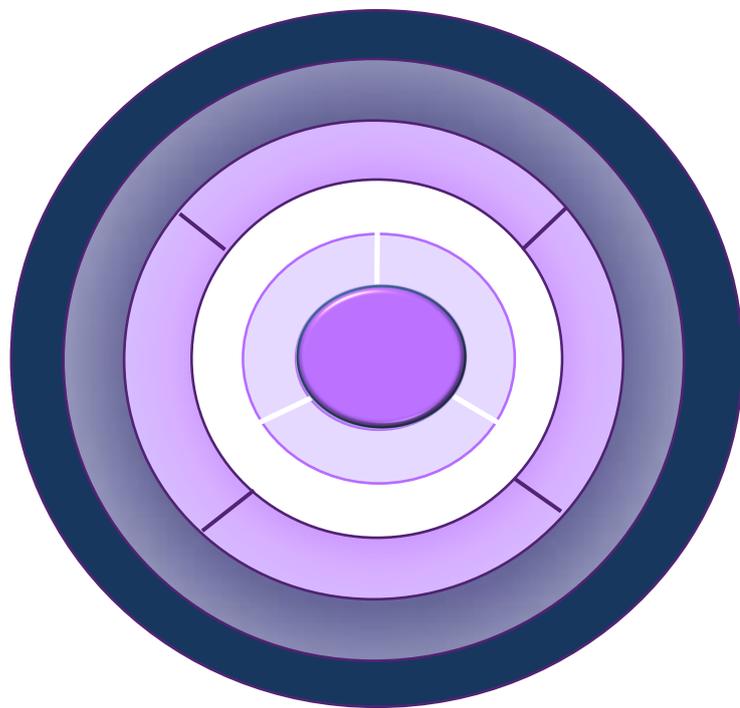


# Rethinking employee voice

Voice at BAE Systems



tomorrow's  
company

# Voice case studies overview

We want to understand the value of employee voice to both employers and employees in companies operating within the UK.

Although the literature, and in particular the WERS survey, shows the spread of voice across UK workplaces, and the number of voice practices in workplaces, it is not able to show the relationship between different voice mechanisms, the organisational culture and the perceived value of voice to workplace actors. Moreover, the pace of change within UK workplaces has meant that the academic literature has yet to fully capture recent innovations in voice such as the introduction of legislation requiring greater consultation and the continued expansion of online communication and the spread of social media.

The case studies, therefore, enable us to firstly map some of the voice arrangements deemed to be effective for employers and employees in different sectors of the economy. Secondly, they will allow us to explore some of the dynamics between the different voice mechanisms and also the cultural context in which they exist, including management approaches.

The case studies are not intended to be representative of the UK economy, nor of UK practice. They are explicitly designed to identify good practice, by which we mean practice that is seen as valuable to employers and employees.

In particular we aim to understand:

- What structures and cultures a range of different organisations have in place to harness employee voice
- What factors enable and inhibit employee voice
- What benefits are associated with employee voice
- Whether there are any tools or techniques that can be applied in other companies.

# Part 1: Introduction

This case study describes the structures and underpinning culture of employee voice at BAE Systems. It also explores the values placed on voice by both the business and employees and identifies the factors that inhibit and enable it.

BAE Systems is a prominent global provider of defence and security products. Overall, BAE Systems employs around 90,000 staff, based mainly in the six home markets of the UK, the United States, Australia, India and Saudi Arabia. The following case study focuses on their operations in the UK.

|                                     |                     |
|-------------------------------------|---------------------|
| Employees (as of Dec 2011)          | 88,700              |
| Proportion of male/female employees | 85% male/15% female |
| Employee turnover in year to date   | 2%                  |

## Part 2: Background of voice at BAE Systems

The senior leadership at BAE Systems fully understand the potential of employee voice. Alongside the other enablers of employee engagement, they see voice as fundamental to the performance and success of the business.

BAE Systems understand that through facilitating employee voice, they can increase levels of engagement, allowing them to get the most out of their employees and thereby drive performance. As Cate Prescott, Head of HR – IS Business Information & Transformation identifies, *“if you’ve got people who bring their whole self to work – body, mind and spirit rather than just their body, you get a higher level of contribution. That said, you can metricate the body – it’s measured in absence statistics but it’s much harder to know what percentage of a person’s mind and spirit they give to you or the organisation on a daily basis”*.

