attempt get the best out of the system for their own teams and staff. This could be viewed as a form of 'gaming':

> 'I've been able to influence the pay of my team on at least one other occasion when I was unable to recruit ...' (Mgt3CMal).

In Case study 1 the gaming is directly seen in a few staff ticking all the right (target-related) boxes but not actually performing well:

> '..it's a performance culture in that there are targets to be achieved...but the bigger problem is that if people are not hitting their targets no-one asks why......if it is investigated it would not stand up…if you look at some figures

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it seems as if work is being done.. but if you were to investigate you would find they were ticking all the right boxes but not delivering...' (SS6).

In addition there was some evidence of perhaps more subtle approaches, which might too be classed as a form of gaming. A top manager said:

'There are really committed people here, working very hard ...but with a slight victim mentality…' (TM6fem).

Other managers commented that, although they found their staff committed to their work and the vast majority worked hard, they engaged in a lot of moaning and complaining. One senior manager said in exasperated tones:

'*If only people would stop moaning for a bit…'* (SE1fem).

Top managers in Case Study 1 acknowledged that many staff complained at length about the organisation and the way it was managed. A manager who had come to the organisation from the private sector said this was a cultural attribute, which was very different from his experience in the private sector:

'*...in the public sector...it is this culture of being put upon…'* (SE1mal).

One interpretation of these expressions of being '*put upon'*, or '*moanin*g', '*victim'* status is that they might be some subtle form of gaming in which staff are trying to signal to managers that their capacity to increase work effort is not limitless.

In contrast to this finding, of what might be interpreted as an indirect means of communications between employees and management in Case study 1, within Case study 3 the more informal culture fosters informal and direct communications and therefore seems to render such tactics unnecessary.

9.3 Marketisation

As discussed in Chapter 1, for some writers the pay market is seen as an objective reality with the principal concern that of identifying which part of the salary market is most appropriate and how best to gain information (Armstrong, 2007). However, as Gomez-Mejia and Balkin (1992) argue, identifying a market rate or range for

particular jobs is problematic for three principal reasons- firstly, jobs may be flexibly defined and therefore difficult to compare; secondly, employees may not compare themselves with same comparators as their employers might select; and thirdly, employees may value different elements of the reward package in diverse ways. Employee sets of values may not match those of their managers, in what they value in terms of reward; in other words parts of the total reward package may be differently valued from different perspectives.

The assumptions that underpin market models may have discernible cultural attributes (Carrier 1997, Ouchi, 1980). This issue of norms and values emerged from the initial small-scale grounded theory exercise as being a key under-researched area that should be included as a key element in a study of culture and reward (Chapter 3). While there is useful research from the psychological perspective, drawing on both equity theory and referent cognitions theory (Barber and Bretz, 2000) prior to this project there was little research from the employee perspective within organisations, which explored values in relation to salary market factors and comparators.

The interview data indicated that employees in Case studies 1 and 2 demonstrate less acceptance that the market is a concept that does or should shape their pay, in contrast to those in the two private sector cases – Case studies 3 and 4. To some extent this might be expected because Case study 1 public service agency is mostly composed of long-serving career civil servants with career histories within the Civil Service, which would not have exposed them to the external labour market. They might therefore be expected to be considered '*locals*' in terms of Gouldner's (1957) distinction, with their professional networks and contacts within the organisation or in the Civil Service However, many of the staff are advisers and deal with private sector firms and individuals on a daily basis. They therefore have more exposure to practice and norms of employment practice in the private sector than employees in many other public service organisations. Hence, they have some '*cosmopolitan*' Gouldner (1957) exposure. The majority, though, do not have much direct personal experience of the labour market. In the interview data there was a lack of specificity from most interviewees as to which roles in which organisations they would directly compare themselves with for pay comparison purposes. Direct comparators which were mentioned by staff and managers were in other parts of the Civil Service,

private sector consultants or other professionals such as lawyers. They had no specific job matched examples to sustain their mostly shared beliefs that their pay was comparatively low. Indeed, most staff described somewhat impressionistic views of comparable roles, as for example:

'I probably could earn more in the outside…' (SS2mal)

One might question what lies beneath such statements and whether the staff only countenance and accept external comparisons on market pay, because they believe that they would objectively be shown to be relatively lowly paid. Employees had thought about comparisons and also took the whole reward package into account in making such judgements:

'…. I think about the whole package …the pension and job security and the fact I don't have to work until 9pm at night…is fair …Outside people earn more but they work harder. They move round a lot as well' (SS2mal).

Looking at some of the sub-cultural value sets in Case Study 1, two different sets of values were evident. Firstly, women employees tended to refer to the reward experience of friends and family and to feel less underpaid than longer-serving men and trade unionists – the *preservers*:

'…my husband works in a private sector company and their way of working is still alien to us…it's just the way things are….On balance I think the pay is fair…the grade equivalents don't compare badly…I don't feel hard done by… job security is good even in the current climate' (SS4fem).

Secondly, staff whose work experience has been mostly in the private sector and might mostly therefore be classed as 'cosmopolitans' make more specific comparisons:

'For my area of work the pay is not good…(there is some) isolation from the market'. (SE3mal).

The same manager took a very different view to many of the longer serving staff. He believed the relative personal performance should be taken into account in judging market worth:

'…people are paid what they are worth…but the jobs are underpaid…' (SE3mal).

Thirdly, long serving staff and trade unionists tend to refer to general indicators such as inflation as evidence to show their pay is low, rather than to specific market pay comparisons:

> *'Pay compared with outside is a little bit on the low side...because of below inflation pay rises.'* (ST3mal)

Case study 1 therefore shows some ambiguity in the values expressed by staff in relation to the market – reflecting both '*local*' and '*cosmopolitan*' experience. Moreover, there is some evidence that staff wish to refer to market factors, but perhaps mainly because they believe these would show that their salaries needed to be raised. In contrast, in Case Study 2 there is no shared acceptance amongst staff that market competitiveness is a concept to which they attach importance. To some extent this might be expected since as Cunningham (2001) shows, voluntary sector organisations have traditionally had pay comparability links with public sector pay scales, although increasing commercialisation in the sector has been accompanied by the breaking of these long established pay linkages. Some different factors emerged from the case study data. Firstly, many staff strongly feel the constraints stemming from the clear understanding they have that the charity's income comes from donors and that the charity has a large numbers of volunteers, who are unpaid. Secondly, there is an agreed focus on other elements of total reward:

> *'...the remuneration isn't quite as competitive as elsewhere ....but there are these other rewarding factors to take into consideration…'* (Mgt2Afem)

Shared values concerning the mission of the charity are strong:

> *'....I do value that and the feeling that you are doing something worthwhile.....potentially (I could) earn more...' in the private sector but ....I'm not sure that I would like the environment...'* (Prof2BFem)

While the '*finding a cure*' mission of the charity is central to the values of all staff, there are some sub-cultural differences. These include lower paid staff for whom there are indications of *reservation pay* (Rynes et al, 1983), with indications there are levels of pay beneath which staff cannot maintain their day-to-day living expenditure:

> *'…one of my staff couldn't afford to buy a house ... she loves working for the charity and is very devoted to it but she can't afford to…'* (Mgt2Afem)

Arguably, while most of the staff in Case Study 2 might be considered '*locals*', the expressed values of the reward manager and of some of the scientists might be seen as more '*cosmopolitan*' in nature. There are differences between the *locals* and the *cosmopolitans* in the pay comparators they think should be used and also between different groups of *cosmopolitan*s. For example, the reward/HR function use pay surveys of charities to judge the charity's salary market positioning, but most scientists compare themselves with either the pharmaceutical industry or with researchers in universities:

> '*I think we are paid well for the charity sector. But we are not as well paid in comparison to (universities).*' (Prof2Cfem)

Science-based managers had doubts about the appropriateness of the comparisons used, indicating that managers would like market pay information and indicating a degree of scepticism and distrust about the approach of the reward function:

> '*Just who are we benchmarked with*?' (Mgt2Afem)

In contrast to both case studies 1 and 2, case study 3 is more permeable to the external market and all staff seem to be at ease with salary market norms. They seem to fall within the definition of '*cosmopolitans*' because their values have a more external focus. In contrast with those in Case studies 1 and 2, the employees in Case study 3 are more certain on which are the appropriate external comparators, and also tend to agree with each other on this issue:

> '*..(there are) four consultancies roughly the same size (as us)of 300 people so that's 1200 people doing roughly the same thing in a ten mile radius.*' (ProfGmal)

There is also a shared understanding in Case study 3 that, in terms of external pay comparisons, staff are well paid:

> '*I'm happy with where my salary is for the stage of life I'm at and the quality of work that I can currently offer given my experience ...I think it's a fair reflection*' (TechAmal).

9.3.1 Comparators and benchmarks

Examining sub-cultural differences, and in keeping with the findings from Case study 1, women in Case study 3 tend to use family and friends as reference points or referents in judging the comparative value of their reward:

> '*My friend did go into management consultancy and (is) probably earning two or three times what I earn. I made an active decision not to do that...they work longer hours than I do.*' (ProfHfem)

The potentially negative effects for individuals' motivation and morale that result from being seen as trapped within an organisation, which is paying them much more than they could earn outside, are illustrated by the non-graduate engineers in Case Study 3. They refer to the '*honey trap*' they experience in feeling they have no opportunity to progress internally:

> '*....There is nowhere for me to go now. I've got no promotion goals to achieve now, unless I go and do a degree*.' (TechCmal)

Men, as well as women, in this firm take a total reward perspective on market pay issues. This includes relational rewards, which are seen as important in affecting views on market comparisons. The challenging nature of the consultant role and the opportunities it presents, together with the autonomy consultants have to undertake their roles, is valued highly:

> '*I think if I was with another company I might be worth a little bit more, but it's the trade-off between how happy you are and the options you've got available.*' (ProfEmal)

Similarly, within Case Study 4 there is some shared understanding on what constitutes the pay market and there is also evidence that, in keeping with employees in the three other cases, a holistic view of the reward package is taken by most employees. Most interviewees suggested that in comparison with other local engineering firms the company's pay rates are:

> '*…slightly lower (than other local firms) but we offer much higher benefits... so although the salary is lower we've got private medical health insurance'.*'(AdminAfem)

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This examination of the employee perspective confirms earlier work (Gomez-Mejia and Balkin, 1992) in that employee values and reference points on market comparisons tend to be different to those of their employers, particularly when the nature of what constitutes the external market is unclear. In the public and voluntary sector organisations, there are also shown to be notable sub-cultural differences in values about the external market. The findings also show interrelationships between internal and external equity (which is discussed further below).

9.4 Transparency

Data from the case studies suggest that transparency may be an important mediating factor in norms and values on external and internal equity, related to how much information employees have about the internal reward system and the external market. In part it supports Colella et al's (2007) view that pay secrecy may be used by managers to reduce conflict over pay and also Scott et al's (2009) study, which shows how poor reward communications contributes to the erosion of perceived reward fairness.

The case studies add some evidence (to that of, for example, Shields et al, 2009) on the linkages between transparency and positive or negative employee engagement. In Case study 2 the introduction of the broad bands and the lack of transparency have created mistrust and frustration among employees and were considered '*demotivating*' by some staff – at least for a short period of time, but for scientists the negative effects seem to have been counterbalanced in the longer term by the strength of feeling on the organisational mission – and staff not wanting anything to interfere with that:

> *'I have to say I was a bit frustrated by it when it came out, ...to begin with we found it de-motivating but I can't dwell for too long about that...'* (Prof3Amal)

In case study 4 there was some conflict between two of the corporate culture values: -*Communication is crucial* and *Formality doesn't help*, in respect of pay and reward. There was a general lack of openness about pay, which seems to conflict with the nominal value of the importance of communication, but the lack of structure does

reflect the company's '*Formality doesn't help*' stated value. When the company top management changed and wanted to both increase communication between the different plants on the same site and to improve morale on the shop floor they brought in new structures and a transparent pay system. They believe an increase in employee engagement:

> '*…has been helped by a transparent pay ladder structure, linked clearly to competency and training.*' (MgtAmal)

Technicians agree:

> '*…you can see exactly where you are on the ladder and you can say to yourself "right I'm there, I want to get to there, what do I need to do?"* (TechCmal)

In contrast, within case study 3 there is almost complete secrecy about pay. This seems to be accepted rather nonchalantly by many consultants as '*normal*' (ProfHfem). This shared value amongst consultants seems to reflect two factors. Firstly, the more outward- looking or 'cosmopolitan' focus of such employees, and secondly, a practical stance by management meaning that pay complaints from staff in consultant roles have generally resulted in swift pay reviews:

> '*….you don't hear people complain, mainly because in the past when that's happened, ...the salary has been reviewed six months later (and) it's actually been backdated*' (SMAmal).

Sub-cultural values in case study 3 amongst the non-graduate technicians, who might be seen to have a more 'local' focus', suggest they are much more affected by and resent pay secrecy. They seem to blame a lack of management skill -

> '*You don't know how they come up with those figures*' (TechC3).

This more local focus is also mirrored in case study 1 and seems influential in respect of transparency. While the pay system itself is transparent the pay remit process with Government is considered opaque. Communication from managers to individual employees is minimal while the process of pay negotiations takes place – first for the pay 'remit' budget with HM Treasury and secondly, once the budget is agreed with the trade unions locally in terms of how the pay rise budget is spent. Managers acknowledge that staff may be negatively affected by the opaque pay remit process.

For their part, staff tend – as in case study 3 – to blame '*bad*' management and managers' poor communication skills, and believe the process feels remote from their experience:

> '*Pay decision making feels distant ...there is a feeling of them and us....I don't know how the process works....from where I am it feels like it happening outside...its feels like we are stooges...the organisation does not have much control...*' (SS8mal)

These feelings of being put upon or lacking control feed into values relating to the fairness of reward.

