

SUBJECT

cc Master
and Pat

NOTE FOR THE RECORD

Sir Ray Pennock called on Wednesday, 2 December, at 5.30 for a short general discussion with the Prime Minister.

Sir Ray gave an account of the CBI Conference last month. It had been much the best Conference they had had for a number of years, although it had not received much publicity, because it had been overshadowed in the Press by the events at that time at BL.

There was a general discussion of the economy.

The meeting ended at 6 o'clock.

MUS

4 December, 1981.

Monday November 30 1981

Management by consent

SIR RAYMOND PENNOCK, president of the Confederation of British Industry, was right last week to stress the need for companies to increase employee involvement and to warn them not to rely too much on changes in labour law. It is a message which needs to be repeated frequently in the coming months when companies slowly begin to emerge from the bottom of the recession. At this time they will need the co-operation of their workforces for smooth, efficient production—otherwise they may find many of the gains they have made by slimming down and modernising their operations in the past year or two are lost.

Docile

During the recession many companies have increased their communications with employees—either to prepare them for possible cuts and closures—or to pave the way for low pay rises. For the first time for many years employees have also become more aware of the commercial facts on which their jobs depend.

Managements should not believe, however, that employees' more docile attitudes, which have been bred mainly by fear of unemployment, automatically indicate a permanent acceptance of economic realities or a permanent willingness to co-operate with management decisions. Equally, companies should not suppose a few exercises in communication carried out in the past year will have a lasting effect.

Sir Raymond made his remarks to accompany publication of a CBI survey which showed that companies have engaged in far more communication and consultation in the past two or three years. The survey findings could easily be exaggerated, however, and Sir Raymond stressed the real message is that far too little is still being done in most companies.

The survey was answered by fewer than half the 1,000 companies contacted. Only a tiny proportion of chief executives and managers involved thought there had been a definite improvement in practices. In more than half the cases, however, companies had impressed their employees with a more participative and more open approach. There was a general acceptance by senior executives of the importance of communication and consultation.

Between 80 per cent and 90 per cent of the managers felt

increased employee involvement had led to tangible gains in performance. Most of this improvement was on labour-related matters, such as more realistic pay-bargaining and improved morale. It also extended (with lower percentages), however, to acceptance of new technology, improved quality and consumer service, reduced energy usage and lower scrap rates. It is when a company can measure the success of its approach to employee involvement in these practical terms that it can be sure it is making permanent progress.

One is not arguing here for soft management, nor for the creation of endless committees which can slow down decision-making. The reassertion of managerial authority in the past couple of years has in many ways been a healthy development: it has enabled tough and necessary decisions to be implemented. An insensitive use of management power, however, is certain to breed resentment among employees—a resentment which will be exploited by trade unions when the recession ends.

Usurp

There are also political and social dimensions to this subject. The tide that swept the Bullock proposals on industrial democracy into a major issue has not receded forever. The Trades Union Congress intends to reopen the debate. Proposals now being processed by the European Parliament will also soon reactivate arguments about the role and content of legislation on the issue of participation.

Employees, whether they are shop-floor workers or highly-paid professional staff, are slowly demanding a greater say in the affairs of their companies. Most of them do not want to usurp their managers' authority; but they do want their views to be heard and taken into account, sometimes by the boards of holding companies as well as by their nearest line managers.

The remarkable increase in management buy-outs, sometimes involving workers as well as managers, reflects the desire for people to have more influence over the decisions which affect their working lives. The challenge now is for companies to find ways of basing their new found managerial authority on the involvement and support of their employees.

FT LEADER

Monday

30

November

1981



10 DOWNING STREET

Prime Minister

You may like to look at
the summary on p 1 ^{inside front cover} and, if
you have time, at the economic
assessment on pp 2-4. (You
are seeing Ray Pennocke on
Wednesday)

Not too bad.

MUS 27/11

A handwritten signature in blue ink, appearing to be 'MUS'.