BAE Systems see voice as important for a number of reasons. First, as Cate Prescott explains, voice helps people *“understand, give and value their contribution within the wider organisation”*. At BAE Systems, they believe that by having a culture of two-way communication where people know their views are both sought and listened to, employees are more likely to show *“enthusiasm, drive and energy”*.

Furthermore, given the high-tech and competitive industry within which BAE Systems operate, innovation is essential. BAE Systems recognise that employee voice is absolutely crucial for innovation. As Cate Prescott explains, it is *“all about continuous improvement – our employees are the best people to tell us how to improve the jobs they do on a day to day basis, we as Managers have to help to enable that”*. The importance of engagement to innovation is demonstrated in the Working Practice Change programme described below.

BAE Systems recognise that employee voice is vital in terms of change management. The organisation works in an industry which is fast moving, globally competitive and facing considerable challenges as spending on defence is reduced across the world. In such an environment, organisations need to be nimble, flexible and fast moving; adapting to changes in the industry to win business and stay ahead of their rivals. Given this, senior managers at BAE Systems need to access and understand employee voice in order to manage this inevitable change whilst maintaining organisational health.

Finally, as Alex Lewis, HR Director for Employee Relations and Engagement explains, the understanding of engagement at BAE Systems has *“matured”* in recent years. Whereas previously the organisation relied too heavily on engaging through collective voice and through on top-down and one-way communication, they now use a variety of channels for employee voice.

Individual voice at BAE Systems is now strong and well defined. The organisation works directly with its employees to ensure they understand the aims of the business and the market in which it operates. Staff are also supported to engage in the decision making process on the future of the organisation. In addition to individual voice, the BAE Systems also looks to engage with staff on a collective level to facilitate voice.

Employee voice at BAE Systems is seen as integral to what Alex Lewis describes as the company’s strategy to deliver ‘Total Performance’. He argues that it is vital to

*“build trust between each other and in our extended enterprise and foster adult relationships of mutual respect, listening and empathy”.*

Voice is not seen in isolation at BAE Systems, but as an inseparable part of the wider engagement picture. They recognise that voice is vital, but it must be complemented by the other enablers of engagement – a strategic narrative, engaging managers and organisational integrity. As Alex Lewis explains, *“voice is powerful only when done alongside the other three enablers but not in the context of being done in a stand-alone way. If you don’t have integrity and engaging leaders, voice can be negative as you raise expectations that are not delivered.”*

BAE Systems and Ian King, the CEO, are both sponsors of the Government’s Employee Engagement Taskforce. They have made considerable progress and demonstrated some innovative practice in terms of facilitating employee voice.

## Part 3: Voice at BAE Systems

The approach to Voice at BAE Systems is wide-ranging and tailored to the needs of the business. Working in a fast-moving, competitive and high-tech industry, BAE Systems needs a workforce that can compete, adapt and innovate. They see employee voice, alongside the other enablers of employee engagement, as vital to delivering this.

Although there are forums for collective voice at BAE Systems, there is a recognition of the crucial importance of individual voice. As Cate Prescott explains, management at BAE Systems are keen to *“engage on a person-to-person basis [with employees] and speak to them as individuals”*

The employee voice picture at BAE Systems starts therefore with the individual day-to-day relationship between managers and their employees. There is a recognition that employees are best placed to understand their job and how to improve productivity. Managers listen to staff through weekly and even daily meetings, getting real time updates on their work, so that they are able constantly to redesign processes and drive up productivity. These conversations also provide a context in which managers can assess the mood and morale of the workforce, responding to it accordingly.

Another way in which managers access this individual and direct employee voice is through their staff survey. Their newly introduced Great Place Trust Index builds upon previous Employee Opinion Surveys and will cover all employees and helps give them a level of understanding as to what their staff say is important to them. Results are broken down to the team level and communicated back to managers and employees. Managers have responsibility to work on the results with their employees and develop action plans to build on strengths and tackle problems.

In addition to this well-defined individual voice, BAE Systems also facilitates collective voice. The company has traditionally been relatively well-unionised. Currently around 70% of its employees in Britain are members of a Trade Union. Given this high membership rate, the unions are seen as a significant part of the employee voice picture.