9.5 Fairness

As is argued in Chapter 1, equity and fairness are key aspects of the reward literature and roughly similar concepts feature within research from the disciplines of psychology, sociology and industrial relations. Nevertheless, it can be difficult to interpret the implications of research for reward practice from such studies. Those from a psychological perspective, in particular, are invariably large-scale quantitative surveys that in effect decontextualise their findings, or they are laboratory-type experiments. Thus such concepts have been produced from research, which may not have been tested in organisational environments. It also might be unwise to rely on data stemming from employee complaints (as for example in Scott et al, 2011), since people may not actually complain openly. For example, in Case study 2 many employees expressed fairness concerns to the researcher, but had not done so either to their manager or to the reward manager. The extent of complaints or openly expressed concerns organisations experience as well as employee values related to fairness could be mediated by transparency as this is related to the amount of information employees have on internal and external reward comparisons. Hence, from a cultural perspective the processes by which norms and values relating to perceived fairness are legitimated and communicated amongst employees may be related to the extent of information that employees have of the reward system's details. It is interesting in this context to note that in researching benefits, Hennessey et al (1992) show that employee satisfaction with their benefits is linked with employees' level of knowledge and awareness of what is provided by the employer.

Evidence about the inter-relationship between internal and external equity and transparency is evident in the cases with employees taking a holistic view of their employment experience. For example, views in Case study 3 are illustrated in the following quote from a technician:

> '..there is no openness about salaries at all in terms of company-wide. Even though I know by comparing myself to other similar positions outside that actually I would struggle to... go somewhere else and get a similar remuneration package, that doesn't mean that somebody who sits three desks away from me, who is doing exactly the same job as I am might be getting paid twice as much as I am. You just don't know. It's quite secretive.' (TechBmal)

The potential value of more openness and demonstrable procedural justice is seen especially in case study 2. Scott et al (2011) show in their reward practitioners' survey that there is a belief that perceptions of fairness have been challenged by the implementation of pay cuts or pay freezes. However, staff in the charity (Case study 2) accept that the recession has affected charity income and therefore do not expect pay rises. Staff, though, challenge the '*pretence*' they see in the assertion by top management and reward manager that pay rises are performance-related. There is an evident difference of values. Top managers and the reward manager understand that there is very little money to be spent on pay rises and want to target the available money to recognise high levels of personal performance, but the fact that most people have not had a pay rise for two or three years is seen by staff as evidence that pay reviews are not performance-related in the current climate. They want more direct and '*adult*' conversations:

> '*Pay rises – there are no pay rises – but this is not declared openly by the organisation. If the financial situation means we do not get rises then we can understand that ...let us call it what it is rather than pretend there are performance based reviews....we need to be dealt with in a more adult to adult way rather than adult child. Let's not call it a pay rise if it is below inflation...*' (Prof2Ffem)

While external equity is less of a concern in case study 2 than in the other cases the internal fairness of pay is a concern. This focuses on two areas:

Firstly, the level of pay not keeping up with increased responsibilities:

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'..if you were to align my profile and salary (when I) was appointed 3.5 years ago with what I'm doing now you'd find that they're very different, but there's no reward for taking on extra responsibilities' (Mgt2Afem).

Secondly, the lack of transparency in and the process for implementing the broad band system is a concern amongst staff and most levels of manager.

Similarly, the lack of transparency in the broad band system for staff and managers in case study 4 also raised fairness issues with administrative workers (almost all women). They see that the new technical pay structure is at odds with the espoused corporate culture value - *We're all in this together* - as they believe they have been receiving lower percentage pay rises than the in-structure increases provided for those staff in the pay ladder. They seem therefore to be challenging both distributive outcomes and the procedural justice of the process.

The linkage between process and outcomes is also seen in Case study 1 in which fairness is acknowledged as a strongly shared value and part of the organisation's '*DNA*'. (If Marsden's (2007) analysis is followed the perhaps this public sector organisation's strong emphasis on fairness is not unusual). A story told by staff and managers is indicative. It concerns the response from staff when the bad weather over the winter period meant a couple of snow-bound offices had to close either because it was dangerous or the staff couldn't get to work. Several home workers and staff in other offices not affected by snow wanted the equivalent time off in lieu just because the staff in those snow-bound offices were not working! Although this might seem an extreme example it is told by the '*pragmatists*' in that organisation and seems to be an illustrative of their beliefs that the '*preservers*' can take the fairness principle too far.

9.5.1 Internal and external equity

Data from the case studies indicate an inter-relation as distinct from a polarisation of internal and external equity concerns, in contrast to what might be expected if the arguments of the New Pay School (Chapter 1) were followed, but in support of the findings of Scott et al (2011). Two case studies exemplify this inter-relationship:

In Case study 2 scientists who had previously worked in universities or the health service compared their experience of receiving nil pay rises in the charity with previous public sector incremental systems:

> '… the impression that we had from the outside (was that the organisation paid) very well... and certainly as a researcher, labs were well-funded … I am reasonably well-paid. The problem is that within the University ...we had annual incremental increases in pay, and this was something you looked forward to – we no longer have that (here)....if we worked here for 20 years then we'd still be earning the same salary as we are now, that's the impression that they get,… so that causes some upset.' (Mgt2Afem)

In case study 4, although a nominally internal rather than external equity initiative, the new pay structure for technical staff is both valued for the new opportunities it gives for in-structure pay advancement and seems to spur a more positive view on external comparisons.

Employees in Case study 1 are somewhat different in that they have a more internal focus. For those staff (about 40% of the whole staff), who are at the top of the now shortened pay scale the internal reward systems and processes are seen as related to the outcome of the pay award, which is influenced by external comparison and economic factors:

> '.from what I know it (pay) is probably fair...the problem is the size of the annual pay rise...we are not given sufficient money to have a people pay rise for people like me who are at the top of the pay scale…' (SS8mal)

Employees seem to draw their expectations from their internal cultural experience and from their occupational and feeder cultures, and these are intricately linked.

9.6 Equality culture

Linked to the broad concepts of fairness is that of equality, in which there is a separate strand of literature. The focus in this section is on gender equality and the links between culture and reward.

Two of the case study organisations (3 and 4) have predominantly male- dominated workforces, while case study 2 is overwhelmingly female and in case study 1 a clear majority of the workforce is male.

The male-dominated organisations are experienced as male cultures by women but not by their male colleagues. In Case study 3 a senior engineer and group leader reflected:

> '...there are quite a lot of people that are like ourselves… I wouldn't call it a "laddish" culture, it isn't, but it's… the way we address each other, the way we dress, the way we work is quite different to the rest of the company.' (SMAmal)

In Case study 4:

> '...in the assembly and test department in aerospace I think there's only one or two women… and there's very much a male culture down there.' (ProfDfem)

Managers in three of the organisations (2, 3 and 4) seem to observe the differences and the cultural implications of their workforces being so strongly segregated by gender but take no measures to increase diversity. A director in Case Study 3 asserted:

> 'We are pretty much gender blind, colour blind, origin blind and everything blind… we are interested in high quality, world class, physicist engineers…' (TMAmal)

A similar response is evident in relation to the female workforce in Case Study 2:

> '...we always joke about the fact that, certainly in fundraising, if you're not female, white and middle class… could do with a few men…' (Prof4Afem)

This, they say, is not conscious discrimination or exclusion. It seems unconscious and related to cultural meanings and assumptions associated with gender, which as Rutherford (2011:12) contends tend to follow men and women into organisations. This results in a spill-over of gendered roles from home to work (Gutek and Cohen, 1987) and leads to gender segregation of roles, as in Case Study 3:

> 'I think women are tolerated more in support roles than higher positions…' (SupAfem)

Some intersectionality (Browne and Misra, 2003) of experiences was evident in both cases 1 and 2. In Case Study 2 a professional from a non-UK background was critical of the lack of diversity as she saw it:

> *'There are far more women than men… so no gender issues… but there are class and race issues… it is a very white upper-class Home Counties place… (it) does influence how certain projects are evaluated or rewarded'* (Prof2FFem)

The contrasts are more acute in Case Study 1 with top and senior managers believing they are a beacon of good practice in relation to equality, but women, ethnic minorities and people with disabilities see a very different picture:

> *'...they don't practice what they preach… it is still dominated by males… sorry to say but it is… they may be younger with a splattering of differences, but mainly white middle-class males…'* (ST5fem)

How this translates into pay differences is unclear since data on actual pay differences by gender is not available, although these are evident in most UK organisations so it might be expected that there would be systematic differences (Women and Work Commission, 2006). Case study 1 had lost a legal case involving the pay structure that was brought on grounds of equal pay, and its current pay structure has been designed to be more equal. Nevertheless, male interviewees said that although the pay structure legal case was brought on equal pay grounds, it had less to do with equality than might at first appear:

> *'There were specious arguments (made)… (by) the trade unions using equal pay arguments to shorten the pay scale. Previously the pay scales were very long and you could not get to the top whatever you did.'* (SS6mal)

Women, though, while acknowledging that they, like the men, had gained from the shortening of the pay scale also voiced some concerns about other parts of the reward package which are seen by women and staff from ethnic minorities as much less fair than the pay structure is now seen to be. The assessment centre process for promotion is thought to be unfair:

> *'I cannot see many ethnic minority women going through (succeeding in gaining promotion)… or people with disabilities…what I have noticed is that the ethnic minorities that do get through are male…'* (ST5fem)

In Case study 4 the lack of promotion and progress for women seems well-entrenched. A woman who had long service said:

> *'I cannot recall any women being promoted – except in HR… I've seen quite a lot of men being promoted to manager jobs but not women.'* (TechDfem)

A male technician, though, suggested that it might be because women did not want promotion:

> *'They knew what job they were taking and that's sort of where they've stayed. I imagine that if they wanted to progress they could… You tend to find that they don't want to, they're quite happy just to do what they want to do…'* (TechAmal)

These instances seem to reflect a playing-out of values brought into or fed into the organisations from feeder cultures (Gregory, 1983) or wider societal equalities issues and gendered roles.

Relational rewards were particularly valued by women and work-life balance and flexible working practices (see section 6.5.1.1) were favoured by women. In Case study 2:

> *'I really value… flexible working here… If I am honest… and I haven't even discussed this with my line manager, it was a factor on deciding whether I'd come back to work after… pregnancy.'* (Prof4Afem).

In contrast, a long-hours culture is thought to be potentially problematic in Case study 3:

> *'You are encouraged to work more than your contracted hours… if I start to get children into the equation that could be more tricky'* (ProfHfem).

9.7 Conclusion

The research shows the value of analysis from the employee perspective, which, while it might not reveal anything radically different to that researching purely from the employer or managerial viewpoints, does offer some nuanced interpretations. By looking at sub-cultural and fragmentary cultural attributes it offers a contextualised picture of the connections between concepts that are usually thought of as distinctly different– internal and external equity, procedural and

distributive justice, relational and transactional rewards. This connectivity of such aspects has implications both for how reward is researched and for reward parctitioners.

With respect to performance culture, the data suggest that this is an aspirational condition, that none of the four organisations seem to satisfy (Juechter et al (1998). There is a question as to how important performance pay is in promoting a performance culture. Case study 1 seems to exemplify the performance trends Prentice et al (2007) and Marsden (2004) observe from their studies of public sector organisations with performance pay, but critically without the performance pay. Performance pay is widely held in this organisation to not fit with its culture. However, while productivity in this organisation might be rising there are real questions about how far the organisation may be said to embody a performance culture – in which in a variety of ways performance is imbued into the very being of an organisation.. In particular in the case study organisation there is evidence of employee resistance to organizational change, sometimes expressed not in overt ways but in rather subtle ways, described a tendency to a victim mentality, expressions of being put upon and moaning. Some of the purpose of this might come into the category of what Prentice et al (2007) call 'gaming' – or subtle attempts by staff to persuade managers not to raise performance targets. Working to targets has become accepted in Case study 1, but this is considered by staff not to be a real measure of their performance, since they stress that quality not quantity is important to them. In the other cases there was less evidence of dysfunctions and gaming. However, none of the organisations offers the high target-driven bonuses that have been called into question in the finance sector (House of Commons Treasury Committee, 2009).

The case study evidence further suggests that the effort bargain might be a useful concept in analysis, but it needs to be overlaid firstly, with notions about professionalism and professional identity, and secondly, by a wider definition of what constitutes reward.

On marketisation, the analysis reveals differences in values between different (sub-cultural) employee groups on acceptance of salary market differences, but also differences in values reflect a more fragmented picture. The comparative analysis

shows a fragmented but patterned picture of cultural values with similarities across organizations and as well as differences within them. Managers' views on the salary market and their reward intentions tend to be different to the values expressed by employees – as might be predicted from earlier research. 'Cosmopolitans' (Gouldner, 1957) seem more likely to accept market norms and values than 'locals', for whom internal equity seems paramount. Employees had thought about external comparisons and took the whole reward package into account in their judgements. Indeed, they may take a more holistic, total reward, view than do the managers that set their pay. There is some evidence from three of the four cases that women may be more likely than men to both use family and friends as comparators and to take relational rewards into account in assessing the value of their reward package.

This raises the question as to whether the cultural values of reward specialists with a 'cosmopolitan' outlook might be different from those of employees and managers for whom they work and might indeed be more directed towards transactional than relational rewards. For example, in Case study 2 - the charity – the reward manager implemented a broad band pay structure that has been widely criticised by staff and managers and uses salary market data on other charities while staff compare with their previous backgrounds or those sectors which they know. The data from this and other cases support the contention that lack of transparency can have detrimental effect on employees. However, the effect could be short-lived or weak in comparison with other factors and relational rewards. In the value sets within the charity the overriding mission of '*finding a cure*' seems to outweigh strongly held concerns about the (un)fairness and lack of transparency of the pay system.

Reflection and discussion

Chapter 10: Reflections on culture and reward

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10.5 The reciprocal influence of culture on reward and reward on culture

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10.7 Towards a 'fine-tuning' cultural model of reward

10.1 Introduction

The previous chapter considered the study's findings in relation to five key issues of reward, in which there strong cultural dimensions – performance, marketisation, transparency, fairness and equality. This chapter begins with a discussion of the extent to which more traditional models of culture and reward help in developing an understanding of the relationships between culture and reward. This is followed by reflections on existing conceptual models in, firstly, reward and secondly, culture in relation to the case study findings. Finally, the chapter discusses and then theorises a conceptual model which unifies the findings of this study and offers insights into the complex and intricate relationship between culture and reward. Table 1 provides a summary of key features of the four case study organisations and Table 2 summaries their approaches to reward.