The membership is spread across a number of different unions, with the majority being in either GMB or Unite. For ease of negotiation, the unions are brought together under an umbrella group, The Confederation of Shipbuilding and Engineering Unions (CSEU), which represents all of the members within BAE Systems.

The relationship between BAE Systems and the unions that represent their staff is, according to Cate Prescott, well-established and productive. When it is working well it is characterised by *“honesty, openness and trust”* from all parties.

### Working Practice Change

The Employment Retention Scheme (ERS), described below, is a good recent example of where employee voice played an important role in protecting jobs and ensuring the success of BAE Systems going forward.

But this partnership working was only possible as a result of the good relationship between BAE Systems and its employees and between the organisation and the union. As Cate Prescott explains, the ERS *“built on a journey with our trade unions which was commenced during Working Practice Change”*.

But these relationships were not always productive. Working Practice Change (WPC) was a process undertaken at BAE Systems' Warton Unit, including the plants at Warton and Samlesbury. Introduced in late 2009, it aimed to embed a culture of continuous improvement and provide a progression scheme staff.

Previous attempts to modernise ways of working before WPC had been unsuccessful. In addition, a recent pay deal had been rejected by staff. This had left a very unproductive and strained relationship between individual AMMSS workers and the union on the one hand; and the managers and supervisors on the other. In the words of one manager, the site represented *"a hotbed of industrial unrest and low productivity"*. As one employee explained, the failed efforts to modernise and the rejected pay deal *"left a bad taste in the mouth"*. This was echoed by a Union Rep who recognised that the site was *"stuck with an old model and an old way of doing things... No-one was happy, no-one felt engaged."* This relationship between management and employees – both individual and collective – had to be addressed if there was to be any progress on improving productivity.

The success of the programme was based on an understanding of why previous efforts had failed. Whereas in the past there had been insufficient detail, managers wanted to ensure that in developing WPC, all parties would understand what the changes meant for them. Communication was regular, broad and detailed with employees at all levels kept up to date.

Success also depended on convincing employees of the need for change. To overcome the inertia of established methods of working, BAE Systems sought to convince staff of the challenges facing the business, the 'strategic narrative' and the future of BAE Systems. Senior management invested a significant amount of their time over a period of 9 months to make this happen. This included speaking to all parts of the business and delivering sessions that explained the situation to employees. This allowed individual employees to better understand the business and it *"gave them a level of control over their destiny. WPC belonged to them and they were able to influence it."*

As well as helping individual employees understand the process, the managers at BAE Systems were determined also to build new relationships with the union based on honesty and openness. They approached the changes as a conversation, not a negotiation. As Mark Gregory, the key contact at BAE Systems with the union explained, *"we proceeded through debate and dialogue, instead of confrontation and mistrust. There was no grandstanding. We came together with a common goal to make something happen, and both sides were determined not to let anything get in the way"*.

This approach was welcomed and reciprocated by the unions. Phil Entwistle, a local union rep explains that *"building up trust is a two-way street. Both sides had to listen both sides had to understand the other's point of view. Both sides had to be flexible"*. The development of mutual trust and respect enabled the two sides to work more effectively in the future, most significantly on the Employment Retention Scheme, described below.

But in addition to engaging through the union, BAE Systems were at pains to interact directly with staff on an individual basis. This recognised the desire of staff to be able to engage directly with managers, and to have an individual voice, rather than relying solely on intermediaries. Management produced targeted and informative Q&A documents that detailed the need for change, the proposals and the impacts. There were regular 'shed meetings' and 'brew room conversations' where managers and staff would come together to discuss the process and identify areas for improvement. Less formally supervisors and more senior managers held 'chats' with individuals and

did shop floor walks to gauge the mood. There was also a team board and an email suggestion box.

The principle was that all questions raised by employees – through whatever means – would be answered within one week. Managers would get together once a week to consider all the questions that had been raised and provide a response that was both clear and consistent. As Alex Lewis explains, the regular exchange of questions and answers between employees and managers, enabled for the development of a more trusting relationship.

In terms of actually identifying improvements to working practice, managers pulled together small and multi-disciplinary teams from all levels. These included senior managers, supervisors, engineers, union reps and shop floor workers.

It is possible to identify some key success factors of WPC. First, management, employees and the union managed to establish trust-based relationships. Having a professional approach was key to this. There was a focus on understanding, listening and joint problem solving between the parties.

Second, the approach of engaging on different levels was highly effective. They preserved a positive relationship with the union whilst also engaging directly with staff, both those who union members and those who were not.

WPC achieved and indeed exceeded its stated goals. Through involving staff, £26m of improvement opportunities were identified by the shop floor and the amount of worker hours required to build each plane fell by over 25%.

In addition to these tangible benefits of innovation, there were many more indirect wins that came out of WPC. It had a significant impact on team morale. As Mick Darlington, a senior union steward in the Electrical building explained; *“the lads did it themselves – a complex piece of work developed and delivered by the shop floor. There’s huge pride in the quality of the process and the work.”* There was also a reduction in sickness absence and workplace accidents. All this demonstrates the power of employee voice.

In addition to showing the power of employee voice, WPC also demonstrates the importance employee engagement more widely. The success of WPC helped create the ‘strategic narrative’ at BAE Systems. Alongside voice, the strategic narrative represents another enabler of employee engagement identified in the McLeod Report. WPC showed that employees would be consulted and involved in key decisions, that they were central to the business and that their views and opinions were highly valued.

In addition to setting out this strategic narrative and enabling employee voice, WPC also encouraged and indeed forced line managers to engage with their teams. Again, engaging managers is another of the key enablers identified by McLeod.

## The Employment Retention Scheme

The Strategic Defence and Security Review (SDSR) of 2011 represented a massive challenge for BAE Systems. The cuts it introduced into defence spending led to around 3,000 job losses in the following year, mainly through voluntary means but inevitably there were some compulsory redundancies. The SDSR was a particular challenge for the Military Air and Information (MAI) section, which was faced with having to make considerable savings in a short period of time.

The challenge was particularly significant at the Warton Unit which faced losing 564 workers. The senior managers, the unions and the employees were all desperate to avoid compulsory redundancies. In the words of Claire Winder from the HR Team, *“we were all trying to work towards the same outcome”*. But all of them expected that given the size of the challenge, some would be inevitable.

A consultation period began in September. This involved following pre-existing jointly agreed best practice guidelines to mitigate the impact of the budget cuts; for example by bringing work in-house and reducing over-time. At this point the Union, led locally by the Works Convenor Phil Entwistle, approached managers and offered the potential for a mitigation agreement. This would involve a 35hr week or unpaid leave in order to avoid redundancies. This was initially rejected given the scale of the savings they needed to make. It still appeared that compulsory redundancies were unavoidable.

In January, the consultation was extended. The number of compulsory redundancies being faced was progressively reduced by their success in bringing business back in-house and identifying voluntary redundancies. As this happened, more teams were told they were safe as the pool of those at threat of redundancy shrunk. It was at this point that mitigation was again raised as a potential option. The union argued that if each member of staff agreed to take off one day in twenty as unpaid leave, this would avoid the need for compulsory redundancies. What became known as the Employment Retention Scheme (ERS) would be used for a maximum of two years. At this point, the management began to see mitigation as a viable option and it was decided to put this to the workers.

All through the consultation process, there was constant communication between management and the unions. Building on the mutual trust developed during WPC, they held regular meetings at which they openly discussed the options available. The relationship remained strong throughout this period, benefitting from the fact that both sides had *“a joint agenda and a shared view”* with minimalising compulsory redundancies being the absolute priority.

In keeping with their focus on individual voice, there was also constant communication with individual employees— both union members and non-members. BAE Systems produced weekly updates that were distributed to every member of staff, giving them the latest information on the consultation process and seeking their views. These bulletins were clear and effective. They outlined the challenge facing the company, what this meant for the plants and individual teams, and what was being done to manage the impact.

In addition to these written updates, BAE Systems got together a group of Key Communicators from across the organisation. They were not necessarily managers – they wanted to avoid a hierarchical approach – but were people who were well known and connected within the organisation. These people attended briefings with senior managers and were encouraged to spread the word and seek feedback from colleagues. Managers were also given responsibility for engaging with their employees and were given help to do so.