10.2 Cultural interpretations of reward

The discussion in Chapter 3 of traditional manifestations of culture within the anthropological literature (Wright, 1994) - including artefacts, narratives, belief systems and myths, symbols and language and rites and rituals - sought to set out how these might be applied to a study of reward system attributes. The assumption had been that artefacts such as policy documents and internal communications on various reward issues would provide useful cultural evidence but in the case study research such sources were minimal, largely because the extent of formal communication on reward matters in the organisations was absent or informal only. Managerial-level narratives on reward decision-making processes in the organisation were largely administrative in nature giving little information to employees about the rationales for pay differences. Echoing Kessler (1995) there is little evidence of managers attempting to use reward strategically to promote longer-term employee commitment to the organisation or other 'value creation' (Trevor, 2010:13) business objectives. Moreover, while there is some evidence of the *adhocracy* Kessler (1995) says characterises the setting of reward policies and practices, there are more cultural elements in the picture. In three case studies (2, 3, and 4) managers seemed to want to keep all mention of the pay aspects of reward at such a low key level that there

were almost no formal level narratives or artefacts to analyse and certainly few signs of the strategic dynamic leading system approach to reward envisioned by Rynes and Gerhart (2000). The level of discomfort indicated by managers in relation to decision-making over pay suggests it may have become the organisational 'elephant in the room'. Even in Case Study 1, where there are communications about pay decisions and more openness, there are signs that managers feel discomfort in being involved in the pay decision-making process. In that case the protracted nature of the pay setting process is bound up in a web of bureaucratic controls and this results in a somewhat fatalistic and detached view of pay setting by top managers.

Table 10. 1 - Case study organisations- culture and reward

Case study organisation	Managerial interest/action on culture	Culture affects reward design	Main job roles	Main sub-cultures/ fragments
Case study 1 Public service agency	Interested in shaping culture change but not sure how to achieve it	No performance pay, because strong union opposition. Short pay scale because of fairness values and staff concern over equal pay issues; focus on flexible working, work-life balance	Professional advisers, call centre/helpdesk	Union/non-union culture, women (minority of staff) v men, long servers v newcomers; home/flex workers v office-based
Case study 2- Major charity	Rather half-hearted corporate branding initiatives (Pink/purple furniture in all workplaces) Strong unifying mission '*finding a cure*' '*Nice place to work*'	Broad band system with generic roles within salary bands seen to lack fairness and transparency; low or nil pay rises accepted but their nominal performance base not; emphasis on flex working, some benefits. Increasing commercialism /marketisation resisted	Operational staff, fundraisers, advisers, scientists	Senior managers v other managers and staff; Men (minority) v women, 'home counties' v the rest, scientists (bench and developmental) v fundraisers, nurses, talent 'pool' v the rest
Case study 3: Small high technology consultancy	'Employee owned' dominant theme/ but actually private company Informality and individual responsibility and autonomy	Share schemes – open to all, but very ad hoc pay system with no structures – open to individual negotiation, high market rate	Engineers and scientists engaged in leading edge consultancy and development work	Non graduates v graduates Women (small minority); those there from the company's early days v newer recruits; Cambridge graduates and the rest, cyclists and non-cyclists
Case study 4: Multi-national engineering design and manufacturing company	The parent company and its founder want it to have a strong culture and publish the values the company wishes to see	No individual performance pay and lack of structure aimed to fit high trust and teamwork. Broad bands for staff. Low morale resulted in well-received new pay structure for technical staff based on competency development.	Assembly staff, technicians, engineers, admin staff	Different cultures between cells and workplaces, 'tea machine culture', long servers v newcomers, men v women

There seem to be two main cultural issues related to this downplaying of anything to do with pay by managers. Firstly, this could be seen as a cultural phenomenon, but because it spans four distinctly different organisations with different pay determination approaches, it might be seen as an occupational cultural attribute rather than an organisational one. This needs further investigation. Managers may have tacitly developed values that are somewhat ambiguous – on the one hand acknowledging that pay is important, and on the other hand shying away from tackling the potentially conflictual issues more open discussion about pay might prompt (as evidenced in Case study 2). This finding could have strategic implications about reward development and this is discussed further in section 10.3 below.

Secondly, this downplaying of pay matters and in the absence of information on how pay is determined (especially in Case studies 2 and 3) means that employees look for or create rationales and explanations that are not officially forthcoming from the employer. This is linked with the development of stories and myths within the informal culture. For instance, in Case study 1 stories that the management were not fighting hard enough with HM Treasury, with respect to the pay remit process, were bound up with the struggle between the *preservers* and *pragmatists* over the fundamental nature and direction of the organisation. In a similar vein, the story in Case study 3 about some of the early beneficiaries of the share schemes stopping off at the Porsche garage on their way to work, after they had gained substantially on the sale of shares underlined the difference in values on the share schemes and more generally between the *founder generation* and the *newcomers*.

Myths and stories were evident in the case studies but in contrast with the conclusions of Quaid (1993), which seems to describe strong marketing from employer to promote the fairness and robustness of its consultants' job evaluation scheme, in this study employers did not seem to engage in such promotional marketing activity in relation to reward. Rather the opposite - they said very little about pay and this was a clear strategy, certainly in case studies 2, 3 and 4. Myths and stories were evident in respect of the founder in Case study 4 but tended to have little connection with reward practices.

Not only did the case studies yield less information than had been expected at the artefact level with few policy documents and internal communications on reward issues, this low-key nature of the reward processes in the four organisations was also evident in terms of rites and rituals. It was thought that there might be approaches to employee recognition, which can be seen from the psychological perspective as an implicit or relational reward, that might be culturally interpreted from the perspective of rites and rituals. In practice there is patchy evidence of this. For example, managers in both Case studies 1 and 2 had taken some initiatives to increase managerial recognition of good work. However, there seemed to be cultural barriers and complexities restricting the effectiveness of these initiatives. Firstly, in Case study 2 there were local schemes in the fund-raising areas of both peer and manager nominated awards in which nominees received a certificate and token gift (like chocolates) presented by the department's director. Staff who had received these rewards did value them but they seemed to have a short-span and limited effect, since there was also evidence that work had been intensified and staff extended their responsibilities without any recognition or remuneration. Secondly, there is seen to be more tangible recognition of *good people than good work*, particularly through the organisation-wide talent pool programme. The use of recognition schemes which appears to be related to the style of departmental managers – some recognise good work, others do not. Thirdly, the wider, feeder culture of the UK is also thought relevant by the primarily white, *home counties,* middle class staff – with indications that it might be a British trait to be *shy* about formal recognition schemes. External influences were also evident in Case study 1, in which employees, who have regular contact with the outside world, value highly the recognition and praise they gain from their clients, counterpointed with a feeling that recognition from within the organisation is patchy and may be seen to have a lesser value.

It was not part of the study to analyse power relationships in detail but rather the institutionalisation of power relationships. In Case study 1 trade union power was bound up with the values of the preservers formed a powerful sub culture which is arguably more dominant than the pragmatist cultural values of the current top management. In Case studies 2, 3 and 4 there were no obvious big blocks of power but rather power is diffused within the organisation. In these cases political internal relationships seem to have greater cultural significance. This was seen in the reliance

of employees on their line managers to press their informal claims for upgrading or to protect them from adverse effects if their nominal performance metrics were down. This aspect was evident in the three non-union organisations and represented a stark difference with the one unionised organisation. More investigation would be needed across a wider spectrum of organisations before this theory could be generalised.

It may be concluded that analysing the traditional, anthropological, facets of culture in relation to reward enables some of the symbolic and values based aspects of culture to be highlighted but there remain further questions to be asked to more fully assess the relationship between culture and reward.

10.3 Reflecting on reward concepts and practices

Echoing the question of Whittington (2001) on business strategy does this study shed any light on the question of what is reward strategy and does it matter? As discussed in section 10.2 there is evidence from the case studies that managers do not wish to use reward in a high profile way but rather to keep all mention of it quiet or low key. Moreover, there are signs that the business sector, products or services have a direct impact in shaping the decisions on reward policy and practice- but only to a certain market-driven extent. More significant seem to be the values, expectations and assumptions that managers, reward specialists and employees have that are influenced by their previous experience. It is this that seems to account for the use of, for example, broad salary bands in both the charity and the multi-national engineering company, rather than deep-seated business or economic imperatives. There seem to be three main implications. Firstly, if an organisation and its managers were to do as some writers on reward advocate (for example, Brown, 2001, Gomez-Mejia and Balkin,1992) and plan reward in line with business strategy, this process might need to be fine-tuned by reference to the various values and assumptions evident among the organisation's managers and employees. Secondly, this study seems to fit more with Di Maggio and Powell's (1991) concept of mimetic isomophism and supports Trevor's (2009) contention that developments in reward practice across organisations can be seen in this light. Thirdly, there is less support for the Resource-Based-View arguments of Gerhart and Rynes (2003) that there

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might be organisation- specific approaches to reward that are not easy to replicate and might provide a source of competitive advantage. In general terms the findings of this study seem more in tune with Baeten's (2007) multi-faceted concept of reward strategy than with versions seemingly based more on classical top-down business strategy assumptions (Whittington, 2001). It may be argued that this concept of reward strategy needs to be developed, since Baeten (2007) seems to assume that an organisation's culture entails a singular set of values, whereas the research for this study indicates multiple cultures. This latter feature is discussed further in section 10.5 below.

The second important question concerning reward concepts is the scope of what is reward. The study seems to support a widening out of the definition of what is reward, with employees in all four case study organisations indicating clearly that they took a holistic view of their overall reward package. In this connection, the total reward model is a useful starting point although the elements within the package – and their significance to employees –are neither fixed nor the same for everyone. Rather they are fragmented, in line with cultural values, which may be shared sub-culturally but are drawn from both within and without the organisation. Hence, the total reward model as it stands may be too simplistic to be useful in either analysis or used by organisations to design reward packages. Interestingly, the evidence from this study seems to support Giancola's (2009) view that what he terms the work design elements of the original Worldatwork (2007) model, now removed, are important. Job challenge and autonomy emerge from this project's findings as significant for employees, even if difficult for employers to provide on a consistent basis. As Case study 1 shows the contrast between the call centre staff and other employees in terms of their relative lack of autonomy and restricted job challenge is a main source of employee dissatisfaction. The top management seem only to want to compare their call centre staff with other call centres, while the employees compare with staff in the same organisation in nearby offices.

It is not just the elements within the total reward model that are debateable but also (as discussed in Chapter 1) the conceptual basis of the total reward model. The model appears to rely on the psychological contract and Rousseau's (1995) distinction between reward elements which are either relational or transactional. Three key

problems emerge from this research, which challenge the model's construction. Firstly, the grounding of the relational elements in the concept of affective commitment seems to underplay the social significance of – for example, the intensity of the importance attached to the charity's mission in Case study 2.

Table 10. 2: Key areas of reward in the 4 cases study organisations

Reward area	Case 1	Case 2	Case 3	Case 4
Pay strategy/ rationale	Pay remit set by HM Treasury/Government, pay freeze. Fairness a key principle	Key principles – market pay, reward for contribution, recognition of excellence, emphasis on total reward, fairness and transparency, and flexibility	Pay set by CEO, in practice high pay in relation to market	Company aims reward systems should fit the culture it wishes to promote. Emphasises total reward approach and non-financial rewards
Payment systems/ methods	Short scale with fixed increments	Broad salary bands	No formal systems	Pay ladder system in technical areas, broad bands for staff and managers
Pay levels	Comparatively high for Civil Service	Aim for science areas in particular to be competitive, pay levels good for voluntary sector	Pay high in relation to competitors	Pay levels a bit below competitors
Pay progression	Service based progression	Nominally performance-based progression, but in effect nil rises for many	Discretionary, but not directly linked to personal performance	Competency/skill-based progression in ladder system; performance appraisal linked for staff in broad band system
Main tangible benefits	Promotion, final salary pension, good holiday entitlement	Pension now DC, good holiday entitlements	Pension DC but with high company contributions	Aim is a 'competitive' package, A valued benefit is medical insurance, flexible benefits
***Social moral rewards**	Job challenge, autonomy (for all except call centre) flexible working, sociability	Job challenge flexible working work-life balance, sociability	Job challenge, autonomy	Job challenge, autonomy, sociability
***Moral rewards**	Brand, public service ethos	Mission of charity	Leading edge work	Safety critical work

*_*Drawing on the concepts and terminology of Etzioni (1961)_*

Secondly, even though the proponents of the total reward model see this as an employer-led strategic model, this case study provides evidence that employees too see rewards as broader than the traditional package comprising cash and valuable benefits such as pensions and holidays. The difficulty for employers may be that different employees see the package and its elements in different lights, as previous

evidence suggests (Gomez-Mejia and Balkin,1992) . Thirdly, the intensity of the values relating to each element tend to be very different and can be negative as well as the assumed all positive nature of the relationships within the existing total reward model.

Hence, to develop the model it might be suggested that to both introduce some employee involvement within the concept and deepen its social perspective it could be revised in such a way as to be based more on Etzioni's (1961) four types of involvement in organisations – alienative, calculative, moral and social moral. Alienative involvement is experienced by people who do not want to be in the organisation at all. The alienation felt by the non-graduate engineers in Case study 3 who feel coerced into staying in the organisation because they are paid highly could be placed in this category. Calculative involvement describes the traditional basis of remuneration, drawn from the Taylor era and after (Chapter 1) in which it may be assumed that employees are primarily working for the organisation for monetary rewards. Moral involvement describes the values evident in employee commitment to the organisation mission in Case study 2, while social moral involvement seems to match the commitment to the brand and work of the organisation in Case study 1, and the commitment to job challenge and job significance in Case studies 3 and 4.

Alienative and calculative involvement seem fundamentally founded on social exchange theory nostrums, on which the concept of the effort bargain (Chapters 1 and 9) also draws. Both moral and social moral involvement both seem to imply a less straightforward employment relationship, but nevertheless to be vital components of work and for workers that are knowledge based, as in these case studies. The evidence from this research suggests that if we are going to use the concept of the effort bargain we do need to draw the concept of reward much more broadly than just cash pay and traditional benefits, especially when employees are engaged in more knowledge-based work.