Management at BAE Systems were well aware of the difficult decision that the ERS posed to staff and to their families. Employees would have to decide whether or not to accept losing a day's pay a month in return for avoiding redundancies. BAE Systems were keen to help employees manage difficult 'dinner table conversations' with their families around ERS. This was about equipping them with details on why changes were necessary, why this option had been chosen, and the impact of the changes.

This was done largely through the production of 'chatty' Q&As that listed all the likely questions employees – or their family – were likely to be asking. These were handed out in brew rooms to help employees with their conversations both in home and at work. Anecdotally, following the production of the sheet, there was far less confusion and fewer questions raised about ERS. As with WPC, all queries or issues raised by employees were answered within a week.

BAE Systems were careful to give all members of staff a voice, not just those who were affected by the changes. As teams became safe and dropped out of the consultation, they remained involved. This was important as the process could be very unsettling for employees; even if they were not directly threatened.

After a long process of consultation between BAE Systems and the union, and directly with individual members of staff, the unions took the proposals for the Employment Retention Scheme (ERS) to their members. For those under threat of redundancy, including experienced Fitter, Andy Abbott, the ERS was *"a no-brainer"*. But it was more controversial for the majority of members who, by the time of the vote, were no longer under threat of redundancy themselves. The union rep, Phil Entwistle, visited every single team, both those who were affected and those who weren't, to explain the situation and gauge their opinions. Phil explained that it would be *"a small loss for a long term gain. I got some stick about it but I think people understood we were doing things for the greater good"*. Clair Winder acknowledges the importance of the Union in these negotiations. They explained the changes clearly and provided *"immediate feedback for anyone who still had concerns"*. The choice was whether they were willing to sacrifice a day of work each month to protect the jobs of their colleagues.

The results were resounding; out of almost 2,000 employees who attended the meeting to decide, just 6 voted against the ERS. As Cate Prescott explains, although some employees who had a right to vote were not threatened with redundancy, *"there was a collective feeling that prevailed. The collective needed their support. It really was employee power"*. In the words of Phil Entwistle, *"it was a great show of trade unionism and solidarity. As far as the union is concerned it's probably the proudest moment I've ever had"*. This was echoed by one of the employees: *"I was asked by a reporter whether I was euphoric and I replied 'How can you not be?' Between us we had just saved 150 jobs. It was a great feeling"*.

# Part 4: Factors influencing voice at BAE Systems

## Innovation

As mentioned above, the nature of the industry which BAE Systems works in makes employee voice absolutely essential. The defence industry is hi-tech, competitive and constantly evolving. To compete in the global market, companies need to innovate constantly.

Employee voice can be central to this innovation. Employees best understand their role and the processes involved; they are best placed to see where they could innovate to increase efficiency or improve their products.

BAE Systems are keenly aware of the role of voice in driving innovation and their success in this area. Their success in this is demonstrated by Working Practice Change. Through engaging with their workforce, giving them a voice and encouraging them to innovate, they unleashed their pent-up creative potential. It produced a flood of new improvements that generated significant savings. As Neil Sheehan one of the Union Reps explained, there was so many that it *"took ages to get through them."*

## Change

As well as being a hi-tech industry, defence is also a rapidly changing industry. Faced by the global economic crisis, many countries have significantly reduced defence spending over the last few years, creating a more difficult and competitive market. This has been a challenge to all contractors, including BAE Systems, and they have had to change their business to make it more lean, modern and fit for purpose.

First, employees are not always aware of the need for change. Voice can help here by educating the workforce, convincing them of the need for change, and overcoming inertia and by giving them ownership of the process. Through developing the workforce's understanding of the business reality, voice can sell the case for change.

When there is change and re-structuring within an organisation, it can be unsettling to employees, affecting levels of employee engagement and, therefore, productivity. At such times, employee voice is more important than ever. It enables the business to make decisions that are better informed by the expertise of their employees. It also helps employees feel they have had an input into the decisions being made, making them part of the change process rather than being the passive victims of it.

The negotiations that led to the Employment Retention Scheme is a classic example of how effective employee voice can be during times of change. Management engaged with employees to convince them of the need for change. Once this was recognised, they then involved them in the decision making process which ensured that the outcome was both right for the business and readily accepted by employees.