The ideas of Rousseau (2005) and Rousseau et al (2006) about i-deals or informal reciprocal reward 'deals' offer one way of looking at a more modern form of social exchange than the manual work assumptions underlying the effort bargain. However this concept may not be a direct successor to the effort bargain - for two main

reasons. Firstly, the effort bargain has the advantage of specifically including a performance element and, secondly, it might be contended that for the generality of employees in most organisations the detailed tailoring of a reward package to their individual requirements is unlikely to be a realistic prospect, as employers would find this too onerous – especially in larger organisations. Tornikoski (2011) applies the i-deals concept to expatriate compensation and the individualistic nature of such (rather exceptional) contracts is understandable, but the wider and widespread application of i-deals seems unlikely. Certainly the decline of trade unionism in the UK has entailed greater individualism of contracts, but has been shown to be more rhetorical that substantively real (by for example, Brown et al 1998). In the four case studies standardised reward approaches to categories of employees seem to be applied irrespective of the needs of specific individuals. In Case study 4 a limited voluntary benefits scheme entailing some choices by employees is used, but there are standardised approach to other reward elements including the pay systems used for different employee groups. Further discussion of the relationship between cultural values and reward and its implications is provided in sections 10.5 and 10.7 below.

Two pay structures emerge from the research as well received by employees: (1) the pay ladder system, based on competency development in case study 4 and, (2) the short fixed increment pay scale in Case study 1. Skill or competency based pay are recognised (Armstrong, 2007) as potentially costly unless the added productivity potential can be realised, but such systems seem to merit more consideration. Such systems enable the combination of two total reward elements - development and pay- and Mitra et al (2011) find positive business outcomes associated with these type of schemes. In the case studies neither the skill-based ladder system in Case study 4 nor the fixed increment scale in Case study 1 are without criticism, but they are both thought by employees to be fair.

The short pay scale's favourable reception by staff in Case study 1 was subject to two caveats: Firstly, the *preservers* see it as something that could be fought over with the *pragmatists* and want to shorten it even further to benefit short-service staff. Secondly, the pay system was seen as divorced from any other HR or employment policies and that might impede any possible synergy between the elements of the HR bundle of practices.

In contrast with both these pay systems there are problems with broad bands in both Case study 4 and Case study 2. In both instances the system is associated with a lack of motivation and morale. Indeed, the totally ad hoc approach in Case study 3 appeared to be better received by its employees than the broad bands in cases 2 and 4. The aim of broad bands is for employers to have flexibility over the progression of individuals' pay on the basis of performance, additional competency or skill, additional responsibilities or because of market factors. This mix of potential rationales may be too complex for managers to communicate to employees in such a way that they trust their managers to make fair judgements (issues related to transparency are further discussed in Chapter 9). In cases 2 and 4 the broad bands have been devised by a reward functions, with the panoply of professionalism, but there is a lack of explanation or rationale about who is graded in which band and why, which seems convincing either to managers or staff in those organisations. It may, therefore, be argued that because there is no pretence at a system in Case study 3 and the discretion is used by just one person - the CEO - who is generally revered and trusted - that this ad hoc approach is viewed by employees as fairer.

10.4 Reflections on the three perspectives of culture, feeder cultures and the native view paradigm

Earlier writing on reward and culture (Chapter 3) has tended to make generalisations and assumptions about culture, which does not reflect fully the complex debates in this subject area. Some assumptions include that the culture milieu was an identifiable single environmental pattern that could either be fertile ground (or not) to allow various types of pay system to flourish. This primarily functionalist and integrationist approach to culture yields suggestions of matching pay systems to culture that are too simplistic for a number of reasons. Firstly, acknowledgement that organisations are likely to have multiple cultures (Gregory, 1983) and not a single culture complicates the picture. Secondly, the use of the three perspectives (Martin, 1992) as a way of analysing differing cultural patterns in the organisation allows depth and detail to be analysed within this framework. Thirdly, some of the observed fragmentation in the cultural patterns in the case studies seem to be accurately described by Parker's (2000:4) *fragmented unities* definition of culture. Fourthly, the

relationship between occupational and organisational cultural values is an important factor in relation to reward. Occupational cultural values from *feeder cultures* (Gregory, 1983) providing either *local* or *cosmopolitan* (Gouldner, 1957) orientations appear significant in influencing value sets within the organisation.

The case study findings support Martin's (1992:340) argument that organisational cultures are permeable to the external environment, which: '…*allows for cultures and subcultures to be nested, overlapping and multiple, with blurred edges'*. Feeder cultures result in organisational sub-cultures or fragments bringing their own meaning to organisational interactions. Gregory (1983) suggests such subcultures can be occupational or ethnic but this current project indicates that, inter alia, gender issues, family, friends and previous organisational experiences seem to shape the values that people bring with them into organisations in which they work. They feed into sub-cultural formation and potentially into the values that affect employee reactions to various reward practices. The evidence suggests that the organisational cultural attributes in Case studies 2, 3 and 4 are shaped in part by external cultural values. This is in contrast to Case study 1, which in spite of its work for other organisations and the consequent contact of most staff with the outside world, is considerably less permeable to the external world, as staff have not typically worked elsewhere. Drawing on the evidence from the case studies and Gregory (1983) this difference in permeability to the external world seems significant in shaping multiple cultures. The development of an orthogonal sub-culture in Case study 1 may be a reflection of this lesser contact with the external labour market. The marketable engineers and scientists in Case study 3 seem to have developed only enhancing sub-cultures, with indications that most people who are dissatisfied have simply left the organisation. In contrast the orthogonal sub-culture of the *preservers* in Case study 1 may have fewer external employment options and therefore have developed a sub-cultural grouping which feels safe for employees, because it not only includes trade union officers but also long-serving and senior staff and managers.

The core connectedness or *nexus,* as Martin (2002) terms it, is seen as a complex web of cultural connections. At the nexus of each case are shared cultural values but these may not (as Schein (1988) seems to assume) be the dominant cultural values. For example, in Case study 1 there is a shared belief that the organisation provides a vital

public service; in Case study 2 there are very strong values relating to the mission of the charity; in Case study 3 there are shared values relating both to respect for the founders and the high quality, leading edge work undertaken; and in Case study 4 there is a shared understanding that the formally stated corporate cultural principles have an effect on the company. In that organisation even though employees react differently to the stated corporate values, there is a shared value about the importance of producing high quality products, many of which are safety critical. Beyond these shared values - which might be interpreted as conforming to Schein's (1988) concept of *pivotal values* - there are sub-cultural tendencies in all four organisations. However, while the pivotal values in the four organisations are critical to their respective core nexus, it seems inaccurate to describe the values associated with the sub cultures as '*peripheral*', as does Schein (1988). To do so would imply they have less importance to the organisation, and that would underplay the significance of enhancing sub-cultures. It also does not really take account of ambiguous value sets – as seen for example, in the example of the trade unionists in Case study 1, who talk of '*wearing two hats*' in their views on performance pay, arguing against performance pay as trade union officers but wanting it on a personal basis. Moreover, because people may be seen to have multiple identifications, social identity is an important part of this cultural mix. Those employees associated with the orthogonal sub-culture in Case study 1, for instance, feel it important to carry out the work they do for clients and their professional identity contributes to the performance results of the organisation.

Martin (2002) argues that seeing that organisations have multiple cultures around a core nexus fits with increasing demographic diversity in organisations and indeed, the ideas seem to resonate with the concept of intersectionality, from diversity research (Browne and Misra, 2003), which sees that people may have simultaneous and linked social identities. There is some evidence of intersectionality in Case studies 1 and 2, in relation to gender and ethnicity, but the concept could be drawn wider to cover other deeply-felt differences and identifications (Cooke et al, 2005). While these differences lead to fragmented and differentiated values, there can, nevertheless be pivotal values connecting the fragments.

This does not imply some essential unitarism of purpose, but merely that there is connectivity between the multiple cultures. It may be difficult for managers to influence and change cultural values since the connectivity can be complex and intricate, and even if managers identify and emphasise pivotal values they may not be able to counter deeply-held views. For example, the *preservers'* professional identity seen in Case study 1 is bound up with their deeply-held values about the service they believe they should be providing, and this is linked to strong trade union support and an aversion to performance pay. Unpicking and changing these linked values could prove extremely difficult, as the longitudinal stage interviews in that case demonstrated.

The literature on culture in the 1980s sought to encourage managers to believe that they could change their organisations' cultures and emphasises the importance of strong cultures and the role of founders in building effective organisations (Chapter 2 section 2.13). In both Case studies 3 and 4 the influence of founders can be seen. However, while Case study 4 has an ostensibly strong dominant culture it is Case study 3, which might in practice be seen to have a stronger, albeit informal rather than formal, culture. In case study 4 the link with the founder is now a distant relationship whereas a founder of Case study 3's organisation is still in charge as CEO and is revered by all staff. Case study 1 seems to have two strong cultures – arguably the orthogonal sub-culture of the *preservers* is stronger than the dominant culture associated with the *pragmatists* and could be seen as dominant, with *pragmatist* culture as orthogonal. This seems to have consequences for the managerial initiatives on culture change. In Case study 2 overall there are no strong cultures, but one very strong value that unifies those in the organisation, while in case study 4 the potentially negative consequences of the counter cultural tendencies of the *tea machine culture* seem to be counteracted by strong 'craft' values to ensure the products are high quality.

The case studies show the value of using the three perspectives and feeder culture concepts in researching culture and reward. It may further be seen that, as Swidler (1986) argues, cultural values are at the heart of culture and are the most significant cultural attribute. The aim of the case studies was to provide information on multiple cultures in the same organisation, drawing on the *native view paradigm* (Gregory

1983:366), which it might be contended is appropriate for a study such as this one, as it was for her study of professionals in Silicon Valley. The drawback is, as she argues, that the comparative process between cases is more complex than if some a priori analytical categories had been used from the outset. This limitation is relevant to this current study. To further research this study's objectives it may be necessary to do more comparative research using an external-view paradigm. (This is further discussed in the Future Work section at the end of the thesis).

10.5 The reciprocal influence of culture on reward and reward on culture

The previous sections summarise three factors which it may be contended underpin relationships between reward and culture. Firstly, the values and experiences of managers and reward specialists seem more instrumental in shaping reward policies than business strategy. Secondly, organisational cultures tend to be multiple cultural and sub-cultures are intricately linked. Thirdly, cultural values are at the heart of culture and help to shape the reactions to organisational policies. Hence it is values that are instrumental in fine tuning employee reactions to reward systems.

While earlier writing on reward and culture (Chapter 3) tended to focus on matching reward systems to culture, the question of how important a reward system is in shaping or influencing cultural values was barely addressed. The findings of this study indicate that cultural values both fine tune employee reactions to reward practices and the experience of reward practices also reciprocally influence and reinforce cultural values, but only to a certain extent. The nature of the service or product of the organisation feed into the shaping of value sets but feeder cultures and occupational cultures seem more important than either product/service or reward system in influencing the value sets in the organisation. Both the effect of culture on reward and the effect of reward on culture are limited and of a fine tuning nature.

In Case study 1 the value of fairness around pay is highly evident and the pay system open and transparent. This value attached to fairness may be seen to '*fine tune'* (Swidler, 1986) employee reactions to other aspects of organisational life. It is assumed by the '*preservers'* that the pay system can be made ever fairer and that everything in the organisation must be fair. However, it assumed by the pragmatists

that fairness can be taken to an absurd extent, and that value is reinforced by the (perhaps rather extreme) '*snow closure*' story they tell.

This all suggests less than strong influential links between reward and culture. These links are partial and indicate more a fine tuning relationship than an instrumental determination of the strong guiding *leitmotifs* of organisational life.

One reason for the fine tuning rather than determining argument- certainly from the perspective of culture influencing reward - relates to the permeability of the organisational culture to the external culture. The extent to which the relationship between culture and reward might be seen as fine tuning rather than pivotal could be related therefore to the extent to which the organisational is permeable to external cultural influences. This contention therefore raises questions as to whether managers can plan reward to meet various cultural values in the organisation. Interesting cases here are Case study 4 and Case study 1. In both cases there is a cultural aversion to individual performance bonuses – but in Case study 4 this is because the corporate culture does not believe they sit well with the development of a trusting environment, whereas in Case study 1 it is principally the orthogonal sub-culture of the *preservers* which does not favour this type of reward system. These differences also highlight the central role of sub-cultural values in seeking to link culture and reward.

While it may be possible for managers to plan reward interventions that fit cultural values by finding out and meeting - or linking together - sub-cultural interests, this is a problematic process. Managers in all four cases could develop policies on the relational (social moral) rewards of work-life balance, flexible working and autonomy, comfortable in the knowledge that these are strongly valued by all employees. Moreover, these values seem to transcend the specific organisations, suggesting again that occupational rather than organisational cultural values may be more important in developing reward systems.

Further examples of relational (social moral or moral) rewards in Case studies 1 and 2 indicate potential difficulties in the linking of reward and culture. These organisations could, for example, link some part of the reward to the contribution that employees make towards meeting its mission or related to the assessments of

clients. But there would be problems in so doing. Firstly, it is difficult for managers to know what employees think (it might be noted that in the fieldwork for this study interviewees confided views to the researcher, which they made clear they had not – nor would not – share with their managers and colleagues). Secondly, there may be a difference between employees having the freedom to develop values in relation to organisation mission or client assessment, but if employees feel they are being instrumentally and normatively controlled, the value of these elements as rewards could be restricted.

The evidence from Case studies 1 and 4 suggests that while the organisations might be reluctant to use calculative rewards to leverage employee behaviour, there might also be an awareness of the potentially negative effects, when such attempts are mishandled. In Case study 4, for example, the new ladder pay structure for technical staff has been associated with beneficial changes in morale for those staff covered by it, but there are negative consequences for staff remaining in the broad band system, who view their exclusion from the ladder system as unfair. In Case study 1 while the fairness values that are shared across the organisation seem to fit with the short pay scale with fixed increments, the story about snow closures circulated by the *pragmatists* seems to indicate that they believe the *preservers'* fairness values can be taken too far. Some of the *pragmatists* would like performance pay instead of, or in addition to, service increments.

Management attempts to shape culture in Case study 4 seem to have been undermined to some extent by contradictions in pay and reward practice. For instance the formal corporate cultural values of the primacy of trust and lack of formality seem to run counter to the new pay ladder system, which is clear and formal (and appears to have improved employee morale and engagement). The use of less formal (and less transparent) schemes like broad-band systems are predicated on an assumed trusting relationship between employees and managers. It seems that in Case study 4, while trust is a stated corporate value, it might not affect the behaviour of managers sufficiently to mean that employees actually trust them to determine their pay fairly. They therefore prefer a system that gives more certainty.

Across all four case studies cultural values seem more evident in the non-cash parts of the reward package than in cash-based pay. It might then be asked if it is important for organisations to try and achieve some congruence between corporate culture and pay and reward. Whether this is a feasible prospect or not relies on both the scope of reward and the definition of what is culture. In spite of the limited evidence of i-deals (Rousseau, 2005) in practice in the organisations studied, it might be argued that there is scope for reward approaches that more extensively dovetail the values held by employees and the reward offerings of organisations. The groupings or sub-cultures in the organisation do not line up neatly with the divides (grades or role levels) used by employers to apply standardised reward packages. If the packages were redesigned better to reflect employee values, managers might be able to develop forms of normative control to – for example – meet performance or engagement objectives. They would, though, as a starting point, need much better information on employee sets of values than are typically provided by, for example, employee attitude or engagement surveys.

If we define both reward and culture widely there is also an overlap between them. One example illustrates this. According to Goffee and Jones (1996) sociability is a cultural state but, if the case study is relied on, friendliness and a caring environment, ie sociability, might also be viewed as a social moral reward. Sociability may more accurately be described as a cultural attribute, which fine tunes values about other more tangible aspects of organisational life, including pay. This indicates a rather subtle, intricate and overlapping relationship between reward and culture. It therefore means reward and culture are not separate identifiable variables whose association can be measured by statistical or other means.

Notwithstanding the fuzzy boundaries of reward and culture, it may be seen that there are also mediating factors in the relationship between culture and reward, including transparency. With the exception of Case study 1, the conduct of pay decision making is very secretive in the case study organisations. This suggests a cultural value of secretiveness among managers which transcends specific organisations. Hence, occupational values affect reward strategy, and to some extent seem stronger as influences than business strategy.

This all complicates questions about the potential congruence between corporate culture and reward systems. It might be hypothesised that it would be more possible to achieve a close fit, particularly in small-scale organisations which are more permeable to the external world – as for example in Case study 3. This organisation, which has enhancing sub-cultures, might find it easier to achieve a fit between reward and corporate culture than a larger organisation with counter-cultures or orthogonal sub-cultures.

In summary it might be concluded that the relationship between reward and culture is a fine tuning rather than a strongly-linked relationship that is further influenced by several factors. Firstly, there is some overlap between reward and culture as concepts. Secondly, the nature of occupational and feeder cultures and the degree of permeability to the external world are key influences. Thirdly, the nature of the sub-cultures affects the relationship either positively or negatively. Finally, transparency is a mediating factor.

10.6 Questions of uniqueness and difference

The above analysis has been drawn from the four cases and although each case is unique there are some common factors – and one of these is the importance of transparency. Before further attempts to build theory are undertaken, it is first necessary to deal with questions of uniqueness and difference. The four case studies may be seen to have distinctly different cultures, but in spite of broad indications that they are distinctively different we must ask if they are unique. If the answer to this question were yes, it would leave a central theoretical problem. As Martin (2002) argues, if the essence of an organisation's culture is its uniqueness, then generalisations from research leading to theory building are problematic. But can claims of uniqueness be overstated? Van Maanen and Barley (1984) suggest that there is little empirical evidence of cultural uniqueness, which might not in itself be seen to be culturally bounded. The findings of the four case studies seem to support this contention in that, although the configuration of the cultural factors may lead to a distinctive organisational culture, common values from feeder and occupational
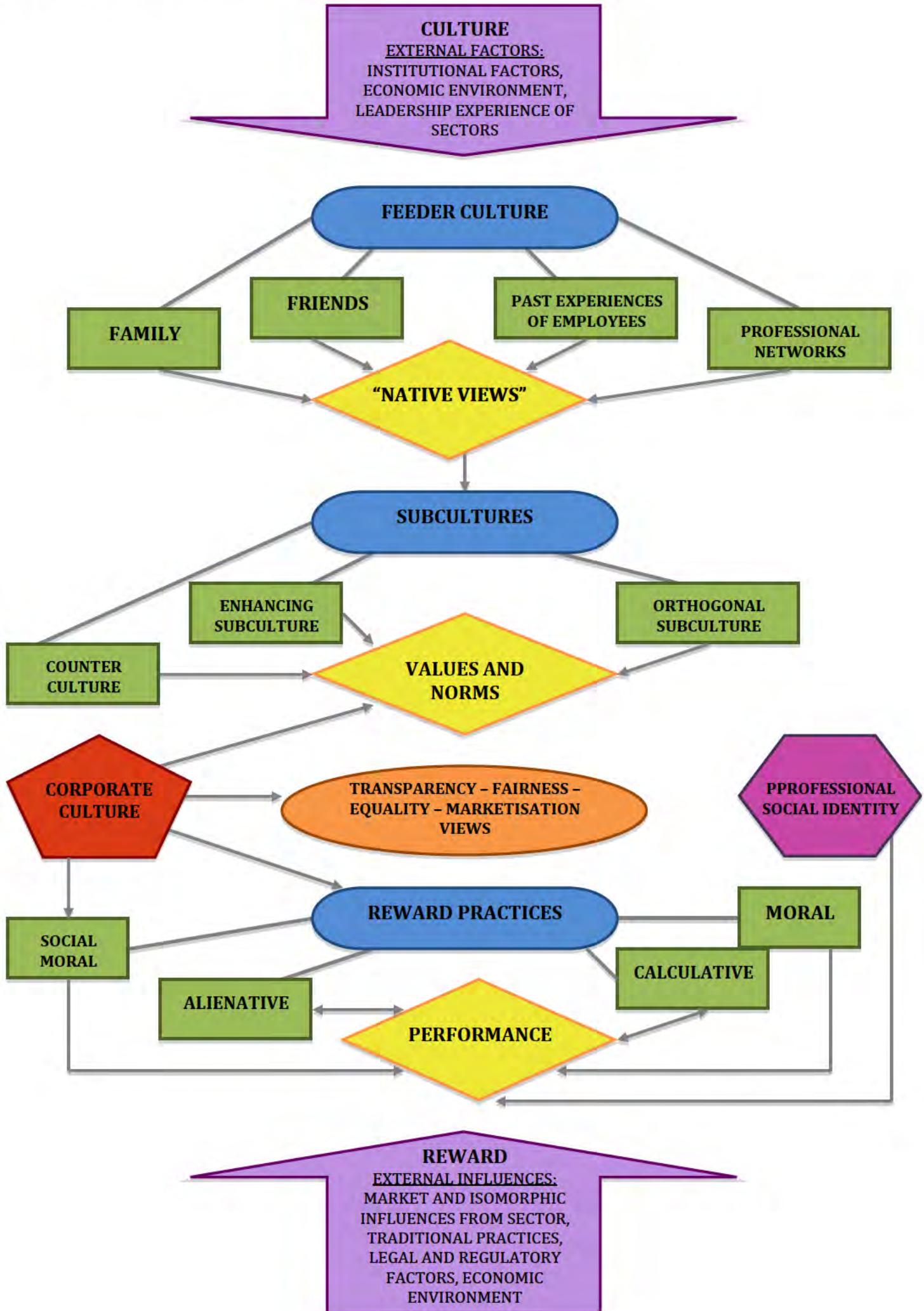
cultures make their way through the permeable nature of the organisation to a lesser or greater extent.

10.7 Towards a 'fine-tuning' cultural values model of reward

The theoretical model that is developed here and illustrated in Chart 10.1 seeks to generalise simply or *parsimoniously* (Eisenhardt (1989), Pfeffer, 1982) from the case study findings to reflect the above discussion. As Tables 10.1 and 10.2 summarise each organisation may, as Gregory (1983) contends, be seen as multi-cultural Further, drawing on Etzioni (1975) rewards are taken to comprise calculative, moral and social moral elements. Can we therefore build a model based on multiple cultures and total rewards, in which feeder cultures and mediating factors are taken into account? Chart 10.1 below illustrates the elements of the proposed conceptual model and the linkages, in which the primary external factors or influences on both culture and reward are indicated. These external influences are important since organisations will have a higher or lower level of permeability to these external influences. It seeks to show that the principal influences are different for different elements of the whole reward package. Calculative rewards are more influenced by external factors such as the market and isomorphic tendencies from the sector, brought into the organisation by managers or reward specialists, or from market assessments or legal/regulatory requirements. However, social moral and moral rewards seem much more influenced by the various sub-cultures and corporate culture. In turn these sub-cultural values are influenced by feeder cultures.

It is a striking finding that in all four case studies a picture emerges of the strength of the social moral rewards in influencing and maintaining the motivation of employees to keep trying to do a good job, in spite of corporate systems (including reward systems) which seem to them dysfunctional. There are echoes of USA Vice-President Al Gore's (1993:2) report, drawing on the work of Osborne and Gaebler (1992), which says that a key problem in Government departments was '*good people trapped in bad systems'*. Personnel and reward systems were in that mix of the web of bureaucratic controls had such negative consequences. This is a reminder of the much earlier work of Roy (1952), which warned of the potential of reward systems to create effects which are negative or dysfunctional for organisations.

Chart 10.1 Cultural and reward model

CULTURE
EXTERNAL FACTORS:
INSTITUTIONAL FACTORS,
ECONOMIC ENVIRONMENT,
LEADERSHIP EXPERIENCE OF
SECTORS

FEEDER CULTURE

FAMILY

FRIENDS

PAST EXPERIENCES
OF EMPLOYEES

PROFESSIONAL
NETWORKS

"NATIVE VIEWS"

SUBCULTURES

ENHANCING
SUBCULTURE

ORTHOGONAL
SUBCULTURE

COUNTER
CULTURE

VALUES AND
NORMS

CORPORATE
CULTURE

TRANSPARENCY – FAIRNESS –
EQUALITY – MARKETISATION
VIEWS

PPROFESSIONAL
SOCIAL IDENTITY

SOCIAL
MORAL

REWARD PRACTICES

MORAL

CALCULATIVE

ALIENATIVE

PERFORMANCE

REWARD
EXTERNAL INFLUENCES:
MARKET AND ISOMORPHIC
INFLUENCES FROM SECTOR,
TRADITIONAL PRACTICES,
LEGAL AND REGULATORY
FACTORS, ECONOMIC
ENVIRONMENT

Case study 1 seems a good illustration of this tendency of people seeking to do a good job but within a web of control systems – including how the annual pay review is conducted – which seems to generate unintended negative consequences. However, it is Case study 4, which more positively indicates what organisations can do. While the corporate culture and philosophy might not be defined as a strong culture - in Deal and Kennedy's (1982) terms, for example - it is the corporate '*laid back*' approach, which has fed into the design of reward systems. In particular it has been laid back enough to allow a new top manager to develop a popular reward system that appears to be contributing to increased employee morale, even though it seems counter to the corporate value that '*formality does not help*'. This may be an illustration as to why flexibility is needed in corporate culture and attendant systems to achieve the stated aim of modern organisations, which is often thought to be that of encouraging engaged employees to perform willingly.

Rousseau's (2005) and Rousseau et al's, (2006) recently developed concept of i-deals might not be a practically workable model over a whole reward package, but the idea that employees and employers engage with each other in an exchange mode has a long tradition, harking back to the work of Gouldner (1960) and Behrend (1957, 1984). These ideas, arising from an era when the focus was much more on manual workers, need to be developed for the modern workplace, where, in many organisations, work and jobs are more complex and flexible than hitherto and when there are now questions being asked about how to define the work non-work boundary (Budd, 2011, Schieman et el 2009).

This thesis offers a contribution to this debate, by seeking to unpick the complex relationships between culture and reward issues. These relationships are illustrated in Chart 10.1 on the previous page. Chart 10.1 shows that both organisation culture and reward are influenced by factors external to the organisation and that the relationship between culture and reward is multi-faceted, comprising both external and internal influences. The economic environment, regulatory, market and institutional factors as well as leadership experience tend to lead to isomorphic tendencies in reward practices, but these broad factors contribute more weakly to the shaping of corporate culture contours, on which there is much less evidence of sector influences. Hence, the distinctive cultural patterns in organisations and their links with reward are not

solely – or even mainly – determined directly by such factors. Feeder cultures - including professional networks, family and friendships – are instrumental in determining employees' cultural values and help to shape their responses to particular reward practices. Corporate culture – associated with top management culture – is but one influence and its possible effects are diluted by the permeability of organisations to feeder cultures and external networks. Hence, the linkage between culture and reward suggests a multi-faceted, fine-tuning, relationship, rather than a strongly deterministic one. Corporate culture may be more influential in shaping social moral rewards than calculative rewards, which might be more susceptible to isomorphic and market factors. Elements of total reward influence the levels of employee performance - to a certain extent - but performance is also strongly affected by social and professional identifications, which influence employee sets of values, with or without the aid of calculative rewards.

The theoretical developments produced from this research need - as Eisenhardt (1989) argues - to be tested since they are derived from case study-based research. Ideas on how that might be achieved are discussed in the Future section (p.301)

Conclusion

The research was prompted by the author's experience as a reward specialist in a variety of organisational settings and questions that relate to differing reward systems acceptability among employees in different organisations. Kessler et al (2006) observe that managers in their case study organisation were perplexed that a pay system they had designed to adhere to 'best practice' principles seemed to have been so critically received by the organisations' employees. The answer to their question as to why this trend should occur, lies in unpicking the complex relationship between reward and culture. As Frost et al (1991) comment concerning the development by every culture researcher, researching reward and culture for this author was indeed a form of journey, entailing the finding of a distinctive approach to the research task and the assumptions that underpin it. Earlier writing on reward and culture – as indicated in Chapter 3 – tended to rely on comparatively simplistic models of culture and crucially to see organisations as essentially having one culture or a pre-dominant culture.

By drawing on the three perspectives of culture identified by Martin (2002) the scope of this project was widened, recognising that rather than mono-cultural even the smallest case study organisation was likely to be 'multi-cultural' (Gregory, 1983). To research in the case study organisations the author used her networking skills and contacts as a reward specialist to negotiate access for in-depth research amongst each organisation's employees. The research stance adopted aimed to use a '*native view paradigm*' (Gregory, 1983).

This revealed some nuanced interpretations in comparison with researching purely from the employer or managerial viewpoints, as is usual in reward research. By looking at sub-cultural and fragmentary cultural attributes it offers a contextualised picture of the connections between concepts that are usually thought of as distinctly different– internal and external equity, fairness, transparency, procedural and distributive justice.