## Trust

Voice at BAE Systems is inextricably linked to trust. They recognise that both engagement and employee voice rely on the presence of trust.

On an individual level, employees will only speak out if they feel that it is safe for them to do so, and that their opinions will be listened to, valued and acted upon. This was clearly lacking before WPC, when staff were unlikely to come forward and suggest improvements to working practice. This has since been turned around. Having staff engaged and contributing to constant improvement has significantly improved innovation productivity.

Similarly, on a collective level, voice is only effective when there is a constructive relationship based on mutual trust between employer and staff. Whereas the relationship between BAE Systems and CSEU had previously been characterised by mistrust, it is now much stronger. The mutual respect and good working relationship enabled the two to work together on the ERS to protect jobs.

## Working in partnership

BAE Systems has a high level of union membership and the union plays an important part in facilitating employee voice. Building on the success of WPC, the relationship between the senior leadership at BAE Systems and the union leadership at CSEU is now both professional and productive. Both sides recognise that they have a common interest – helping BAE Systems stay successful and competitive. Both also recognise that employee voice is absolutely crucial to this.

Whilst working to represent its workers, the union also plays a positive role in supporting the business, as demonstrated in their considerable contribution to developing the Employment Retention Scheme at Warton and Samlesbury

## Engaging on multiple levels

However, as well as engaging with employees through their union, BAE Systems are also keenly aware of the need to engage more directly with employees on an individual level. They access employee voice through their Great Place to Work staff survey, through meetings with employees, and through the day-to-day relationship between managers and their staff.

This allows for a more direct relationship between the company and its employees and satisfies the desire of employees to have an individual voice in addition to union representation. It also enables the senior leadership to access voice from non-unionised staff so that all are heard.

## Part 5: Benefits

BAE Systems recognise significant benefits from accessing employee voice. It helps maintain and strengthen their position in what is an increasingly competitive market. Through facilitation employee voice, BAE Systems are able to encourage innovation, to drive productivity and to manage change.

The Working Practice Change programme undertaken at the Warton site shows the importance of employee voice in terms of driving productivity. Through engaging with their experienced and highly skilled members of staff, BAE Systems were able to identify significant improvements to the production process, greatly increasing efficiency. Shop floor staff themselves identified £26m of improvement opportunities and reduced the number of man hours required to build each plane by a quarter.

Facilitating employee voice also helped lay the foundations of a more productive and progressive relationship between members of staff and management, and between the union and BAE Systems itself.

Similarly, the Employment Retention Scheme demonstrates the benefits of facilitating voice. The massive cuts in the Strategic Defence and Security Review to programmes BAE Systems relied upon raised the threat of hundreds of job losses at Warton and Sablesbury. Through systematically engaging with staff on an individual and collective level; through keeping them informed; and through involving them in decision making; BAE Systems were able to reach a resolution which allowed them to adapt to the tough new circumstances whilst protecting jobs.

This was a win:win scenario for employees and the Company. BAE Systems were able to retain scarce capabilities for future work without making any compulsory redundancies whilst still making the necessary cost savings required.

## Conclusion

BAE Systems recognise the fundamental importance of employee voice. There is commitment to voice throughout the organisation and their actions match this. Encouraging employee voice enables them constantly to improve their ways of working. Through facilitating and informed employee voice, BAE Systems have helped their employees develop a better understanding of the business (establishing understanding of the strategic narrative), the pressures on it, and their role in making it a success. And through accessing voice, BAE Systems is able to make well-informed business decisions whilst taking their staff with them even during difficult times.

Their approach works on multiple levels. There is a strong focus on individual voice. BAE Systems believe that voice is about connecting with individuals and providing them with an opportunity to be heard. However, alongside this exists an appreciation of the role of collective voice in a well-unionised workforce. BAE Systems have worked hard with the CSEU and they have developed a progressive and positive relationship with the union.

Their commitment to employee voice is complemented by their consistent focus on the other enablers of employee engagement. Alex Lewis recognises that without these other enablers – a strategic narrative, engaging managers and organisational integrity – voice will not be effective and may just engender cynicism.

Far from being a nice to have, having a strong employee voice enables BAE Systems to be flexible and to remain innovative and competitive; at the cutting edge of their industry.