The research also showed that organisations are likely to have a varying degree of permeability to the external environment and this was shown to be a key factor in the extent to which *'feeder cultures'* (from occupations and other cultural influences in the experience of employees) influenced the cultural values of employees and their reactions to the reward package their employers offered. One feeder culture is seen to be that of reward specialists feeding in what they consider to be good practice from their professional networks. Managers in general in the case study organisations, though, while happy to talk about the non-financial parts of the package seemed to want to keep all mention of the pay aspects of reward at very low key level. Part of the initial analysis from the literature suggested that narratives regarding pay decision-making or artefacts (policy documents and formal communications) would be a useful source of cultural data, but in the event the corporate silences on pay meant there was little artefact data to analyse. This also has reward strategy implications as there were certainly few signs of reward being the strategic dynamic leading system envisioned by writers such as Rynes and Gerhart (2000).

Rather the lack of formal communication on pay seemed to be associated with the development of sub-cultural values. One key aspect of the literature that it appeared might be culturally bound covers the controversies concerning performance pay. This study suggests that to understand cultural values in relation to performance pay it is necessary to understand sub-cultural formation in organisations. Feeder cultural values influence employee reactions to performance pay and may mean that women (who may have different feeder cultures to men) could be more welcoming of performance pay than men. It might be worth noting in this context that in Dalton's (1948) study of the 'rate busters' a key influential factor was whether the workers originated from rural backgrounds or not. The values that people bring with them into their workplaces are shown by this study also to be important factors.

Employees in all 4 organisations emphasised the holistic nature of their reward package as they saw it, covering tangible and non-tangible rewards. Theoretical constructs first developed by Etzioni (1975) have been used to develop the concept of total rewards or the *i-deal* (Rousseau et al 2006). Cultural values are shown to be at the heart of the culture and reward relationship, and in agreement with Swidler

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(1986), it is suggested that the relationship is a fine-tuning one rather than reward systems being one of the strong guiding *leitmotifs* of organisational life.

This research began with four research questions – the answers to which are summarised below:

The first question asked: *what are the cultural patterns evident in private, not-for-profit and publicly funded organisations paying particular attention to the reward system, using different cultural perspectives and a 'native view paradigm' Gregory (1983:366) to achieve a deeper analysis?*

The case study research shows the intricacies of cultural patterns in the four organisations and the value of seeking to gain '*emic understanding*' or an insider level of understanding. The implication of the research question set at the outset was that sector effects and isomorphic tendencies would result in distinctive cultural patterns by sector. While there are signs that the business sector, products or services have some effect in shaping reward decisions, there is much less evidence of sector influences on culture. More significant seem to be the values, expectations and assumptions that managers, reward specialists and employees have that are influenced by their previous experience and their '*feeder cultures*'.

The second research question was: *how do reward systems influence culture and culture influence the way particular reward systems are received and perceived by employees and managers*? The research reveals that the relationship between reward and culture is a fine tuning rather than a strongly-linked relationship that is further influenced by several factors. Firstly, there is some overlap between reward and culture as concepts. Secondly, the nature of occupational and feeder cultures and the degree of permeability to the external world are key influences. Thirdly, the nature of the sub-cultures affects the relationship either positively or negatively. Finally, transparency is a mediating factor.

The third research questions was: *how are reward systems, and their receptiveness within organisations in relation to culture, transformed over time?* The research drew on the work of Hatch (1993) on culture change. She emphasises symbols,

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values, assumptions and artefacts in shaping the dynamics of culture. This research shows the particular importance of values, which, because organisations may have the multiple cultures, may be difficult for managers to influence and change. The connectivity between multiple cultures can be complex and intricate, and even if managers identify and emphasise pivotal values they may not be able to counter deeply-held views. When reward considerations are put into this complex mix, there are no clear-cut patterns of the place of reward in culture change. The research showed that some changes happen without managers planning them or linking them to reward, and some changes to reward seem to have little effect on deeply-held values. This is area for further research over a longer time span, since the longitudinal stage of this research yielded less data than had been hoped for.

The final research question was: *how do culture and reward patterns differ for different groups in the organisation – for example by occupation, seniority level, gender, and other factors - and what is the effect of such differences on both culture and reward?* This research's finding on multiple cultures fit with increasing demographic diversity in organisations and indeed, the ideas seem to resonate with the concept of intersectionality, from diversity research. This research found some evidence that the concept of intersectionality could be drawn wider to cover deeply-felt differences and identifications other than the more usual ethnic, gender and other diversity factors. While these differences lead to fragmented and differentiated values, there can, nevertheless be pivotal values connecting the fragments and these can affect values with respect to parts of the reward mix.

The conceptual model developed from this research seems logical, but it is probably best described as low or middle-level theory (Eisenhardt, 1989) - as she says is typically produced from case study based research. It therefore needs testing in a range of different organisational settings to facilitate development. While this might be achieved by the use of more positivist research methods, this study shows the positive value of research which delves deeply into the employee perspective, making it distinctively different from recent published reward research.

The contribution of this study therefore fills a gap in the academic literature. It might also be useful to reward practitioners as its findings could potentially alter the focus

of their work. If culture is important to reward, then its value for reward practitioners might be in encouraging them to spend as much time in assessing how their various reward plans and policies are being received at various levels in the organisation as in designing the perfect plan.

Future work

Future work in developing the research from this thesis is suggested in three broad areas – firstly, developing the research to address the study's main limitations; secondly, extending the research area to cover national culture and thirdly, more applied research and development.

Dealing with limitations

As indicated in Chapter 4, section 4.10 and Chapter 10, section 10.7 there are a number of limitations of this study. In summary these are:

- The research is case study based and that limits its theorising potential
- The longitudinal stage of the fieldwork was limited
- The reward practice details from two of the case study organisations needed more detailed.
- The exploratory nature of the early research was needed to develop the concepts used later in the analysis and this meant that computer-assisted data analysis was not used so as the researcher could adhere to grounded theory principles and keep as close as possible to the data. Hence, the later analysis cross –case analysis processes could have been further developed.

It is therefore proposed that future work should focus on four areas:

Firstly, extending the cross-case analysis by using Nvivo to uncover and provide more detail on the finding reported here. This would aid the demonstration of data reliability.

Secondly, the complexity of the relationships revealed in the case studies need testing by using a more *'external view paradigm'* (Gregory, 1983:363) as the framework for a wider study of more organisations – probably deploying a quantitative method. Research instruments would need substantial development and piloting before using in the field as barrier to this related to the 'language' element of culture cannot easily be overcome. One way to do this would be to develop research instruments uniquely for each organisation using the language and terminology used in each- but allowing enough commonality of structure to enable cross-organisation analysis.

Extending the area of the culture research to national culture

The current research demonstrates the key role of feeder cultures and permeability of the organisation and its employees to external cultural influences. It was decided that the study should focus on organisational culture rather than national culture. Since it is possible that national culture could be a feeder cultural influence affecting values in relation to reward practices, then follow up-research on national culture as a feeder culture would be a useful addition to the existing literature, which is briefly discussed in Chapter 2 section 2.7 and Chapter 3 section 3.2.2..

Research and development work in reward and culture

The researcher's role as an academic and erstwhile reward consultant and practitioner indicates significant scope to disseminate the findings of this research to reward practitioners. A list of outputs from the thesis to date are in Appendix A. Dissemination and further research could be combined if an action-research based project were to be developed. The author is a member of the national committee of the CIPD Reward Forum and there is potential for contributing to dissemination via seminar and conference events; as well as developing new action-research.

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Appendices

Appendix A: Outputs from the thesis and dissemination of the research

The following list of references presents the outputs the author of this thesis has either produced during the course of her doctoral research

<u>Peer-reviewed journal articles</u>
Based on part of the literature review of this thesis:

Wright, A (2010) Culture and compensation – unpicking the intricate relationship between reward and organisational culture, *Thunderbird International Business Review: Special Issue on European Reward Management*, May 2010, pp 189-202

Not based on the thesis, but drawing on the skills acquired during the doctoral research:

Wright, A (2011) "Modernising" away gender pay inequality? Some evidence from the local government sector on using job evaluation, *Employee Relations*, vol 33, no 2, pp 159-178

<u>Conference papers</u>

Presented a conference paper on part of my thesis literature review:

 Reward and culture – identifying the links - at the European Institute of Advanced Studies in Management's first Reward Management conference, Brussels, 16-18 December 2007

Presented a paper, analysing background data on the reward trends in the sectors from which the case study organisations are drawn:
Reward developments in three sectors: A 10 - year retrospective analysis- at the 5th Performance and Reward Conference, Manchester Metropolitan University, 1 April 2009

Presented a conference paper based on my initial analysis of my first case study:
Building a performance culture in a public service (without the pay) – a cultural analysis using some elements of grounded theory, presented at the second European Institute of Advanced Studies in Management Reward Management conference, Brussels, 26-27 November 2009

Presented a conference paper based on one of my reflection and discussions chapters of the thesis:
The market, fairness and transparency factors in pay systems – a comparative cultural analysis in four organisations from the employee perspective, presented at the European Institute of Advanced Studies in Management, third Reward Management conference, Brussels, 1-2 December, 2011.

This paper was then submitted to linked journal special issue. The submission to *Human Resource Management Review* was made in January 2012, but was unsuccessful as the editors were looking for a more psychometric approach than the qualitative cultural methodology adopted.

Practitioner articles
Wright, A (2011) Doing more with less, Thought leaders: academic insights section, *Employee benefits*, March 2011, p 10

Wright, A (2009) Hazard warning: finance sector bonuses ahead, *IDS Executive Compensation Review*, February 2009, pp 4-6

Presentations – university

Presentation to a Greenwich University Phd workshop– *Reflections on using grounded to study the relationship between organisation culture and reward systems*, 10th March 2009

Led a session at the Qualitative Research Methods Forum, University of Westminster on *using grounded theory*, October 2009.

Presentations – to practitioners

Chaired and made a presentation to the CIPD Reward Forum on *Reward and employee engagement*, October 2011

Appendix B

Shared and sub-cultural values analysis

Table B1 - Case study data on performance: shared and sub-cultural values and norms

Case study organisation	**Shared** views and values on performance	Main sub-cultural/fragmented views and values
Case study 1 Public service agency	There is agreement that productivity and work intensification is rising in some of the activities in this organisation. The use of quantitative targets seems to have been rather reluctantly accepted by staff and it is agreed that targets do not give a complete picture of performance. There is agreement that poor performers could be better handled. A staff survey has shown that the issue that staff most wanted managers to do something about was to tackle poor performers. A top manager described the problem in the following terms: *'....we want.... staff to go the extra mile for us....some do not....* (TM1mal) Performance pay is widely thought not to be appropriate for the organisation *Performance pay... bombed here... there was no buy in and the trade union was opposed to it. We just did not think it was a fit.* (SS2)	**Preservers** Quantitative targets dominated narratives on performance: *We have a target rather than a performance culture ...the delivery directors are very focused ...(*TU4mal) Many staff -including some senior managers - are firmly opposed to performance pay: *'..people are being marked on how much money they bring in.....if you have performance pay on top of that then...(there) ... is likely to be behavioural distortion* (TM3). **Pragmatists** When targets are internalised by staff they may become part of their own professional identity but this does not mean that they are seen as efficient or effective, especially by newly recruited managers from outside the organisation: *I think the culture is client focused ...people want to do a good job but there is a disjuncture between that and being efficient* (SE2mal) **Women** *It would be nice to have performance pay ...other Government Departments have it...but budgets are so tight I cannot see that happening.* (SS4fem)
Case study 2- Major charity	The strong commitment to the charity's mission means that even those who were not the best performers performed reasonably: *'If they are not always the best performers they are still half ...their weight in gold, because you can't buy that level of commitment..'* (Prof3Bmal). The collective wishing to help the charity succeed in its mission results in a *'work ethic'*: *'There is a work ethic here'* (Prof2DFem).	**Reward and top managers** Top and Reward and HR managers seeing that the organisation has performance pay Most other managers and staff think it insulting to say that in an era of nil pay rises, pay is performance linked: *...let us call it what it is rather than pretend there are performance based reviews....we need to be dealt with in a more adult to adult way rather than adult child. Let's not call it a pay rise if it is below inflation....* (Prof2Ffem) **Scientists** In science-based areas there are different formal ways of assessing performance and some scientists see the charity:*'…. does more and more... have a performance culture..'* (Prof 3A mal). **Fundraisers** *Some parts of the organisation have a performance culture....such as fundraising, which has targets* (Prof2Ffem).
Case study	There are clear performance metrics relating to	**Founder generation**

| 3: Small high technology consultancy | utilisation, fee income and sales, but these do not give a complete picture of performance: *Unfortunately for me, there is no metric that measures what I do… I'm developing concepts and searching to see how original a concept is and finding patents'* (ProfImal).

There is general agreement that poor performance is tolerated | Poor performance view in developmental terms and played down: *'I think some people ….need a bit more guidance, and you do get people who have lost of coffee breaks and cigarette breaks but it's pretty rare'* (SMAmal). **Newcomers** *There isn't any performance culture. This company is so laid back it's unbelievable.* (TechCmal) |
| **Case study 4: Multi-national engineering design and manufacturing company – UK subsidiary** | The company philosophy that people should have the *freedom to perform,* within an aimed for high trust environment and not be blamed for mistakes. Many people seem to respond positively although some take advantage of the trust approach: *'…you can be sort of left to sort, left to... you'll be brought in here but then you'll be left to get on with it and just and manage yourself and some people probably do struggle'* (ProfCmal).

There is general agreement that: *'…the people who work the hardest generally are rewarded for it'* (TechAmal). | **'Tea machine' culture** The 'no blame' values in the corporate culture may be abused by some small groups: *'…the rest of them do work hard and give you a full day's work and work hard but there's one or two that are like "make it easy, collect the money and somebody else cover the work that I've not done" and that's not fair'* (TechCmal).

Women Some women suggested that it was not always the better performers, who were better paid: *'…..people who blow their own trumpet get better paid…'* (TechDfem) |

Table B2 - Case study data on marketisation: shared and sub-cultural values and norms

Case study organisation	<u>Shared</u> views and values on market	Main sub-cultural/fragmented views and values
Case study 1 Public service agency	Pay rates are seen to be' *reasonable'* by most staff if not high: *Pay compared with outside is a little bit on the low side...because of below inflation pay rises* (ST3mal) Employees rely on general information in making judgements,-such as inflation rate- as they have little knowledge about outside pay levels: *You lose track with the outside world on pay – so I don't know how they compare* (ST2mal) Acceptance by employees they did not join the public sector for high cash pay but the rest of the reward package is seen to compensate: *When you join the public sector you know you are not going to be well paid...on balance the pay is fair...were are locked into public sector pay systems ....we have some good terms and conditions…job security is a factor...the pension does retain people ....*(SS1fem)	**Long-servers:** For those staff (about 40% of the whole staff) who are at the top of the now shortened pay scale: *'.from what I know it (pay) is probably fair...the problem is the size of the annual pay rise...we are not given sufficient money to have a people pay rise for people like me who are at the top of the pay scale…'*(SS8mal) **Newcomers from private sector**: *'For my area of work the pay is not good …..(there is some) isolation from the market* (SE3mal) **Women and men:** Women more than men tend to compare to the reward experience of friends and family: *'...a friend who works for herself is amazed how many holidays we get....it may not be the best salary in the world, certainly not the worst, but the holidays – you can count the cash value- and it's something I am grateful for….* (ST4fem)
Case study 2- Major charity	*No shared acceptance amongst staff that market competitiveness is a concept to which they attach importance, but an agreed focus on total reward: '…the remuneration isn't quite as*	**Reward and top management:** Reward strategy has been to counter perception that charity work means *'low pay or no pay'* and increasing commercialism evident from use of salary surveys. Comparators not

	competitive as elsewhere .... but there are these other rewarding factors to take into consideration. …(Mgt2Afem) Culture and mission a shared value: '*….I do value that and the feeling that you are doing something worthwhile…..potentially (I could) earn more…*' in the private sector but *….I'm not sure that I would like the environment…*(Prof2BFem)	disclosed to employees but the reward manager uses only charity sector surveys. **Scientists,** who have direct comparators in pharmaceutical industry and academia: '*...the jobs that were available within this part of the charity were very much duplicated across the industry so to get good people in… we have to be competitive. …*'(Prof3Amal) **Fundraisers** Fundraisers work closely with donors and volunteers: '*I think the only time it becomes an issue is when we're talking with volunteers, as a paid member of staff you'll be working with a group of volunteers who aren't getting paid for what they're doing… they're always interested in what you earn*'. (Mgt2Bfem) **'Home counties' (middle class) v others** '*I think the more support roles are probably are more aware of their finances* (Mgt3Bfem) **For lower paid, indications of** *reservation pay***:** '*…one of my staff couldn't afford to buy a house ... she loves working for the charity and is very devoted to it but she can't afford to…*'(Mgt2Afem)
Case study 3: Small high technology consultancy	All staff seem both to accept that the salary market is an important factor and there tends to be agreement on what are the appropriate comparators : '*..(there are) four consultancies roughly the same size (as us)of 300 people so that's 1200 people doing roughly the same thing in a ten mile radius* (ProfGmal). External pay comparisons are important and foremost for engineers and consultants. Staff are well paid: '*I'm happy with where my salary is for the stage of life I'm at and the quality of work that I can currently offer given my experience …I think it's a fair reflection*' (TechAmal) Many staff have worked for one of these other consultancies or within industry and have a reasonable level of knowledge of the salaries and terms and conditions, including the scope of the role and autonomy in other similar firms: '*...I get paid a lot higher than I would be if I was in a multi-national blue* chip .. w*e get paid more because we do bigger roles….we need far more initiative than (I) would have ever been allowed or encouraged in my previous role* (ProfImal)	**Non graduates** Non-graduate engineers working in technician roles perceive a clear market advantage in this company: '*If you compare my reward package compared to positions outside ... ...I wouldn't get anywhere near the same remuneration package that I get here somewhere else*. (TechBmal) But this is perceived negatively as not being able to progress internally as a: '*.. Honey trap….There is nowhere for me to go now. I've got no promotion goals to achieve now, unless I go and do a degree* (TechCmal) **Women** The long hours culture in other work affects the perception of market pay comparisons: '*My friend did go into management consultancy and (is)probably earning two or three times what I earn. I made an active decision not to do that...they work longer hours than I do*' (ProfHfem)

| Case study 4: Multi-national engineering design and manufacturing company – UK subsidiary | Agreement that the market is local engineering firms and that the company's pay rates are: '…*slightly lower (than other local firms) but we offer much higher benefits pay slightly lower ....so although the salary is lower we've got private medical health insurance* (AdminAfem)

Total reward including relational rewards seen as important in affecting views on market comparisons: '*I think if I was with another company I might be worth a little bit more, but it's the trade-off between how happy you are and the options you've got available*' (ProfEmal)

Pay rates for technicians have improved since the new pay ladder system was introduced. | **Different cultures between cells and workplaces**
A technician observed that it was difficult to see direct comparability as what the company did and its products were unique and complex: '*…they always go on about…. looking at your pay and comparing it to other companies and doing big studies but the things we make here are so unique to us, I don't really think you can do that…*' (TechAmal)
Long servers v newcomers
Long-servers see their pay has been eroded by inflation:
'*I don't understand how a company can give a small percentage of a pay rise when the rate of inflation has gone up...it's not a pay rise, it's a survival rise to me because they don't even give you the rate of inflation'* (SuperAmal)
Women
See that they may not have negotiated hard enough over starting pay when first joining the company:
'*…it's how you negotiate individually when you start..'*
(ProfDfem) |

Table B3 - Case study organisations- transparency

Case study organisation	<u>Shared</u> views and values on transparency	**Main sub-cultural/fragmented views and values**
Case study 1 Public service agency	The pay system itself is transparent and open but this is distinguished from the opaqueness of the pay remit process. Communications from managers to individual employees is minimal while the process of pay negotiations takes place – first for the pay 'remit' with HM Treasury and secondly, once the budget is agreed with the trade unions locally. Staff believe the process felt remote from their experience: '*Pay decision making feels distant …there is a feeling of them and us…..I don't know how the process works…..from where I am it feels like it happening outside…its feels like we are stooges…the organisation does not have much control....* (SS8mal)	**Women** A revised promotion procedure, using a competency-based assessment centre to assess progression/promotability has been introduced and several women expressed concerns that they saw no transparency in how these centres operated: '*When I left university I thought there was a structure and I would go up it...It seemed predetermined. It's not like that now...the competency-based system means there are some people who keep failing to get promoted…. People get emotional about it...people are trapped in a system, which for all good reasons is not doing what they want*. (ST4fem)
Case study 2- Major charity	There are shared beliefs over the lack of transparency of the broad-banded pay structure, with the exception of the senior management, who view it as a simplified and codified system: '*...there's no transparent system around that… it's not linked to performance or metrics in any way…*	**Scientists** The introduction of the broad bands and the lack of transparency have created mistrust and frustration among employees and was considered '*demotivating*' by some staff – at least for a short period of time, but for scientists the negative effects seem to have been counterbalanced in the longer term by the strength of feeling on the organisational mission – and staff not

	so that makes it slightly subjective and therefore harder… I would also say that there's not a great deal of understanding, I don't learn what my colleagues earn, they don't learn what I earn, it's all very secretive… (Mgt2Bfem)	wanting anything to interfere with that: *I have to say I was a bit frustrated by it when it came out, …to begin with we found it de-motivating but I can't dwell for too long about that….(Prof3Amal)* **Talent 'pool'** *'It's quite hard to get total visibility … So …the question I've asked is… so where is my tier and what commensurate roles (are) at the bottom end of the next tier above …and I can't get an answer for that… It's not quite cloak and dagger… but I don't think it's totally open. ..I think there is an element of transparency, but it's not as transparent as it could be. We are further forward than we were* (Prof3Bmal) **Senior managers** Some managers, wanted to protect themselves from criticism from individual members of staff by keeping details confidential: *I don't know if it should be totally open, because I think that stuff you want to keep people guessing. You don't want to give it away.* (Prof3Bmal)
Case study 3: Small high technology consultancy	Formal communication is limited in the company as informality is the hallmark of the corporate culture. Marked contrast between the degree of openness and transparency in relation to different elements of the reward package. There is detailed information for employees on how the share plans work, with briefings on the intranet as to how they work. In contrast there is a complete lack of transparency about salaries and cash bonuses. The complete picture of who earns what is known only to the CEO: *'I would suspect everybody is pretty reticent about talking about salaries'.* (TM A mal) This is almost complete secrecy about pay accepted rather nonchalantly by many consultants 'norma*l*' (ProfHfem)	**Non graduates** Technical staff who see they have had their responsibilities taken away are most critical: *'You don't know how they come up with those figures'* (TechC3) . Deficiencies in informal communication seen as related to managers' skills: *There is no such thing as communication in this company. ..Our manager…. I've been here four and a half years and I believe he's spoken to me five times. I walk past him probably six times a day* (TechCmal) '*..there is no openness about salaries at all in terms of company-wide. Even though I know by comparing myself to other similar positions outside that actually I would struggle to… go somewhere else and get a similar remuneration package, that doesn't mean that somebody who sits three desks away from me, who is doing exactly the same job as I am might be getting paid twice as much as I am. You just don't know. It's quite secretive.* (TechBmal)
Case study 4: Multi-national engineering design and manufacturing company – UK subsidiary	Two of the espoused corporate culture values of the company state are: - *Communication is crucial* and *Formality doesn't help.* There is a general lack of openness and structure about pay – reflecting the lack of formality value – but this seen to be in some conflict with the emphasis on communication. The company is very open about benefits. The newly introduced more open pay ladder system has improved perceived fairness: '*..because it used to be ..that everybody*	**Women** For the office staff the broad band system '*For the office staff it's secret so no one knows what you're earning, so no one other that you and your manager… know what your percentage increase was so, it's not really spoken about..'*(AdminAfem)

	didn't know what everyone else was on and it was all a bit hush hush and you daren't say and...but recently they've brought in like a ladder system.... So it's a lot more open now, which ..people like, because they don't feel like they're being cheated…' (TechAmal)	

Table B4 - Case study organisations- shared and sub-cultural values on fairness

Case study organisation	<u>Shared</u> views and values on fairness	Main sub-cultural/fragmented views and values
Case study 1 Public service agency	Fairness is considered to be an obsession with staff and all staff and managers agree fairness is a hallmark of the organisation.	**Pragmatists** An indicative story told by *pragmatists* concerns the response from staff when the bad weather over the winter period meant a couple of offices had to close either because it was dangerous or the staff couldn't get to work, several home workers wanted the equivalent time off in lieu just because the office workers were not working

Case study 2- Major charity	Most people believe that taking account of the financial position of the charity, that pay is fair in comparison with the outside world but there were concerns about the internal fairness of pay. This focused on two areas:
	    (1) the level of pay not keeping up with increased responsibilities:
	'..*if you were to align my profile and salary (when I) was appointed 3.5 years ago with what I'm doing now you'd find that they're very different, but there's no reward for taking on extra responsibilities* (Mgt2Afem
	    (2) The lack of transparency in and the process for implementing the broad band system
	The majority of the staff are women and work-life balance and flexible working practices are favoured by women:
	'*I think in terms of diversity around working mums and working parents and carers, etc, I think it's really good.. It's something I really value … If I am honest with you and I haven't even discussed this with my line manager, it was a factor on deciding whether I'd come back to work after ..pregnancy* (Prof4Afem)
		Senior managers
		There was evidence of a close link between transparency and fairness:
		. *(Has the new) framework made a difference to me? No. Perhaps it's made me aware that I am well paid…'*(Prof4Afem)
		
		Fundraising
		The lack of information and transparency influence the perceived fairness. Describing the '*distant family*' relationship of those who make reward decisions, a fundraiser saw:
		'*…in my team, for example, there are people that do the exact same job and in many respects they are probably earning way less than me. How is that fair? Not really*'. (Prof2Cfem).
		
		Conflicts within and between departments.
		'*..pay isn't consistent across the organisation ...an example would be recently where a couple of people in our department had been promoted to a more senior role, but received no additional money for that promotion. Whereas I knew people from other departments were getting promotion and pay rises at the same time which didn't seem fair..* (Prof2DFem)

Case study 3: Small high technology consultancy	The permeability of the organisation to the external market and the detailed knowledge that staff tend to have about pay in other comparable companies	**Long servers v new staff** Because shares now need to be bought and no free shares except for top managers – the operation of the internal share market viewed

		critically:
	inform their views about whether they are fairly paid. This seems to override the uncertainty about relative pay within the organisation and potential internal fairness concerns that might arise, but seem not to do so: *'I don't know how much people get. It's difficult to tell whether it's fair or not. I suppose that … it is fair. If it wasn't people would have left.* (ProfBfem)	*'If you've got somebody that's got huge holdings and somebody like us at the bottom has got a small amount, the shares will always go to the person with the maximum shares that puts the bid in. Obviously theirs gets bigger and mine stays static…. I always thought it's first come first served, but it's* not*'* (TechCmal)
Case study 4: Multi-national engineering design and manufacturing company – UK subsidiary	A shared belief that the employees that are paid well are those that have adapted the way they work to the stated corporate culture: *'they believe it and they work hard, and they do generally get the better jobs and the bigger pay'*.(TechAmal) The new technical ladder pay system has improved fairness is shared by all staff	**'Tea machine culture'** **Different workplaces** Concerns about the discretionary nature of advancement under the ladder system**:** *'…there has been cases…. it's only ever whispers and gossip, but when people have been made up to the next step and you sort of look at them and think "hang on a minute, what have you done to deserve that"?* (TechAmal) **Women** Administrative workers (almost all women) see the new technical pay structure as at odds with the corporate culture: *'If you're a family you all work together you should all get the same benefits, you should all be getting the same pay rise …but the shop floor workers all get the same percentage increase…whereas for office staff…it is done on performance, if shop floor are given 2.5 per cent it'll be a range of 2 per cent to 3.5 per cent for us'.* (AdminAfem)

Table B5 - Case study data on equality: shared and sub-cultural values and norms

Case study organisation	**Shared** views and values on equality culture	**Main sub-cultural/fragmented views and values**
Case study 1 Public service agency	The legal case involving the pay structure was brought on grounds of equal pay and there seemed general agreement that had improved the fairness of the pay structure	**Preservers** Some men said the legal case was less to do with equality than might at first appear: *There were specious arguments (made) about internal equity …on the length of the scale. The trade unions used equal pay arguments to shorten the pay scale.(*SS6mal) **Senior managers** Male top managers see the organisation as a beacon of good practice on equality **Women** Women, though, while acknowledging that they like the men had gained from the shortening of the pay scale after the legal claim was settled, also voice some concerns about others parts of the reward package which are seen by women and staff from ethnic minorities as much less fair than the pay structure now is seen to be. *Before the scale was changed I thought I would never*

		get to the top of the scale (ST4fem)
		There was some intersectionality in relation to the promotion assessment centre: *I cannot see many ethnic minority women going* through (succeeding in gaining promotion) …*or people with disabilities …what I have noticed is that the ethnic minorities that do get through are male….* '*..they don't practise what they preach…it is still dominated by males..(*ST5fem)
Case study 2- Major charity	The organisation is female and white and aged within a fairly narrow range between age 25 and 35: '*It isn't very diverse here at all.* (Prof2DFem) *...there are a lot of women here….it is also very white* (Mgt3DFem) Relational rewards of work-life balance and flexible working are valued: '*I really value …flexible working here…* (Prof4Afem)	**'Home counties' (middle class) v others** Some intersectionalityof experiences One male professional said he valued the '*very welcoming and very inclusive culture*' (Prof 3Bmal). In contrast a professional from a non-UK background was critical '*there are far more women than men…so no gender issues…but there are class and race issues…it is a very white Upper class Home Counties place….*(Prof2FFem).This did not translate into pay differences - *The pay is fair ..*'
Case study 3: Small high technology consultancy	There is a segregation of roles by gender with most of the consultants and engineers being male and the support staff women: '*Engineers are usually male. There are some women….They …either stay here for a long time or they go quickly..*' (ProfBfem). Pay levels are high enough for many of the male engineers have partners who do not work.	**Women** The few women engineers saw the company culture as: '*… a male company*' (ProfHfem)
Case study 4: Multi-national engineering design and manufacturing company – UK subsidiary	The company is strongly segregated by gender. Some 80% of employees are men, and most of the women work in administrative roles. Many of the women working on the shop floor are fairly recent appointees	**Women** Women think they may be lower paid than men on starting at the company. They also see that a lack of progression for women seems well-entrenched: '*I cannot recall any women being promoted – except in HR…I've seen quite a lot of men being promoted to manager jobs but not women*' (TechDfem). **Different cultures between cells and workplaces** A male culture evident in aerospace division: '*…in the assembly and test department in aerospace I think there's only one or two women… and there's very much a male culture down there.* (ProfDfem).

Appendix C

Updated topic guide for a study of reward and culture: following initial grounded theory exercise

Topics synthesised from the literature are in roman type, those added after the grounded theory analysis are italised

| Aspect of reward | Cultural perspective* | | |
	Integration*	Differentiation *	Fragmentation*
Artefacts such as policy documents and internal communications on various reward issues	What mangers are seeking to achieve in the respective documents, what messages are they seeking to convey *Are the message simple ones or complex?*	Analysis of the reactions of different groups in the organisation to the documents and policies *How do employees perceive simple messages on pay? Do they accept them or do they see complexity?*	Analysis of conflict in statements,; analysis of what employees believe is left out and why *Are there differences between different groups/people in how they receive the messages?*
Narratives on how and by whom reward decisions are made	Managerial level narratives on reward decision-making process in the organisation. *Do managers use pay as a short-term tactic? Market language used?*	How the decision-making is seen by different groups of employees – by role and level *Acceptance or not by employees of pay differences Is there resentment about the effects of pay decisions? Acceptance of market factors?*	Further analysis of differences of view within identified groups or sub-cultures, over time *Is there growing acceptance of pay differences? Long-term resentment?*
Institutional factors – eg role of trade unions	*Formal level – what do managers see as the role of unions and collective bargaining?*	*Views of union representatives , if present, on their role – in fairness, shape of rewards, level of rewards?*	*Differences in view between managers, union officials and different employee groups*
The level of employee involvement in reward developments	Dominant level rationale *Do managers see a need to involve line managers and/or employees in pay decision process?*	Sub-cultural analyses *Differences between different employee groups? Line managers? How is involvement perceived?*	Analyses of areas of difference within and between groups *Do some people want to be involved, others not?*
Perceptions about openness/transparency on reward issues	Reward managers views on why there is – for example – little transparency *Do managers see a need for transparency Reluctance to talk about pay? Stated reasons?*	Analysis of the views of different groups– hierarchical and demographic *Acceptance of opacity? Reluctance to talk about pay- why*	Further analysis of unexplained differences in views within groups/ sub-cultures *Transparency v complexity*
Perceptions of fairness	Managers' views on fairness and equality of pay	Analysis of the views of different groups– hierarchical and by gender, ethnicity etc	Further analysis of unexplained differences in views

			within groups
	What do managers mean by equitable?	*Differences n private and public sector groups*	
Perceptions about what is valued and seen to be rewarded	Which employee behaviours managers says they intend should be valued with the reward system Managers' views of the value of pay and other elements – eg work-life balance? *How do managers see the relationship between performance and pay?*	The expectations employees have of the reward system in terms of recognition, promotion prospects, career development, feedback and meaningful work, as well as cash *Do employees feel commitment to their jobs? Why?* *Views on performance pay amongst employees*	Multi-level and within level analysis within the organisation
Myths, stories and beliefs	Managers' beliefs about reward and how they believe reward is used in the organisation *Different cultural belief/terms/models used by managers – 'lone ranger' others?*	Stories which are retold by employees about pay, paying special attention to those which are contrary to the beliefs of top management *Do employees share/use the same terms/words?*	Further analysis of areas of conflict and apparent non-rationality in relation to reward
Symbols and language	Employee recognition, status symbolic; symbolic function of pay and benefits, at the espoused level *Political posturing*	Perceptions of employees about status distinctions between employees in relation to reward	Looking for gaps and conflicts in the evidence
Rites and rituals	Public and formal level communication, in relation to reward	How formal level communication is perceived by different groups *Multiple cultures*	Conflicts and contradictions
Processes of change in relation to reward	What are managers seeking to achieve? *Do managers see reward as a level of organisational change?*	How is planned change received by various groups within the organisation? *Is there resistance to change?* *How is it manifested?*	What are the areas of difference? Can a deeper and longitudinal analysis clarify the picture?

Topic Guide for fieldwork interviews specific additional question areas:

A Senior managers:

Reward policy documents and communications to staff What mangers are seeking to achieve in the respective documents, what messages are they seeking to convey
How do managers describe their reward decision-making process in the organisation.
What do managers see as the role of unions and collective bargaining?
Do managers see a need to involve line managers and/or employees in pay decision process? What involvement do they think is right?
Reward managers views on transparency and openness of the pay and reward decision-making processes
What are managers' views on fairness and equality of pay
Which employee behaviours do managers intend should be valued with the reward system
What do managers' believe about reward and how it is used in the organisation
What do managers see as the role of employee recognition and the symbolic function of pay and benefits
What are the formal levels of communication, in relation to reward ?
What are managers seeking to achieve when changes are made in the reward system or process ? Do they see these as related to the organisational culture? In what ways?

A Employees:

How do employees perceive and react to the communications from managers on pay? Do employees see any conflicts in the information/ statements/communications from senior management? Do you believe important information left out ?
How do employees see the decision-making process on pay
How do employees views the role of union representatives
How are employees involved in the pay/reward decision-making process/ How do they feel about that?
How open or transparent do employees believe pay and reward processes are?
What expectations do employees have of the reward system in terms of capacity to provide recognition, promotion prospects, career development, feedback and meaningful work, as well as cash
What do employees feel about commitment to their jobs/roles in general?

What do employees feel about performance pay?
What status distinctions between employees in relation to reward do employees perceive?
Do employees feel different groups of people in the organisation feel the same or differently about pay/reward to themselves; to what do they attribute any perceived differences?
Would employees be receptive to changes in the reward system? How do they feel about change?
How fair and equitable do employees feel the current pay/reward system and processes are? Are there any areas in which they perceive inequality/inequity?

Appendix D

Samples within the four case study organisations

Case study 1 interviewees:

CEO	London	13/2/2009
Director of Delivery	London/North-East	12/2/2009
Chief Conciliator and TU rep - FDA	London	9/2/2009
Dir individual dispute resolution	London	9/2/2009
Director HR&Estates	London	23/2/2009
Director of Knowledge	London	12/2/2009
Regional Director Midlands	Birmingham	5/2/2009
Director National Helpline	London/Nottingham	17/2/2009
Director IT	Nottingham	24/2/2009
Dir operation policy & performance	London	12/2/2009
AD Midlands and FDA lead rep	Birmingham	26/2/2009
TU rep – PCS Chair	London	6/2/2009
TU rep PCS Branch Secretary	Birmingham	20/2/2009
TU rep	Cardiff	By phone 20/2/2009
Senior Adviser – grade 8	London	22/6/2009
Grade 8	London	11/5/2009
Grade 8 Mgr Ind Con	London	13/5/2009
Grade 8	London	22/6/2009
Grade 8 – Training	London	7/5/2009
Grade 8	Nottingham	19/5/2009
Grade 8	Nottingham	19/5/2009
Grade 8	Nottingham	19/5/2009
Grade 9	London	7/5/2009
Grade 9	Homeworker	11/5/2009
Grade 9	Nottingham	19/5/2009
Grade 9	Nottingham	19/5/2009
Grade 10- Helpline	London	7/5/2009

Case study 2 – interviewees

	Date interview	Analysis Code
Science Web Editor	11/2/10	Prof2FFem
Scientific Administrator	19/1/10	Mgt2AFem
Internal Auditor	19/2/10	Prof2Efem
Payroll Administrator	11/2/10	Sup1AFem
Major Relationships Mgr (Inds)	1/3/10	Prof2CFem
Head Information Nurse	15/2/10	Mgt3CMal
Lead XXXResearch UK Nurse	12/3/10	Mgt3DFem
Laboratory Manager	9/3/10	Mgt3BFem
National Events Manager	26/3/10	Mgt1Afem
Senior Business Analyst	17/2/10	Prof3BMal
Analysis Manager	19/1/10	Prof2DFem
OD Practitioner	19/2/10	Prof4AFem
Head of Learning & Development	1/3/10	Mgt3AFem
Analyst Programmer	2/3/10	Prof2BFem
Senior Team Manager	14/1/10	Mgt2BFem
Business Analyst	3/3/10	Prof2AMal
Drug Supply Manager	15/1/10	Prof3AMal

Case study 3 interviewees

Job	Tape	Date interview	Analysis Code
Consultant	27	6/8/10	ProfDmal
Technician		6/8/10	TechBmal
Consultant	30	6/8/10	ProfBfem
Support	34	18/8/10	SupAfem
Consultant	35	18/8/10	ProfFmal
Consultant	36	18/8/10	ProfGmal
Group leader	38	20/8/10	SMAmal
Consultant	37	20/8/10	ProfHfem
Technician	39	23/8/10	TechAmal
Technician	31	11/8/10	TechCmal
Consultant	32	11/8/10	ProfEmal
Consultant	33	12/8/10	ProfImal
Finance Director	25	28/7/10	TMAmal
Consultant	40	24/8/10	ProfAmal
Consultant	41	24/8/10	ProfCmal

Case study 4 interviewees:

Job	Tape	Date interview	Analysis Code
Lead Hand, Machine Shop	1	30/11/10	TechAmal
Aircraft Technician	2	30/11/10	TechBmal
Cell leader	3	30/11/10	SuperAmal
Engineer (grad)	4	30/11/10	ProfAmal
Engineer	5	2/12/10	Prof Bmal
Design Engineer	6	2/12/10	ProfCmal
Senior technician	7	2/12/10	TechCmal
HR admin	8	2/12/10	AdminAfem
Materials planner	9	2/12/10	ProfDmal
Team leader - engineering	10	13/1/11	ProfDfem
Sen Network Engineer – R&D	11	13/1/11	ProfEmal
Supply Chain Manager	12	13/1/11	MgtAmal
Materials planner	13	13/1/11	TechDfem
Project engineer (graduate)	14	13/1/11	ProfFmal
Marketing manager	15	13/1/11	MgtBfem

Appendix E

Consent and information form

Information for participants - employees

the
UNIVERSITY
of
GREENWICH

The culture and reward relationship. A comparative investigation of the linkages between organisational culture and reward policies and practices.

The aim of this research project is to develop understanding of the relationship between the organisational culture of institutions and their pay and other rewards. Pay and reward systems differ significantly between organisations and organisational culture is often said to be a major reason for these differences. The research is being undertaken for a part-time Doctorate at the University of Greenwich.

The research is studying the perceptions of managers and employees towards their organisations and their pay and rewards. Four organisations are being studied, of which your organisation has agreed to be one. It has been agreed by your organisation that I can conduct interviews with staff.

The interview will last no more than one hour and you will be provided with a guide as to the areas to be covered in advance of the interview. All interviews are confidential to the parties involved (i.e. yourself and the researcher) and no details of your responses will be divulged to your employer or anybody else. You are free to refuse to answer any question if you do not feel it appropriate to answer. With your permission I would like to record the interview but all interview recordings will be purely for the use of the researcher and will not be made available to anyone else. Individual participants in the research will receive a summary of the findings on completion of the work.

The planned outcomes of this research are part of Doctoral research undertaken under the direction of the Research Degrees Committee of the University of Greenwich, supervised by Professor Geoff White and Dr Celia Stanworth. If you have any queries about this research, you can contact myself (020 7911 5800 Ex 3152, mobile 07785 941395 or wrightan@westminster.ac.uk) or my supervisor, Professor White (020 8331 9016 or G.K.White@gre.ac.uk).

I am very grateful for your agreement to take part in the research.

Many thanks

Angela Wright

Interviewee's consent:

I understand the purpose and basis of this research interview and agree to being interviewed under the arrangements outlined.

Signature:

Appendix F

Overview of documentary analysis

In each case study organisation, organisational documents and internal communications concerning both issues relating to reward and to what might be relevant to identifying cultural patterns were sought for analysis. A very limited number of sources were in practice available, because of the general secrecy on pay matters in three out of the four cases.

<u>In Case study 1</u>

Staff handbook and Internet/Intranet extracts

Trade union circulars

Corporate information on services provided and changes introduced (as these had an impact of the roles and responsibilities of staff and the corporate context)

Published information on the organisation – annual reports

<u>In Case study 2</u>

Staff information on terms and conditions

Internet/intranet sources

Annual report

<u>In Case study 3</u>

Sample letter (on salary review)

Information on share schemes

<u>In Case study 4</u>

Booklets and training materials on the corporate culture

Internet information on the reward package at the company